



*Review of the Internal Revenue Service's  
Purchase Card Violations Report*

**July 27, 2018**

**Reference Number: 2018-10-057**

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

## Highlights

Final Report issued on July 27, 2018

Highlights of Reference Number: 2018-10-057 to the Commissioner of Internal Revenue.

### IMPACT ON TAXPAYERS

Federal audits of agency charge card programs have found varying degrees of fraud, waste, and abuse. The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) was signed into law on October 5, 2012. The Charge Card Act requires Executive Branch agencies to establish and maintain safeguards and internal controls for Government 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. The overall objective of this review was to assess the IRS's implementation of and compliance with the law's requirements for the period October 1, 2017, through March 31, 2018.

### WHAT TIGTA FOUND

The IRS's purchase card program controls are generally effective and the number of purchase card violations identified by the IRS Credit Card Services Branch were minimal and generally for nominal amounts.

For the period of October 1, 2017, through March 31, 2018, the IRS identified six instances of confirmed purchase card misuse totaling \$317, including items purchased for personal use such as sanitizing wipes, a memory foam seat cushion, and over-the-counter medication. TIGTA also identified an additional

two instances of purchase card misuse totaling \$216.

In addition to the six confirmed misuse cases reported in the IRS Purchase Card Violation Report, the Credit Card Services Branch also identified 37 purchase card transactions totaling more than \$60,000 that did not comply with Office of Management and Budget charge card policy guidance.

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.

Finally, TIGTA reviewed the final version of the Fiscal Year 2018 Department of the Treasury Charge Card Management Plan and determined that it continues to include required internal controls over charge card purchases.

### WHAT TIGTA RECOMMENDED

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



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

July 27, 2018

**MEMORANDUM FOR COMMISSIONER OF INTERNAL REVENUE**

**FROM:** Michael E. McKenney  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Review of the Internal Revenue Service’s  
Purchase Card Violations Report (Audit # 201810004)

This report presents the results of our review to assess the Internal Revenue Service’s implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012<sup>1</sup> requirements for the period October 1, 2017, through March 31, 2018. This review is included in our Fiscal Year 2018 Annual Audit Plan and addresses the major management challenge of Reducing 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 Internal Revenue Service officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.

If you have any questions, please contact me or Troy D. Paterson, Acting 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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*Abbreviations*

ALERTS	Automated Labor and Employee Relations Tracking System
CCS	Credit Card Services
IRS	Internal Revenue Service
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*

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### *Background*

Government purchase cards are an affordable and streamlined means for making payments. According to the Internal Revenue Service (IRS), between October 1, 2017, and March 31, 2018, its purchase card program included 2,562 purchase cardholders. IRS records show that these cardholders made 16,980 purchases totaling more than \$6.12 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 54 checks totaling more than \$27,300.

The Federal Acquisition Regulation designated the purchase card as the preferred method for making purchases up to the micro-purchase threshold.<sup>1</sup> 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 some controls worked as intended, but the IRS's purchase card program lacked consistent oversight to identify and address inappropriate use.<sup>2</sup> Beginning in July 2014 and continuing through our subsequent reviews of the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act)<sup>3</sup> requirements, we found that the IRS had established policies and controls to mitigate the risk of fraud and inappropriate Government travel and purchase card practices. Further, the instances of purchase card misuse identified by the IRS were minimal and all for nominal amounts.<sup>4</sup>

The Charge Card Act requires Executive Branch agencies to establish and maintain safeguards and internal controls for Government charge card programs.<sup>5</sup> Additionally, agencies with more than \$10 million in purchase card spending in a prior fiscal year<sup>6</sup> must submit semiannual reports

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<sup>1</sup> The Federal Acquisition Regulation includes limitations of micro-purchases, which are no more than \$3,500 for goods, \$2,500 for services, and \$2,000 for construction. 48 C.F.R. §13.201(b)–(c) (Oct. 2003).

<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*, p. 2 (June 2013).

<sup>3</sup> Pub. L. No. 112-194 (Oct. 2012).

<sup>4</sup> TIGTA, Ref. No. 2014-10-048, *Review of the Internal Revenue Service's Purchase Card Violations Report*, p. 4–5 (July 2014). TIGTA, Ref. No. 2015-10-070, *Review of the Internal Revenue Service's Purchase Card Violations Report*, p. 4–6 (July 2015). TIGTA, Ref. No. 2016-10-055, *Review of the Internal Revenue Service's Purchase Card Violations Report*, p. 5–6 (July 2016). TIGTA, Ref. No. 2017-10-060, *Review of the Internal Revenue Service's Purchase Card Violations Report*, p. 5–6 (July 2017).

<sup>5</sup> Pub. L. No. 112-194 (Oct. 2012).

<sup>6</sup> Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.



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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 established additional reporting and audit requirements for 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>7</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>8</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 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 deter employee misuse of Government cards*** by implementing penalties for charge card violations that are jointly developed by agency charge card management and human resources components. These penalties will include salary offset for instances of personal liability and disciplinary actions for the cardholder or approving official's illegal, improper, or erroneous purchases made with a purchase card, convenience check, integrated card, or travel card. Disciplinary actions should include dismissals, as appropriate.

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

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<sup>7</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 sample reporting templates.

<sup>8</sup> Centrally billed travel card accounts are corporate accounts issued to an agency business organization that may be used to pay for transportation expenses when an employee is authorized to perform official travel but does not have 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.



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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>9</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 establishes minimum requirements for Government purchase card programs and suggests best practices.<sup>10</sup>

Within the IRS purchase card program, the Office of Procurement Policy is responsible for providing policy guidance, and the Office of the Chief Financial Officer, Credit Card Services (CCS) Branch, has the oversight responsibility.<sup>11</sup> In addition, the CCS Branch is responsible for tracking and reporting to the Labor and Employee Relations function (hereafter referred to as Labor Relations) instances of alleged inappropriate purchase card use. Labor Relations is responsible for working with reported employees' managers as part of the process for determining and implementing the appropriate disciplinary or nondisciplinary action.<sup>12</sup> Further, the Office of the Chief Financial Officer is responsible for the centrally billed travel card program, including setting program policy and administration. The IRS's purchase card policy is set forth in the Purchase Card Program and the *Internal Revenue Service's Purchase Card Guide*.<sup>13</sup> The IRS *Restricted Purchase List* also provides cardholders with detailed information on what is and is not an acceptable purchase.<sup>14</sup>

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, cases, and management's responses, except for cases involving the IRS Office of Chief Counsel. The CCS Branch identifies instances of purchase card misuse and refers any involving Chief Counsel employees to the Office of 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 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 Criminal Results Management System, which provides TIGTA with the ability to manage and account for all complaints received, investigations initiated, and leads developed from law enforcement initiatives. We

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<sup>9</sup> 31 U.S.C. § 3512.

<sup>10</sup> OMB Circular No. A-123, Appendix B (Revised), *Improving the Management of Government Charge Card Programs* (Jan. 2009).

<sup>11</sup> The CCS Branch is located within the Office of the Chief Financial Officer.

<sup>12</sup> The Labor and Employee Relations function is part of the Human Capital Office within the Workforce Relations Division. It is responsible for advising and supporting managers on employee conduct and performance matters.

<sup>13</sup> Internal Revenue Manual 1.35.4, *Purchase Card Program* (Sept. 2014); Document 9185, *The Internal Revenue Service's Purchase Card Guide* (July 2016).

<sup>14</sup> The IRS *Restricted Purchase List* is available through a link on the IRS Office of Procurement intranet page.



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reviewed charge card misuse cases from each of these systems to ensure that the IRS Purchase Card Violations Report appropriately identified all reported instances of misuse.

According to OMB Circular A-123, Appendix B, an improper purchase is any purchase that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts include overcharges and undercharges. An improper purchase can be one of two types—unauthorized or incorrect—and may include any of the following:

- A purchase that was made from an ineligible recipient or for an ineligible service.
- A fraudulent purchase.
- A duplicate purchase.
- A purchase for services not received.
- A purchase for the incorrect amount.
- A purchase made in the absence of available funding.
- Multiple purchases made on the same day from the same vendor to circumvent cardholder single-transaction limits.

Unauthorized purchases consist of items that are intentionally purchased and are outside of the cardholder's purchasing authority. Incorrect purchases are mistakes that are the result of an unintentional error during the purchase process. Fraudulent purchases include those made by cardholders who were unauthorized, purchases of items intended for personal use, purchases made using government charge cards or account numbers that were stolen or compromised, and purchases correctly charged to the charge card but that involve undetected potentially fraudulent activity.

The OMB Circular A-123 further provides that when initiating administrative or disciplinary actions for card misuse or for instances when account delinquency is discovered, charge card managers should, in addition to consulting with agency human resources professionals:

- Initiate verbal counseling and warning.
- Provide written warning.
- Suspend or revoke charge card privileges.
- Suspend or revoke the employee's security clearance.
- Include the misuse or delinquency occurrence in the employee's performance evaluations.
- Suspend or terminate employment.



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- Ensure consistent enforcement of penalties.
- Publish actions taken by the agency for misuse of charge cards.

We analyzed information obtained from the CCS Branch management and staff located in Jacksonville, Florida, and Cincinnati, Ohio; Labor Relations management and staff located in Walnut Creek, California; Washington, D.C.; Chamblee, Georgia; Chicago, Illinois; Cincinnati, Ohio; and Dallas, Texas; and Office of Chief Counsel management and staff located in Washington, D.C., during the period March through June 2018. 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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*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 actions taken by management in response**

TIGTA found that the IRS identified six instances of confirmed purchase card misuse for the period of October 1, 2017, through March 31, 2018.<sup>15</sup> The six confirmed purchase card misuse cases collectively totaled \$317 and included items purchased for personal use such as sanitizing wipes, a memory foam seat cushion, and over-the-counter medication. None of the items were returned for credit, and the cardholders have not reimbursed the Government.

An additional six instances of suspected purchase card misuse were referred to Labor Relations by the CCS Branch for review. Labor Relations reported that no purchase card violations had occurred for all six instances. However, our independent review indicates that the transactions in two of these instances were not appropriate and should have been identified by Labor Relations and the cardholder's manager as reportable violations for the purposes of the Purchase Card Violations Report. The two purchases had a value totaling \$216 and included items such as a cardholder Amazon Prime membership and Kleenex<sup>®</sup> towels.

With respect to disciplinary actions taken by IRS management in response to the six confirmed cases, an employee received a five-day suspension in one case. For one of the remaining five cases, the IRS took nondisciplinary actions (oral counseling). The remaining four cases were closed without any personnel actions taken.<sup>16</sup>

The IRS penalty guide provides a range of disciplinary and nondisciplinary actions from no action to removal that can be applied for each violation of policy or inappropriate use. According to IRS policy, use of the penalty guide is not mandatory, and the ultimate decision lies with management. Consistent actions to address purchase card misuse and policy noncompliance are necessary to ensure that such violations do not reduce the overall effectiveness of controls over the purchase card program, provide a deterrent factor for purchase card misuse, and shield the purchase card program from repeated violations of applicable laws and regulations.

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<sup>15</sup> The CCS Branch uses reports provided by Labor Relations to determine if a case is open (pending) or closed (confirmed).

<sup>16</sup> In one of the four cases, the cardholder received a notification regarding the violation.



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We reviewed the violations the IRS identified for the Purchase Card Violation Report and related supporting documentation. We also reviewed information provided by TIGTA's Office of Investigations on purchase card abuse cases and complaints occurring during the review period. There were no purchase card misuse cases that were reported by TIGTA's Office of Investigations. In addition, we followed up on the status of 21 cases previously reported as pending final agency action. Three of these cases were subsequently confirmed to be instances of purchase card misuse and are included in the six cases identified in the Purchase Card Violation Report in Appendix IV.

### **Purchase card holders continue to make unauthorized purchases**

In addition to the six confirmed misuse cases reported in the IRS Purchase Card Violation Report, the CCS Branch also identified 37 purchase card transactions totaling more than \$60,000 that did not comply with OMB charge card policy guidance. OMB Circular A-123 states that unauthorized purchases consist of items that are intentionally purchased and are outside of the cardholder's purchasing authority. An example of an unauthorized purchase is a purchase made on the same day from the same vendor as another transaction(s) to circumvent cardholder single-transaction limits, referred to as a split purchase. Eight instances of split purchases totaling more than \$31,000 were identified. When purchases are split in this manner, normal procurement policies and procedures are not followed and the micro-purchase/single-transaction dollar limits are circumvented. Split purchase transactions can also result in overpayment for goods and services. In addition, splitting a purchase is a violation of IRS policy, which dictates that such inappropriate use of a purchase card will be referred to Labor Relations for review and recommendation on the appropriate disciplinary or nondisciplinary action. If a cardholder requires goods or services from a vendor that exceed the micro-purchase threshold, the cardholder is required to notify the Office of Procurement Policy so the appropriate competitive process is used to ensure that the IRS gets the best value for the items required.<sup>17</sup>

Further, 22 of the 37 unauthorized purchase card transactions totaling nearly \$18,500 were made absent funding approvals or were made prior to securing manager approval. There were also three instances in which the single-transaction limit of \$3,500 was exceeded and three instances in which items were not purchased from required sources. Finally, purchase orders were altered subsequent to managerial approval (additional items were added to the order or altogether different items were ordered) for one transaction. Forty appointment books were approved for purchase; however, 12 wall calendars and three calendar desk pads totaling \$117 were actually purchased. Figure 1 summarizes the 37 purchase card transactions that did not comply with OMB guidelines.

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<sup>17</sup> 48 C.F.R. 13.003 (b)(1) (Jan 2017); 48 C.F.R. 13.202 (June 2013); 48 C.F.R. 13.301 (Dec 2009); Document 9185, *The Internal Revenue Service's Purchase Card Guide* (July 2016).



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**Figure 1: Purchase Card Transactions  
That Did Not Comply With OMB Guidelines**

Description	Number
Split Purchase Transactions Collectively Exceeding the Micro-Purchase Limit	8
Purchases Made Absent Available Funding (Approval) or Prior to Securing Managerial Approval	22
Purchases Above the Micro-Purchase Limit	3
Purchases From Unauthorized Sources	3
Purchase Order Altered After Managerial Review	1
<b>Total</b>	<b>37</b>

*Source: Analysis of CCS Branch documentation.*

Similarly, the CCS Branch identified another 18 instances of unauthorized purchases totaling almost \$4,500 of prohibited purchases. The purchases were prohibited from being made by IRS cardholders by policy or the purchases were made for valid business needs, but the cardholder did not have authority to purchase the items. For instance, information technology equipment (converter cables, Universal Serial Bus [USB] cables/hubs, keypads, High Definition Multimedia Interface [HDMI] cables) were purchased but not by Information Technology organization functional cardholders as required. The total value of the information technology equipment purchased was approximately \$451.

**Review of the Department of the Treasury Charge Card Management Plan and IRS charge card guidance**

We reviewed the Department of the Treasury Charge Card Management Plan and determined that it continues to include the internal controls required by the Charge Card Act and OMB M-13-21. Those controls require agencies to verify that payments made directly to the bank from the Government are not also paid to an individually billed account, agencies submit requests to common carriers for partial or full refunds on unused tickets, and agencies develop penalties and disciplinary actions for charge card violations.<sup>18</sup>

<sup>18</sup> We will review the IRS's Fiscal Year 2018 annual assurance statement under the Federal Manager' Financial Integrity Act of 1982 (due annually on November 15) in our next semiannual report due in January 2019.



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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 conducts monthly and quarterly reviews of purchase card transaction activity, which are used to identify instances of inappropriate purchase card use (identified incidences of inappropriate purchase card use are reported to Labor Relations and recorded in the ALERTS).



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## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

Our overall objective was to assess the IRS's continued compliance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act)<sup>1</sup> requirements for the period of October 1, 2017, through March 31, 2018. To accomplish our objective, we:

- I. Reviewed purchase card (and convenience check) violations by IRS employees and identified the actions the IRS had taken as a result of these violations.<sup>2</sup>
  - A. Determined the methodology and process that was used to determine what a confirmed violation is.
  - B. Interviewed key officials within the CCS Branch and Labor Relations to identify the process and the documentation obtained to reach a determination as to whether suspicious purchase card transactions were confirmed to be reportable violations.
  - C. Determined the total number of confirmed violations involving misuse of a purchase card for the specified period. We determined whether these violations constitute: (1) abuse;<sup>3</sup> (2) fraud;<sup>4</sup> or (3) other loss, waste, or misuse.<sup>5</sup>
  - D. 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 or administrative personnel actions.<sup>6</sup>

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<sup>1</sup> Pub. L. No. 112-194 (Oct. 2012).

<sup>2</sup> The review period is from October 1, 2017, through March 31, 2018.

<sup>3</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>4</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>5</sup> These three categories were identified in the General Services Administration's guidance on OMB Memorandum M-13-21.

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



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- E. 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.<sup>7</sup>
- II. Determined whether the Fiscal Year<sup>8</sup> 2018 Department of the Treasury Charge Card Management Plan had been finalized and reviewed whether it continued to include controls over travel cards required by the Charge Card Act. Specifically, we reviewed whether the Charge Card Management Plan included controls:
- A. To verify that charges paid directly by the Government to the bank were not also reimbursed to an employee or an employee's individually billed account.
  - B. To verify that the IRS (travel management center or service or commercial travel office) submitted requests to servicing common carriers for refunds of fully or partially unused tickets and tracked the status of these tickets to ensure resolution.
  - C. To implement penalties for charge card violations that were jointly developed by agency charge card management and human resources components.
  - D. To define and apply appropriate and consistent employee disciplinary procedures.
  - E. To comply with joint external reporting required of TIGTA and IRS management.

**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, 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 Office of Chief Counsel's tracking log, the ALERTS, and the Criminal Results Management System. We also reviewed IRS policies and procedures related to the Charge Card Act, including controls over centrally billed travel card accounts and TIGTA audit reports.

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<sup>7</sup> These four categories were identified in the General Services Administration's guidance of OMB Memorandum M-13-21.

<sup>8</sup> Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.



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**Appendix II**

*Major Contributors to This Report*

Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

Alicia P. Mrozowski, Director

Seth A. Siegel, Audit Manager

Trisa M. Brewer, Lead Auditor

Dmitri Medvedev, Senior Auditor



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**Appendix III**

*Report Distribution List*

Deputy Commissioner for Services and Enforcement  
Acting Chief Counsel  
Chief Financial Officer  
IRS Human Capital Officer  
Director, Workforce Relations Division, IRS Human Capital Office  
Director, Office of Audit Coordination



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**Appendix IV**

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PURCHASE CARD VIOLATION DATA	
<b>I. Summary description of confirmed violations involving misuse of a purchase card or integrated card.<sup>1</sup></b>	<b>October 1, 2017, through March 31, 2018</b>
a. Abuse.	
b. Fraud.	
c. Other loss, waste, or misuse: <i>Cardholders purchased restricted or prohibited items.</i>	6
<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>2</sup></b>	<b>October 1, 2017, through March 31, 2018</b>
a. Documentation of Counseling: <i>Oral or written counseling issued.</i>	1
b. Demotion.	
c. Reprimand.	
d. Suspension.	1
e. Removal.	
f. Other (no action taken): <i>Closed without any IRS management adverse personnel action.</i>	4
<b>III. Status of all pending violations.</b>	<b>October 1, 2017, through March 31, 2018</b>
a. Number of violations pending investigation.	0
b. Number of violations pending hearing.	0
c. Number of violations pending final agency action.	0
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> The purpose of this summary is to report adverse personnel actions and not to report administrative errors.