



Treasury Inspector General for Tax Administration Office of Audit

REVIEW OF THE INTERNAL REVENUE SERVICE'S PURCHASE CARD VIOLATIONS REPORT

Issued on July 28, 2015

Highlights

Highlights of Report Number: 2015-10-070 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 annually to submit semiannual reports of employee purchase card violations and the disposition of those violations, including any disciplinary actions taken. The overall objective of this review was to assess the IRS's implementation of and compliance with the Charge Card Act requirements for the period October 1, 2014, to March 31, 2015.

WHAT TIGTA FOUND

The IRS identified and reported 10 instances of confirmed purchase card misuse and no potential instances of purchase card misuse pending final agency action. TIGTA identified one additional instance of confirmed purchase card misuse and five additional instances of purchase card misuse pending investigation or final agency action. Two of these additional cases pending investigation were under review by the TIGTA Office of Investigations and details of these cases were not available to the IRS. With the exception of the four cases for which details were available to the IRS, the Purchase Card Violations Report was prepared by the IRS pursuant to the requirements outlined in the law and by the Office of Management and Budget. The 11 confirmed purchase card misuse cases were all related to restricted or prohibited items with purchases collectively totaling approximately \$700.

TIGTA also reviewed the IRS's current credit card guidance and determined that 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. However, TIGTA determined that the IRS's practice is to not report instances of purchase card misuse involving purchases made for a valid business need but not procured from an authorized priority source, which resulted in additional cost to the Government. TIGTA believes this constitutes waste and should, therefore, be addressed by agency management and included in the IRS Purchase Card Violations Report.

Finally, TIGTA reviewed the final version of the Fiscal Year 2015 Department of the Treasury Charge Card Management Plan and determined that it had been updated to comply with the requirements in the Charge Card Act.

WHAT TIGTA RECOMMENDED

The Chief, Agency-Wide Shared Services, should ensure that cases of purchase card misuse involving purchases not procured from an authorized priority source, which result in additional cost (loss) to the Government, are addressed and documented in the IRS's semiannual Purchase Card Violations Report.

In their response, IRS management disagreed with our recommendation, stating that IRS policy allows for and there are occasions when a purchase cardholder may use a non-priority source. TIGTA believes that purchases made that do not comply with Federal Acquisition Regulation requirements and IRS policy and result in additional cost (loss) to the Government should be addressed and included in the Purchase Card Violations Report.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2015reports/201510070fr.pdf>.