



*Review of the Internal Revenue Service's
Purchase Card Violations Report and the
Status of Government Charge Card
Recommendations*

January 23, 2015

Reference Number: 2015-10-021

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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HIGHLIGHTS

REVIEW OF THE INTERNAL REVENUE SERVICE'S PURCHASE CARD VIOLATIONS REPORT AND THE STATUS OF GOVERNMENT CHARGE CARD RECOMMENDATIONS

Highlights

Final Report issued on January 23, 2015

Highlights of Reference Number: 2015-10-021 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

Federal audits of agency charge card programs have found varying degrees of fraud, waste, and abuse. On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), which reinforced Administration and congressional efforts to prevent fraud, waste, and abuse of Governmentwide charge card programs.

WHY TIGTA DID THE AUDIT

This audit was initiated because the Charge Card Act requires each agency with more than \$10 million in purchase card spending in the prior fiscal year to submit semiannual reports of employee purchase card violations and the disposition of those violations, including any disciplinary actions taken. Inspectors General must also report to the Director of the Office of Management and Budget 120 days after the end of each fiscal year on agency progress in implementing purchase and travel card audit recommendations. The overall objective of this review was to assess the IRS's implementation of and compliance with the law's requirements for the period April 1 to September 30, 2014.

WHAT TIGTA FOUND

TIGTA found that the IRS identified and reported 11 instances of confirmed purchase card misuse and three potential instances of purchase card misuse pending final agency action. The IRS prepared the Purchase Card Violations Report pursuant to the requirements outlined in the law

and in the Office of Management and Budget Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. The 11 confirmed purchase card misuse cases were all related to restricted or prohibited item purchases collectively totaling just more than \$600. In most instances, an oral counseling or cautionary letter was provided to the employee by the IRS in response to the charge card violation. In a small number of instances, the cases were closed without disciplinary action by IRS managers. TIGTA's independent review identified one additional case of potential purchase card misuse pending TIGTA investigation.

TIGTA also reviewed the IRS's current credit card guidance and determined that IRS policies and controls have been established that are designed to mitigate the risk of fraud and inappropriate Government travel and purchase charge card practices, including controls that address centrally billed travel card accounts. Finally, TIGTA reviewed a draft version of the Department of the Treasury Charge Card Management Plan and determined that it had been updated to require compliance with the Charge Card Act.

In Fiscal Year 2014, the IRS implemented five recommendations from two prior TIGTA reports of the IRS's charge card programs. One recommendation remains open. Implementation of these recommendations will further enhance the IRS's internal controls for its charge card programs.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations as a result of the work performed during this review. However, key IRS officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 23, 2015

MEMORANDUM FOR DEPUTY COMMISSIONER FOR OPERATIONS SUPPORT

FROM:

Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Review of the Internal Revenue Service’s
Purchase Card Violations Report and the Status of Government Charge
Card Recommendations (Audit # 201510010)

This report presents the results of our review to assess the Internal Revenue Service’s (IRS) implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012¹ for the period April 1 to September 30, 2014. This review is included in our Fiscal Year 2015 Annual Audit Plan and addresses the major management challenge of Fraudulent Claims and Improper Payments.

The Treasury Inspector General for Tax Administration made no recommendations as a result of the work performed during this review. However, key IRS officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.

Copies of this report are also being sent to the IRS managers affected by the report. If you have any questions please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).

¹ Pub. L. No. 112-194 (Oct. 2012). On September 6, 2013, the Office of Management and Budget issued Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. On November 18, 2013, the General Services Administration issued Smart Bulletin No. 021, *OMB Memorandum M-13-21 and Charge Card Compliance Summary*, which included a summary compliance checklist for agency use and sample reporting templates.



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Abbreviations

ALERTS	Automated Labor and Employee Relations Tracking System
AWSS	Agency-Wide Shared Services
CCS	Credit Card Services
CFO	Chief Financial Officer
FY	Fiscal Year
IRS	Internal Revenue Service
JAMES	Joint Audit Management Enterprise System
OMB	Office of Management and Budget
TIGTA	Treasury Inspector General for Tax Administration



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Background

Government purchase cards are an affordable and convenient means for making electronic payments, and according to the Internal Revenue Service (IRS), between April 1 and September 30, 2014, the IRS purchase card program included 3,340 purchase cardholders. These purchase cardholders made more than 44,000 purchases totaling almost \$18 million with their purchase cards. Additionally, cardholders with the authority to write convenience checks (a program administered by IRS's Credit Card Services (CCS) Branch as an alternative method of payment used with vendors who do not accept purchase cards for payment of good and services) wrote 164 checks totaling almost \$75,000.

The Federal Acquisition Regulation designated the purchase card as the preferred method for making purchases up to the micro-purchase limit.¹ In order to accommodate purchases from vendors who do not accept credit cards, the purchase card program also has a convenience check component. The Government Accountability Office has found that while the use of purchase cards has been credited with reducing administrative costs and simplifying the acquisition process, audits of agency purchase card programs have found varying degrees of fraud, waste, and abuse. Breakdowns in internal controls resulted in numerous examples of fraudulent, improper, and abusive purchase card misuse. In a prior audit of purchase cards, we found that while some controls worked as intended, the IRS's purchase card program lacked consistent oversight to identify and address inappropriate use.² However, in our most recent audit of the IRS's purchase card program, we found that the IRS had established policies and controls to mitigate the risk of fraud and inappropriate Government travel and purchase card practices.³ The instances of purchase card misuse we identified were minimal and all for nominal amounts.

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012⁴ (Charge Card Act), which requires all executive branch agencies to establish and maintain safeguards and internal controls for Government charge card programs. Additionally, agencies with more than \$10 million in purchase card spending in the prior fiscal year must submit semiannual reports of employee purchase card violations, the disposition of those violations, and any disciplinary actions taken. Because Government charge card program oversight involves multiple agency functions, successful implementation of the Charge Card Act requires collaboration between agencies and Inspectors General. The Charge Card Act

¹ The Federal Acquisition Regulation limits a single micro-purchase to no more than \$3,000 for goods, \$2,500 for services, and \$2,000 for construction. 48 C.F.R. §13.201(b) (Revised as of Oct. 1, 2013).

² Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2013-10-056, *The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use* (Jun. 2013).

³ TIGTA, Ref. No. 2014-10-048, *Review of the Internal Revenue Service's Purchase Card Violations Report* (Jul. 2014).

⁴ Pub. L. No. 112-194 (Oct. 2012).



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established additional reporting and audit requirements for certain Offices of Inspectors General, including the Treasury Inspector General for Tax Administration (TIGTA). The Office of Management and Budget (OMB) and the General Services Administration have issued guidance and templates for reporting violations.⁵

Additional requirements of the Charge Card Act include augmentation of existing internal controls. At a minimum, all agency charge card management plans are required to be reviewed and updated to reflect the following internal control activities related to centrally billed travel card accounts:⁶

- ***To prevent an individual from being reimbursed for a bill already paid by the Government*** by ensuring that agency officials who approve or settle official travel verify that charges paid directly by the Government to the bank are not also reimbursed to an employee or an employee's individually billed account.
- ***To prevent the Government from spending money on unallowable or erroneous charges*** by ensuring that the agency shall dispute these charges and track the status of disputed transactions to ensure appropriate resolution.
- ***To prevent the Government from spending money on unused tickets*** by verifying that the agency (travel management center or service or commercial travel office) submits requests to servicing common carriers for refunds of fully or partially unused tickets and tracks the status of these tickets to ensure resolution.

To ensure compliance with the Charge Card Act, each agency head is required to provide an annual certification that the appropriate policies and controls are in place or that corrective action has been taken to mitigate the risk of fraud or inappropriate travel and purchase charge card practices. The annual certification is included as part of the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982.⁷ In addition, each agency must continue to maintain and submit annually charge card management plans no later than January 31, as required by OMB Circular A-123, Appendix B,⁸ which provides guidance that establishes minimum requirements for Government purchase card programs and suggested best practices.

⁵ On September 6, 2013, the OMB issued Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, and on November 18, 2013, the General Services Administration issued Smart Bulletin No. 021, *OMB Memorandum M-13-21 and Charge Card Compliance Summary*, which included a summary compliance checklist for agency use and sample reporting templates.

⁶ Centrally billed travel card accounts are corporate accounts issued to an agency business unit that may be used only to pay for common carrier transportation when an employee is authorized to perform official travel but did not receive an individually billed account card (e.g., new employees who have not been issued a travel card or infrequent travelers). Centrally billed accounts are paid directly by the Government to the card-issuing entity.

⁷ 31 U.S.C. § 3512.

⁸ OMB Circular No. A-123, Appendix B (Revised), *Improving the Management of Government Charge Card Programs* (Jan. 2009).



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Within the IRS purchase card program, the Office of Procurement is responsible for providing policy guidance, and the CCS Branch⁹ is responsible for managing and providing oversight. In addition, the CCS Branch is responsible for tracking and reporting to the Labor and Employee Relations function¹⁰ (hereafter referred to as Labor Relations) instances of alleged inappropriate purchase card use as part of the process for determining and implementing the appropriate disciplinary action. The Chief Financial Officer (CFO) and CCS Branch share joint responsibility for the centrally billed travel card program. The CFO is responsible for program policy, while the CCS Branch is responsible for program administration and procedures.

Finally, because agencies should be aware of charge card audit findings and ensure that they are promptly resolved, Inspectors General must report to the Director of OMB 120 days after the end of each fiscal year on agency progress in implementing prior purchase and travel card audit recommendations.

The IRS inputs employee misconduct allegations, including those involving purchase cards, into the Automated Labor and Employee Relations Tracking System (ALERTS). The ALERTS records employee misconduct allegations and cases and management's responses. TIGTA's Office of Investigations maintains the Performance and Results Information System, which provides TIGTA with the ability to manage and account for the thousands of complaints received, investigations initiated, and leads developed from law enforcement initiatives. We reviewed charge card misuse data from each of these systems to ensure that the IRS had appropriately identified and reported all instances of misuse in its Purchase Card Violation Report.

We held discussions with and analyzed information obtained from Agency-Wide Shared Services (AWSS) and CCS Branch management and staff located in Jacksonville, Florida; Atlanta, Georgia; Cincinnati, Ohio; Nashville, Tennessee; Seattle, Washington; and Washington, D.C.; Human Capital Office Labor Relations management and staff located in Laguna Niguel, California, and Washington, D.C.; and the Office of the Deputy CFO located in Washington, D.C., during the period October 2014 through January 2015. It is important to note that the IRS and TIGTA reviews relate to the proper identification and reporting of known cases of purchase card abuse. Uncovering fraud and abuse not identified by the IRS systems and management controls were beyond the scope of this audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our

⁹ The CCS Branch is a part of the Employee Support Services function within the Agency-Wide Shared Services function.

¹⁰ The Labor and Employee Relations function is a function in the Human Capital Office within the Workforce Relations Division. It is the IRS office responsible for advising and supporting managers on employee conduct and performance matters.



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audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

Implementation of and Compliance With the Government Charge Card Abuse Prevention Act of 2012 Requirements

Semiannual report on Internal Revenue Service purchase card violations and action taken by Internal Revenue Service management in response

TIGTA found that the IRS identified and reported 11 instances of confirmed purchase card misuse and three potential instances of purchase card misuse pending agency final action in its Purchase Card Violations Report. TIGTA's independent review identified one additional case of potential purchase card misuse pending TIGTA investigation.¹¹ The IRS prepared its Purchase Card Violations Report pursuant to the requirements outlined in the Charge Card Act and in OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. A copy of the IRS's Purchase Card Violations Report is in Appendix IV.

The confirmed purchase card misuse cases generally involved prohibited item purchases of over-the-counter medications, food, coffee, plastic cutlery, plates, cups, and napkins. At the time of our review, the IRS prohibited purchase policies were unclear on the appropriateness of using a Government purchase card to procure over-the-counter medications for the purpose of restocking office first aid kits. As a result, employees were not required to reimburse the Government for these types of purchases. The IRS told us that prohibited purchase policies are in the process of being updated to add needed clarity on these items. The cost of the 11 confirmed purchase card misuse cases collectively totaled just more than \$600. In most instances an oral counseling or cautionary letter was provided to the employee by the IRS in response to the charge card violation. In a small number of instances the cases were closed without disciplinary action by IRS managers. Finally, responsible cardholders allegedly altered recurring orders and added unapproved items without first obtaining manager funding approval in two of the confirmed cases and in one of the cases pending investigation.

TIGTA reviewed the IRS's Purchase Card Violations Report, the methodology the IRS used to identify purchase card violations, and related supporting documentation. TIGTA's Office of Audit also reviewed information provided by TIGTA's Office of Investigations on completed purchase card abuse investigation cases and complaints occurring during the review period. In

¹¹ Because the IRS does not always have access to all case and complaint information contained in the Performance and Results Information System database, discrepancies in reportable figures may occur for this particular category (pending investigation).



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addition, we followed up on the status of six cases previously reported as pending investigation in our prior review. Five of these cases have subsequently been confirmed with three of the cardholders receiving counseling, and two cases closed without management disciplinary action in response to their purchase card abuse. One case is still pending final resolution.

Review of the Annual Assurance Statement and Department of the Treasury Charge Card Management Plan

TIGTA reviewed the IRS's Fiscal Year (FY) 2014 annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 (due annually on October 1) and determined that it had been updated by the IRS, as required, to state that appropriate policies and controls were in place to mitigate the risk of fraud and inappropriate Government charge card practices. We reviewed a draft version of the Department of the Treasury Charge Card Management Plan and determined that it had been updated to require compliance with the Charge Card Act as implemented by OMB M-13-21. The Charge Card Management Plan is not yet finalized and was still not available during our review period as a final document. As a result, we plan to review the Charge Card Management Plan (to ensure that it has been updated to include the new controls over travel cards required by the Charge Card Act) in our next semiannual report due in July 2015.¹²

We also reviewed the IRS's current charge card guidance and determined that policies and controls were in place to mitigate the risk of fraud and inappropriate Government travel and purchase charge card practices, including internal controls that address centrally billed travel card accounts. For example, the IRS stated that it currently runs ticket purchase reports from its travel management system to track the status of outstanding unused tickets, non-refundable tickets, and centrally billed account refundable tickets. The IRS stated that it is also planning to implement additional internal oversight reviews of unused tickets charged to its centrally billed card accounts. These new reviews are planned subsequent to finalization of the Charge Card Management Plan. However, testing the implementation of those controls was outside the scope of this review.

We will monitor the IRS's updates to its oversight reviews with respect to compliance with the Charge Card Act in our future audits.

Status of the Internal Revenue Service's Implementation of Treasury Inspector General for Tax Administration Audit Recommendations Related to Government Charge Cards

We identified a total of five TIGTA audit reports related to IRS purchase and travel cards issued over the past five fiscal years (FYs 2010 to 2014). These reports contain 33 recommendations

¹² The Department of the Treasury did provide TIGTA with a draft version of their FY 2015 Charge Card Management Plan.



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and 39 planned corrective actions proposed by the IRS in response to those recommendations. TIGTA did not conduct any audits related to IRS charge or travel card programs in addition to its semiannual audits for the Charge Card Act in FY 2014.

We previously identified six TIGTA recommendations scheduled to be implemented by the end of FY 2014 in two prior TIGTA reports.¹³ The IRS implemented five of the six recommendations before the end of the fiscal year. These recommendations will further enhance the IRS's internal controls for its charge card programs.

With respect to the sixth recommendation, in TIGTA's prior report on IRS travel cards, we reported that the IRS CCS Branch identified more than 1,000 cases of travel card misuse during FYs 2010 and 2011.¹⁴ The IRS lacked standard policies for referring employees who misused their travel cards to security personnel to determine if background checks, security clearances, and suitability for employment determinations required reevaluation.

TIGTA's concern is that personnel experiencing financial problems present a greater risk to the IRS, especially when occupying positions that provide them with access to sensitive information and taxpayer data. As such, TIGTA recommended that the IRS develop and implement a policy in which cardholders with evidence of significant personal financial problems (in this case associated with travel card misuse) including suspended accounts, issuance of nonsufficient funds checks, and charged off accounts, be referred to the IRS Human Capital Officer for a reevaluation of background investigations, security clearances, and suitability for employment.

In July 2014, the IRS requested that this remaining open recommendation be canceled, citing a lack of authority within the IRS to investigate employees after the first year unless it is associated with Federal guidance, such as five-year reinvestigations on high and moderate risk public trust employees or National Security clearance holders. TIGTA did not concur with the request to cancel the corrective action, and believes that individuals who have been found suitable for Federal employment and eligible for a security clearance must continue to meet the loyalty, reliability, and trustworthiness standards while employed by the Federal Government. Agencies are authorized to reinvestigate employees in national security positions at any time "there is reason to believe" that they may no longer meet the standard for access, which includes reinvestigations for significant financial problems.

Further, the Office of Personnel Management Federal Investigative Services has indicated that it also offers a service called a "Reimbursable Suitability/Security Investigation." These investigations may be requested by an agency "when it needs additional investigation to resolve issues that might fall outside the normal scope of another investigation; to establish a history or

¹³ TIGTA, Ref. No. 2013-10-056, *The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use* (Jun. 2013), and TIGTA, Ref. No. 2013-10-032, *Travel Card Controls Are Generally Effective, but More Aggressive Actions to Address Misuse Are Needed* (Apr. 2013).

¹⁴ TIGTA, Ref. No. 2013-10-032, *Travel Card Controls Are Generally Effective, but More Aggressive Actions to Address Misuse Are Needed* (Apr. 2013).



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pattern of behavior; or to obtain other information related to suitability or security which is not necessarily connected to a current background investigation.” For example, the IRS could request a credit check for employees with indications of financial problems. TIGTA recommended that the IRS pursue the use of this service. The IRS requested an extension of the deadline for implementation of this recommendation to September 30, 2015.

Additional details related to the recommendation that remained open as of September 30, 2014, can be found in Appendix V. Recommendations that were closed during FY 2014 can be found in Appendix VI.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to assess the IRS's implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act)¹ requirements for the period April 1 to September 30, 2014. To accomplish this objective, we:

- I. Determined how the IRS implemented legislative requirements of the Government Charge Card Abuse Prevention Act of 2012 for the period April 1 through September 30, 2014.
 - A. Reviewed the Charge Card Act, related OMB implementing guidance M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, OMB Circular A-123 (Appendix B), *Improving the Management of Government Charge Card Programs*, OMB Circular A-50, *Audit Followup*, and any current Department of the Treasury and IRS policies and procedures related to Government charge cards and, specifically, purchase cards.
 - B. Interviewed key IRS personnel from the CCS Branch, the Office of the CFO, and Human Capital's Labor Relations office to determine:
 1. The approach used to prepare the IRS's semiannual Joint Purchase and Integrated Card Violation Report for the period April 1 through September 30, 2014, and determined if it is reasonable.
 2. How the IRS established when purchase cards had been misused by IRS employees.
 3. What adverse personnel actions the IRS took in response to purchase card misuse.
- II. Reviewed purchase card (and convenience check) violations by IRS employees and identified the actions the IRS has taken as a result of these violations.²

¹ Pub. L. No. 112-194 (Oct. 2012). On September 6, 2013, the OMB issued Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. On November 18, 2013, the General Services Administration issued Smart Bulletin No. 021, *OMB Memorandum M-13-21 and Charge Card Compliance Summary*, which included a summary compliance checklist for agency use and sample reporting templates.

² The review period was from April 1 through September 30, 2014.



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- A. Determined the total number of confirmed violations involving misuse of a purchase card for the specified period. We determined whether these violations constituted: (1) abuse;³ (2) fraud;⁴ or (3) other loss, waste, or misuse.⁵
 - B. Determined the number of adverse personnel actions, punishments, or other actions taken in response to each reportable violation involving misuse of a purchase card for the specified period. We further determined whether the actions involved: (1) demotions; (2) reprimands; (3) suspensions; (4) removals; or (5) any other adverse personnel actions.⁶
 - C. Determined the total number and status of all pending violations for the specified period. We determined if these pending violations were: (1) pending investigation; (2) pending hearing; (3) pending final agency action; or (4) pending decision on appeal.⁷
- III. Reviewed the IRS's final FY 2014 annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices in its annual assurance statement under the Federal Managers' Financial Integrity Act of 1982.⁸ We planned to review the Department of the Treasury Charge Card Management Plan, as a part of the annual assurance statement, to ensure that it included the new requirements for the IRS as stated in the Charge Card Act. However, the plan was due to be finalized in late January 2015 and was available only in draft form during our review period. As a result, we will review the Charge Card Management Plan (to ensure that it has been updated to include the new controls over travel cards required by the Act) in our next semiannual report due in July 2015.

³ Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements.

⁴ Fraud involves obtaining something of value through willful misrepresentation. Whether an act is, in fact, fraud is a determination to be made through the judicial or other adjudicative system and is beyond auditors' professional responsibility.

⁵ These three categories were identified in the General Services Administration's clarifying guidance of OMB Memorandum M-13-21, issued September 6, 2013.

⁶ These five categories were identified in the General Services Administration's clarifying guidance of OMB Memorandum M-13-21, issued September 6, 2013.

⁷ These four categories were identified in the General Services Administration's clarifying guidance of OMB Memorandum M-13-21, issued September 6, 2013.

⁸ 31 U.S.C. § 3512.



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- IV. Determined the IRS's progress in implementing prior TIGTA audit recommendations for improving internal controls related to Government charge cards.⁹
- A. Identified all TIGTA reports related to Government charge cards, including purchase cards, convenience checks, and travel cards (both individually billed and centrally billed accounts) which have been issued within the past five fiscal years (2010 to 2014).
 - B. Reviewed all TIGTA audit reports related to Government charge cards which have been issued within the past five fiscal years (FYs 2010 to 2014).
 - 1. Identified the status of implemented (closed) and open TIGTA audit recommendations associated with the TIGTA reports that have been issued within the past five fiscal years utilizing the IRS's Joint Audit Management Enterprise System (JAMES) reports.
 - 2. For any recommendations that have not yet been implemented by the IRS, identified the corrective action proposed by the IRS and the proposed completion date and any progress made to date.
 - C. Reviewed the IRS Internal Revenue Manual and other internal guidance to determine if it has been updated to reflect the changes noted in Step III.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: IRS internal policies and procedures and other guidance pertaining to travel cards, purchase cards, and convenience checks and the CCS Branch inappropriate use forms, logs, and supporting documentation.

To assess these controls, we reviewed the IRS's methodology for reporting confirmed and pending violations in the Purchase Card Violations Report and analyzed inappropriate use forms, logs, and supporting documentation as well as cases of confirmed and pending purchase card violations contained within the ALERTS and the Performance and Results Information System databases. We also reviewed IRS policies and procedures related to the Charge Card Act,

⁹ We will make this determination by analyzing the status of our recommendations in the Joint Audit Management Enterprise System (JAMES). The JAMES is Treasury's web-based audit tracking system. The JAMES tracks issues, findings, and recommendations extracted from the Office of the Treasury Inspector General, Government Accountability Office, and TIGTA audit reports. It also tracks the current status of Planned Corrective Actions for related material weaknesses, significant deficiencies, and remediation plans. In order to comply with the intent of the Federal Managers' Financial Integrity Act of 1982, OMB Circulars, and Treasury Directives, tracking these audits and Planned Corrective Actions is mandatory.



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including controls over centrally billed travel card accounts. We also reviewed prior TIGTA audit reports and information in the JAMES to identify closed recommendations during FY 2014 and any remaining open recommendations related to Government charge cards.



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Appendix II

Major Contributors to This Report

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James S. Mills, Jr., Senior Auditor



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Chief Counsel CC
Chief, Agency-Wide Shared Services OS:A
Chief Financial Officer OS:CFO
IRS Human Capital Officer OS:HC
Director, Employee Support Services OS:A:ESS
Director, Workforce Relations Division OS:HC:R
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons:
 Deputy Commissioner for Operations Support OS
 Chief Counsel CC
 Chief, Agency-Wide Shared Services OS:A
 Chief Financial Officer OS:CFO
 IRS Human Capital Officer OS:HC



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Appendix IV

Internal Revenue Service Purchase Card Violations Report

PURCHASE CARD VIOLATION DATA	
I. Summary description of confirmed violations involving misuse of a purchase card or integrated card.¹	April 1, 2014, to September 30, 2014
a. Abuse.	0
b. Fraud.	0
c. Other loss, waste, or misuse: <i>Cardholders purchased restricted or prohibited items.</i>	11
II. Summary description of all adverse personnel actions, punishment, or other actions taken in response to each reportable violation involving misuse of a purchase or integrated card.²	April 1, 2014, to September 30, 2014
a. Documentation of Counseling: <i>Oral counseling or cautionary letter issued.</i>	8
b. Demotion.	0
c. Reprimand.	0
d. Suspension.	0
e. Removal.	0
f. Other (no action taken): <i>Closed without IRS management disciplinary action.</i>	3
III. Status of all pending violations.	April 1, 2014, to September 30, 2014
a. Number of violations pending investigation. ³	0
b. Number of violations pending hearing.	0
c. Number of violations pending final agency action.	3
d. Number of violations pending decision on appeal.	0

Source: IRS review of inappropriate use forms and logs and case information contained in the ALERTS database.

¹ Terms used are defined in the *Government Auditing Standards* (Government Accountability Office, GAO-12-331G, *Government Auditing Standards* (Dec. 2011)).

² This summary is for adverse personnel actions, not for administrative errors.

³ TIGTA's independent review identified one additional case of potential purchase card misuse pending TIGTA investigation.



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Appendix V

Charge Card Recommendations Open as of September 30, 2014

Open Recommendations	Original Corrective Action Implementation Date
<i>Travel Card Controls Are Generally Effective, but More Aggressive Actions to Address Misuse Are Needed</i> (Ref. No. 2013-10-032), issued on April 18, 2013.	
The Chief, AWSS, should work with the CFO and IRS Human Capital Officer to develop and implement a policy where cardholders with evidence of significant personal financial problems associated with travel card misuse (including suspended accounts, issuance of insufficient funds checks, and charged-off accounts) are referred to the IRS Human Capital Officer for a reevaluation of background investigations, security clearances, and suitability for employment.	9/30/2014

Source: *Our analysis of the JAMES.*¹

¹ The JAMES is used to track and report on TIGTA audit recommendations. We did not independently verify the accuracy of the information contained within this system as part of this audit.



*Review of the Internal Revenue Service's Purchase
Card Violations Report and the Status of Government Charge
Card Recommendations*

Appendix VI

*Charge Card Recommendations Closed in
Fiscal Year 2014*

Closed Recommendations

Travel Card Controls Are Generally Effective, but More Aggressive Actions to Address Misuse Are Needed (Ref. No. 2013-10-032), issued on April 18, 2013.

The Chief, AWSS, should work with the CFO to develop policies that clearly state when employees are authorized to make automatic teller machine withdrawals and that provide a specific period in advance of or immediately following official travel dates when withdrawals are permitted.

The Chief, AWSS, should work with the CFO to develop policies that clearly state when employees are authorized to purchase fuel with their travel card.

The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use (Ref. No. 2013-10-056), issued on June 20, 2013.

The Chief, AWSS, should improve split purchase oversight reviews conducted by the CCS Branch by using data analysis techniques to identify all groups of transactions that occur by a single cardholder, on the same day, with the same vendor, and with a total purchase price that exceeds \$3,000. In addition, require the CCS Branch to conduct an analysis to determine which purchases identified were split to circumvent procurement policies and report all cardholders who split purchases to Labor Relations for disciplinary review, tracking, and appropriate disciplinary action.

The Chief, AWSS, should require the CCS Branch to report all instances of potential inappropriate use of purchase cards, identified through program oversight reviews or other means, to Labor Relations for disciplinary review and tracking in the ALERTS.

The Chief, AWSS, should develop and implement a plan to replace the use of convenience checks for emergency salary payments, travel advances, Public Transportation Subsidy Program payments, and other employee reimbursements prior to the 2014 expiration of the waiver allowing the use of convenience checks.

Source: *Our analysis of the JAMES.*¹

¹ The JAMES is used to track and report on TIGTA audit recommendations. We did not independently verify the accuracy of the information contained within this system as part of this audit.