



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

**January 14, 2016**

**Reference Number: 2016-10-013**

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 14, 2016

Highlights of Reference Number: 2016-10-013 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 annually 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 through September 30, 2015.

#### WHAT TIGTA FOUND

The IRS properly identified and reported 13 instances of confirmed purchase card misuse and two instances of purchase card misuse pending final agency action. TIGTA's independent review found one additional

instance of potential purchase card fraud and four additional instances of purchase card misuse pending investigation or final agency action. The 13 confirmed purchase card misuse cases reported by the IRS collectively totaled almost \$600. The potential purchase card fraud case involving the purchase of two electronic tablets and 37 other items for personal cardholder use totaled almost \$2,350.

TIGTA also reviewed the IRS's current charge card guidance and determined that policies and controls have been established and designed to mitigate the risk of fraud and inappropriate Government travel and purchase card practices, including controls that address centrally billed travel card accounts. In the Fiscal Year 2015 annual assurance statement under the Federal Managers' Financial Integrity Act of 1982, the IRS attests that these policies and controls are in place.

TIGTA also reviewed the status of the 28 recommendations issued in audit reports related to IRS purchase and travel cards issued over the past five fiscal years (Fiscal Years 2011 to 2015). TIGTA identified one recommendation from a prior TIGTA report issued in April 2013 that has not been implemented. TIGTA recommended that the IRS develop and implement a policy in which cardholders with evidence of significant personal financial problems associated with charge 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. The IRS has developed a policy framework to implement this recommendation, but has not yet created a final policy due to what it believes to be collective bargaining obligations.

#### 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 presented.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

January 14, 2016

**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 # 201510026)

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 2012<sup>1</sup> requirements for the period April 1 through September 30, 2015. This review is included in our Fiscal Year 2016 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 this report. If you have any questions, please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).

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<sup>1</sup> 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*, with implementation guidance for the Act. 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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*Review of the Internal Revenue Service's Purchase  
Card Violations Report and the Status of Government  
Charge Card Recommendations*

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*Table of Contents*

**Background**.....Page 1

**Results of Review** .....Page 5

    Implementation of and Compliance With the Government Charge Card  
    Abuse Prevention Act of 2012 Requirements.....Page 5

    Status of the Internal Revenue Service's Implementation of Treasury  
    Inspector General for Tax Administration Audit Recommendations  
    Related to Government Charge Cards .....Page 7

**Appendices**

    Appendix I – Detailed Objective, Scope, and Methodology .....Page 9

    Appendix II – Major Contributors to This Report .....Page 13

    Appendix III – Report Distribution List .....Page 14

    Appendix IV – Internal Revenue Service Purchase Card  
    Violations Report.....Page 15

    Appendix V – Charge Card Recommendations Open As of  
    September 30, 2015 .....Page 16



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

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## *Abbreviations*

ALERTS	Automated Labor and Employee Relations Tracking System
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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*Review of the Internal Revenue Service's Purchase Card Violations Report and the Status of Government Charge Card Recommendations*

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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, 2015, the IRS purchase card program included 3,095 purchase cardholders. IRS records show that these cardholders made 41,328 purchases totaling almost \$14.5 million with their purchase cards. Additionally, cardholders with the authority to write convenience checks (an alternative method of payment used with vendors who do not accept purchase cards for payment of goods and services) wrote 164 checks totaling a little more than \$73,000.

The Federal Acquisition Regulation designated the purchase card as the preferred method for making purchases up to the micro-purchase limit.<sup>1</sup> According to the Government Accountability Office, although 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. In a June 2013 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.<sup>2</sup> In July 2015, we found that the IRS had established policies and controls to mitigate the risk of fraud and inappropriate Government travel and purchase card practices, and the instances of purchase card misuse identified by the IRS were minimal and all for nominal amounts.<sup>3</sup>

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), which requires executive branch agencies to establish and maintain safeguards and internal controls for Government charge card programs.<sup>4</sup> Additionally, agencies with more than \$10 million in purchase card spending annually 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

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<sup>1</sup> At the time of our review, the Federal Acquisition Regulation limited a single micro-purchase to no more than \$3,000 for goods, \$2,500 for services, and \$2,000 for construction. As of October 1, 2015, the limit for a single micro-purchase increased from \$3,000 for goods to \$3,500; the limits for services and construction remained unchanged. The new limit for goods does not apply to the time period audited in this report. 48 C.F.R. §13.201(b) (Revised as of October 7, 2015).

<sup>2</sup> 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* (June 2013).

<sup>3</sup> TIGTA, Ref. No. 2015-10-070, *Review of the Internal Revenue Service's Purchase Card Violations Report* (July 2015).

<sup>4</sup> Pub. L. No. 112-194 (Oct. 2012).



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

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Inspectors General. The Charge Card Act 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.<sup>5</sup>

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:<sup>6</sup>

- ***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'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 those 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.<sup>7</sup> In addition, each agency must continue to maintain and annually submit a charge card management plan no later than January 31, as required by OMB Circular A-123, Appendix B, which provides guidance that

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<sup>5</sup> 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 a sample reporting template.

<sup>6</sup> 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.

<sup>7</sup> 31 U.S.C. § 3512.



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

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establishes minimum requirements for Government purchase card programs and suggested best practices.<sup>8</sup>

Further, 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.

Within the IRS purchase card program, the Office of Procurement is responsible for providing policy guidance, and the Credit Card Services (CCS) Branch is responsible for managing and providing oversight.<sup>9</sup> In addition, the CCS Branch is responsible for tracking and reporting to the Labor and Employee Relations function instances of alleged inappropriate purchase card use as part of the process for determining and implementing the appropriate disciplinary action.<sup>10</sup> 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.

The CCS Branch 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, except for cases involving the IRS Office of the Chief Counsel. The CCS Branch identifies instances of purchase card misuse and refers any involving Chief Counsel employees to the Office of the Chief Counsel, which maintains a separate system to track its employee misconduct issues and final dispositions. The details of these cases are not available in the ALERTS. However, the Office of the Chief Counsel provides the CCS Branch with the final disposition of any cases related to purchase card misuse, which are reported in the semiannual Purchase Card Violations Report.

Additionally, 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 cases from each of these systems to ensure that the Joint Purchase Card Violation Report appropriately identified and reported all instances of misuse.

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

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

<sup>10</sup> The Labor and Employee Relations function is a function in the Human Capital Office within the Workforce Relations Division. This function is responsible for advising and supporting managers on employee conduct and performance matters.



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

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We held discussions with and analyzed information obtained from Agency-Wide Shared Services and CCS Branch management and staff located in Jacksonville, Florida; Cincinnati, Ohio; Portland, Oregon; Nashville, Tennessee; and Seattle, Washington; Human Capital Office Labor Relations management and staff located in Oakland, California; Washington, D.C.; Chicago, Illinois; Baltimore, Maryland; Andover, Massachusetts; St. Louis, Missouri; Cincinnati, Ohio; Austin, Texas; and Dallas, Texas; the Office of the Deputy CFO located in Washington, D.C.; and the Office of the Deputy Chief Counsel (Operations) located in Washington, D.C., during the period August through December 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 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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*Review of the Internal Revenue Service's Purchase Card Violations Report and the Status of Government Charge Card Recommendations*

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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 IRS purchase card violations and the actions taken by management in response***

TIGTA found that the IRS identified and reported 13 instances of confirmed purchase card misuse and two instances of potential purchase card misuse pending agency action. TIGTA's independent review identified one additional case of potential purchase card fraud and four additional cases of potential purchase card misuse pending final agency action and/or investigation. The 13 confirmed purchase card misuse cases collectively totaled almost \$600. Twelve of the cases were associated with the purchase of prohibited items such as hand sanitizer, bottled water, and tissue for office usage. The IRS identified another incident in which an employee erroneously used his or her Government-issued purchase card for a personal transaction. In six instances, the items were returned or the amount was credited back to the related IRS charge card account, totaling almost \$315.

TIGTA identified one potential purchase card fraud case that the IRS did not include in its Purchase Card Violations Report. TIGTA initially identified this case through an audit not related to purchase or travel card misuse.<sup>11</sup> During the audit, TIGTA found that the employee may have falsified receipts to conceal two purchases of electronic tablets in July 2011 and subsequently referred the case to TIGTA's Office of Investigations. Further review of the employee's Government purchase card transactions identified 37 additional suspicious purchases from Office Depot and Amazon during Fiscal Year (FY) 2011, all totaling almost \$2,350. The employee resigned from the IRS prior to the conclusion of the investigation by the TIGTA Office of Investigations. Charges relating to this potential purchase card fraud were brought against this employee by the Los Angeles County District Attorney's Office. This employee was subsequently charged under the conviction statute of Grand Theft and sentenced to three years of probation in May 2015.

One of the four additional cases of potential purchase card violations identified by TIGTA, but not reported by the IRS, is currently under TIGTA Office of Investigations review. Details of

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<sup>11</sup> TIGTA, Ref. No. 2014-10-075, *Wireless Telecommunication Device Inventory Control Weaknesses Resulted in Inaccurate Inventory Records and Unsupported Service Fees* (Sept. 2015).



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

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that case were not available to the IRS.<sup>12</sup> The other three potential purchase card violation cases are still pending IRS final agency action. Those cases have undergone a preliminary review by the IRS and may be determined to be “administrative in nature” and may not meet the requirements for inclusion in the next semiannual Purchase Card Violations Report. However, a final determination on those cases has not been made and, as a result, TIGTA regards them as pending agency action and therefore required to be reported. Those three potential violations involved the purchase of numeric key pads, a keyboard, and toner cartridges without going through the appropriate requisition and funding approval process.

With respect to disciplinary action, two of the 13 cases identified by the IRS received written counseling, three of the 13 cases received a cautionary letter, and one case received oral counseling. The remaining seven cases were closed without disciplinary action. For instances in which the case was closed without disciplinary action, the cardholder does receive notification of the violation. Based on IRS policy, a second offense by the subject cardholders could lead IRS management to take formal disciplinary actions.

TIGTA reviewed the violations that the IRS identified for the Purchase Card Violations Report, the methodology the IRS used to identify those violations, and related supporting documentation. TIGTA's Office of Audit also reviewed information provided by TIGTA's Office of Investigations on purchase card abuse cases and complaints occurring during the review period. In addition, we followed up on the status of four cases previously reported as pending final agency action and/or under review by the TIGTA Office of Investigations in our prior review. The two pending cases have subsequently been confirmed as administrative cases (cardholders did not follow the appropriate requisition and funding approval processes) and not reportable in the Purchase Card Violations Report. Of the two cases pending TIGTA Office of Investigations review, one potential fraud case was referred to the Los Angeles County District Attorney's Office for adjudication. The employee was charged with Grand Theft and received a three-year probation sentence. The other case remains under investigation. See Appendix IV for a copy of the IRS's Purchase Card Violations Report.

***Review of the IRS Annual Assurance Statement and the IRS's charge card guidance***

TIGTA reviewed the IRS's FY 2015 annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 and determined that it had been updated by the IRS to affirm that appropriate policies and controls were in place to mitigate the risk of fraud and inappropriate Government charge card practices. As part of the annual assurance process, the Office of Internal Controls confirms with the CCS Branch on the controls in place, including those laid out

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<sup>12</sup> Because the IRS does not always have access to all case and complaint information contained in the TIGTA Office of Investigations Performance and Results Information System database, discrepancies in reportable figures may occur for this particular category (pending investigation).



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

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in the Department of the Treasury Charge Card Management Plan, which supports charge card oversight for both individually and centrally billed accounts. In our next semiannual audit report due in July 2016, we will review the Department of the Treasury Charge Card Management Plan (updated annually on January 30) and determine if it has been updated, as necessary, to meet the requirements of the Charge Card Act as required by OMB M-13-21.

In addition to the monthly and quarterly reviews conducted by the CCS Branch to identify charge card misuse, the IRS stated that it plans to implement additional internal oversight reviews of all unused tickets, including those charged to centrally billed accounts. IRS officials previously stated that they expected to begin these reviews by the end of FY 2015; however, the IRS changed travel management centers in August 2015. Because of this change, the reviews of unused tickets have not been implemented yet. The IRS expects to begin these reviews by the end of December 2015. We will review these new policies in our next semiannual audit report due in July 2016.

***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 four TIGTA audit reports related to IRS purchase and travel cards issued over the past five fiscal years (FYs 2011 to 2015). These reports contained 28 recommendations and 31 planned corrective actions proposed by the IRS in response to those recommendations. Of the 28 recommendations, TIGTA identified one recommendation from a prior TIGTA report issued in April 2013<sup>13</sup> that has not been implemented.

In that prior report, TIGTA found that 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 those who occupy 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.

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<sup>13</sup> 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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*Review of the Internal Revenue Service's Purchase  
Card Violations Report and the Status of Government  
Charge Card Recommendations*

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This recommendation was originally scheduled to be implemented by September 2014. However, in July 2014, the IRS requested that this 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 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 significant financial problems. TIGTA recommended that the IRS pursue the use of this service.

The IRS subsequently requested, and was granted, a one-year extension of the September 30, 2014, deadline to September 30, 2015, for implementation of this recommendation. Although the IRS has developed a policy framework to implement this recommendation, it remains open as of December 2015. The IRS believes that it is obligated to negotiate under collective bargaining with its employee union before creating a policy with new or additional grounds for discipline. TIGTA continues to believe that evidence of significant personal financial problems for employees is a security issue that must be addressed.

Additional details related to the recommendation that remained open as of September 30, 2015, can be found in Appendix V.



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

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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)<sup>1</sup> requirements for the period April 1, 2015, through September 30, 2015.<sup>2</sup> To accomplish this objective, we:

- I. Determined how the IRS implemented legislative requirements of the Charge Card Act for the period April 1 through September 30, 2015.
  - A. Reviewed Public Law No. 112-194, related OMB implementing guidance M-13-21, *OMB Memorandum M-13-21 and Charge Card Compliance Summary*, 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. Reviewed the IRS Internal Revenue Manual and other internal guidance to determine if they have been updated to reflect the changes noted in Step III.
  - C. Interviewed key IRS personnel from the CCS Branch, the Office of the CFO, the Deputy Chief Counsel of Operations, and Human Capital's Labor and Employee 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, 2015, 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.

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<sup>1</sup> 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.

<sup>2</sup> 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 IRS system and management controls was beyond the scope of this audit.



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

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- II. Reviewed purchase card (and convenience check) violations by IRS employees and identified the actions the IRS took as a result of those violations.<sup>3</sup>
- A. Determined the total number of confirmed violations involving misuses of a purchase card for the specified period. We determined whether the violations constituted: 1) abuse;<sup>4</sup> 2) fraud;<sup>5</sup> or 3) other loss, waste, or misuse.<sup>6</sup>
  - 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 also determined whether the actions involved: 1) demotions, 2) reprimands, 3) suspensions, 4) removals, or 5) any other adverse or administrative personnel actions.<sup>7</sup>
  - C. Determined the total number and status of all pending violations for the specified period. We also determined if these pending violations were: 1) pending investigation, 2) pending a hearing, 3) pending final agency action, or 4) pending decision on appeal.<sup>8</sup>
- III. Reviewed the IRS's final FY 2015 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.<sup>9</sup> Specifically, we reviewed whether the IRS has controls:
- A. To 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.

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<sup>3</sup> The review period was from April 1 through September 30, 2015.

<sup>4</sup> 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.

<sup>5</sup> 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.

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

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

<sup>8</sup> These four categories were identified in the General Services Administration's clarifying guidance of OMB Memorandum M-13-21, issued September 6, 2013.

<sup>9</sup> 31 U.S.C. 3512(d)(2).



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

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- B. To verify that the IRS (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 those tickets to ensure resolution.
  - C. To implement penalties for charge card violations that are jointly developed by agency charge card management and human resources components.
  - D. To define and apply appropriate and consistent employee disciplinary procedures, and comply with joint external reporting requirements.
  - E. To comply with joint external reporting requirements of TIGTA and IRS management.
- IV. Determined the IRS's progress in implementing prior TIGTA audit recommendations for improving internal controls related to Government charge cards.<sup>10</sup>
- 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 (2011 to 2015).
  - B. Reviewed all TIGTA audit reports issued within the past five fiscal years (2011 to 2015) related to Government charge cards.
    - 1. Identified the status of implemented (closed) and open TIGTA audit recommendations associated with the reports issued within the past five fiscal years using the IRS's JAMES reports.
    - 2. For any recommendations that were not yet implemented by the IRS, identified the corrective action proposed by the IRS, the proposed completion date, and any progress made to date.

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<sup>10</sup> We made 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 Inspector General, the 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 the Planned Corrective Actions is mandatory.



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

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**Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their 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 that 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 CCS Branch inappropriate use forms, log, 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, 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.



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

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**Appendix II**

*Major Contributors to This Report*

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

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**Appendix III**

*Report Distribution List*

Commissioner  
Office of the Commissioner – Attn: Chief of Staff  
Deputy Commissioner for Services and Enforcement  
Chief Counsel  
Chief, Agency-Wide Shared Services  
Chief Financial Officer  
IRS Human Capital Officer  
Director, Employee Support Services, Agency-Wide Shared Services  
Director, Workforce Relations Division, IRS Human Capital Officer  
Director, Office of Audit Coordination



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

**Appendix IV**

*Internal Revenue Service Purchase Card Violations Report*

<b>PURCHASE CARD VIOLATION DATA</b>	
<b>I. Summary description of confirmed violations involving misuse of a purchase card or integrated card.<sup>1</sup></b>	<b>April 1, 2015, through September 30, 2015</b>
a. Abuse.	0
b. Fraud. <sup>2</sup>	0
c. Other loss, waste, or misuse: <sup>3</sup> <i>Cardholders purchased restricted or prohibited items.</i>	13
<b>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.<sup>4</sup></b>	<b>April 1, 2015, through September 30, 2015</b>
a. Documentation of Counseling: <i>Oral or written counseling issued.</i>	6
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>	7
<b>III. Status of all pending violations.</b>	<b>April 1, 2015, through September 30, 2015</b>
a. Number of violations pending investigation. <sup>5</sup>	0
b. Number of violations pending hearing.	0
c. Number of violations pending final agency action. <sup>6</sup>	2
d. Number of violations pending decision on appeal.	0

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

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

<sup>2</sup> TIGTA's independent review identified one additional case of confirmed purchase card fraud, which incurred a measurable loss to the Government.

<sup>3</sup> This total includes Office of the Chief Counsel cases.

<sup>4</sup> This summary is for adverse personnel actions, not for administrative errors.

<sup>5</sup> TIGTA's independent review identified one additional case of potential purchase card misuse pending TIGTA investigation.

<sup>6</sup> Three additional pending cases appear in IRS records. However, the IRS did not report those cases because its initial review indicated that the purchase card violations in question may not meet the reporting requirements for inclusion in the next semiannual Purchase Card Violations Report.



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

**Appendix V**

*Charge Card Recommendations Open As of  
September 30, 2015*

<b>Open Recommendations</b>	<b>Original Corrective Action Implementation Date</b>
<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, Agency-Wide Shared Services, 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.<sup>1</sup>

<sup>1</sup> The JAMES is used to track and report on TIGTA audit recommendations.