



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

**March 4, 2019**

**Reference Number: 2019-10-023**

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 RECOMMENDATIONS

## Highlights

#### Final Report issued on March 4, 2019

Highlights of Reference Number: 2019-10-023 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 annually to submit semiannual reports of employee purchase card violations and the disposition of those violations, including any disciplinary actions taken. The Charge Card Act also requires agency Inspectors General to report purchase card misuse to the Office of Management and Budget. 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 April 1, 2018, through September 30, 2018.

#### WHAT TIGTA FOUND

The IRS identified and properly reported instances of confirmed and potential charge card misuse. The IRS reported five instances of confirmed purchase card misuse. These five instances were associated with a chair mat purchased for the individual's home telecommuting location, hand sanitizer, an Amazon Prime membership, and a magnifier, representing a total value of more than \$105.

With respect to disciplinary actions taken by IRS management in response to the five confirmed purchase card violation cases, one employee received written counseling, and the remaining four employees received e-mails from the Credit Card Services Branch providing notification of the cardholder's first instance of an inappropriate purchase.

The IRS reported four instances of potential purchase card misuse pending agency investigation. Four additional instances of suspected purchase card misuse were referred to Labor Relations by the Credit Card Services Branch for review. Labor Relations responded that management did not conclude that purchase card misuse had occurred. As a result, the Credit Card Services Branch did not include these cases in the Purchase Card Violations Report. However, TIGTA's independent review found that two transactions were inappropriate and should have been identified as reportable violations for the purposes of the Purchase Card Violations Report.

Finally, TIGTA reviewed the Joint Audit Management Enterprise System and found no open recommendations associated with prior audits of IRS purchase or travel cards.

#### 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

March 4, 2019

**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 and the Status of Recommendations  
(Audit # 201910004)

This report presents the results of our review of the Internal Revenue Service’s (IRS) Purchase Card Violations Report and the status of recommendations. The overall objective of this review was to assess the IRS’s compliance with the Government Charge Card Abuse Prevention Act of 2012 for the period April 1 through September 30, 2018. This review is included in our Fiscal Year 2019 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 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 findings. If you have any questions, please contact me or Deann L. Baiza, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations).



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

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*Table of Contents*

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

**Results of Review** .....Page 6

**Compliance With the Government Charge Card  
Abuse Prevention Act of 2012 Requirements**.....Page 6

**Status of the Internal Revenue Service's Implementation of  
Treasury Inspector General for Tax Administration Audit  
Recommendations Related to Government Charge Cards**.....Page 9

**Appendices**

**Appendix I – Detailed Objective, Scope, and Methodology**.....Page 10

**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



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

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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 and the Status of Recommendations*

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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 April 1, 2018, and September 30, 2018, its purchase card program included 2,499 purchase cardholders. IRS records show that these cardholders made 33,925 purchases totaling more than \$14.23 million with their purchase cards. Additionally, cardholders with the authority to write convenience checks (an alternative method of payment used with vendors that do not accept purchase cards for payment of goods and services) wrote 71 checks totaling more than \$32,700.

The Federal Acquisition Regulation designated the purchase card as the preferred method to purchase and pay for micro-purchases.<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 June 2013, we reported that 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 Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act)<sup>3</sup> requirements, we found that the IRS has established stronger 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 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. Additionally, agencies with more than \$10 million in purchase card spending in a prior fiscal year<sup>5</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)). The Department of the Treasury Senior Procurement Official issued a Federal Acquisition Regulation deviation on May 25, 2018, increasing the micro-purchase threshold to \$10,000 in accordance with the National Defense Authorization Act for Fiscal Year 2018 (Pub. L. No. 115-91).

<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); and 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> 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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## *Review of the Internal Revenue Service's Purchase Card Violations Report and the Status of Recommendations*

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to the Office of Management and Budget (OMB) 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 offices of 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 OMB and the General Services Administration have issued guidance and templates for reporting violations.<sup>6</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>7</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 has been taken to mitigate the risk of fraud or inappropriate travel and purchase charge card

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<sup>6</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>7</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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## *Review of the Internal Revenue Service's Purchase Card Violations Report and the Status of Recommendations*

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practices. The annual certification is included as part of the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982.<sup>8</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>9</sup>

Within the IRS purchase card program, the Office of Procurement Policy is responsible for providing purchase card policy guidance, and the Office of the Chief Financial Officer, Credit Card Services (CCS) Branch, has the oversight responsibility for purchase card use. In addition, the CCS Branch is responsible for tracking and reporting instances of alleged inappropriate purchase card use to the Labor and Employee Relations function (hereafter referred to as Labor Relations).<sup>10</sup> Labor Relations is responsible for working with reported employees' managers as part of the process to determine and implement the appropriate disciplinary or nondisciplinary action. 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>11</sup> The *IRS Restricted Purchase List* also provides cardholders with detailed information on what is and is not an acceptable purchase.<sup>12</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>8</sup> 31 U.S.C. § 3512.

<sup>9</sup> OMB Circular No. A-123, Appendix B (Revised), *Improving the Management of Government Charge Card Programs* (Jan. 2009).

<sup>10</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>11</sup> Internal Revenue Manual 1.35.4, *Purchase Card Program* (Sept. 2014) and Document 9185, *The Internal Revenue Service's Purchase Card Guide* (July 2016).

<sup>12</sup> The *IRS Restricted Purchase List* is available through a link on the IRS Office of Procurement intranet page.



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

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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 or 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.

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.



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

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

This review was performed with information obtained from Office of the Chief Financial Officer, CCS Branch, personnel in Jacksonville, Florida; Cincinnati, Ohio; Richmond, Virginia; and Beckley, West Virginia. We also obtained information from Human Capital Office, Workforce Relations Division, Labor Relations personnel in Oakland California, and Office of Chief Counsel personnel in Washington, D.C. We conducted this review during the period October 2018 through February 2019. It is important to note that 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 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 Recommendations*

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*Results of Review*

*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***

The IRS identified and properly reported five instances of confirmed purchase card misuse and four instances of potential purchase card misuse pending agency investigation.<sup>13</sup> The five instances of confirmed purchase card misuse were associated with a chair mat purchased for the individual's home telecommuting location, hand sanitizer, Amazon Prime membership, and a magnifier. These five confirmed instances of misuse represent a total value of more than \$105. Two of the items valued at more than \$50 were returned by the cardholders, who received an offsetting credit, mitigating any loss to the Government. With respect to disciplinary actions taken by IRS management in response to the five confirmed purchase card violation cases, one employee received written counseling, and the remaining four employees received e-mails from the CCS Branch providing notification of the cardholder's first instance of an inappropriate purchase.

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. Management's actions should provide a deterrent factor for purchase card misuse and shield the purchase card program from repeated violations of applicable laws and regulations.

Four additional instances of suspected purchase card misuse were referred to Labor Relations by the CCS Branch for review. Labor Relations responded that management did not conclude that purchase card misuse had occurred. As a result, the CCS Branch did not include these cases in its Purchase Card Violations Report. However, our independent review found that two transactions were not appropriate and should have been identified by Labor Relations and the cardholder's managers as reportable violations for the purposes of the Purchase Card Violations Report. The two purchases were for hand sanitizer and had a value totaling approximately \$74.

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<sup>13</sup> The CCS Branch uses reports provided by Labor Relations to determine if a case is open (pending) or closed (confirmed).



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

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We reviewed the violations the IRS identified for the Purchase Card Violations 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.

### **Purchase card transactions violating internal policy were identified**

In addition to the five confirmed misuse case reported in the IRS Purchase Card Violations Report, the CCS Branch identified an additional 64 purchase card transactions related to purchase card policy violations. The Charge Card Act requires that only purchase card misuse be reported to the OMB and excludes certain inappropriate transactions related to administrative or internal controls inconsistencies, *e.g.*, violations of policy.

Specifically, 29 of the 64 purchase card transactions identified by the CCS Branch totaling \$27,000 did not comply with OMB 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. The IRS identified one instance of a split purchase totaling almost \$4,000. 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.

There was also one instance in which the single transaction limit of \$3,500 was exceeded. 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>14</sup>

Further, 26 of the 29 unauthorized purchase card transactions totaling nearly \$20,000 were made absent funding approvals or were made prior to securing manager approval. Finally, in one transaction a purchase order was altered, *i.e.*, additional items were added to the order or altogether different items were ordered, subsequent to managerial approval. The itemized list of supplies to be purchased included six Lexmark toners. The requisition reached completely approved status on April 16, 2018, meaning approval and funding were in place for the items listed. When the cardholder went to place the order only five Lexmark toners were available. The cardholder then altered the order by adding on coin envelopes, \$23, that were not listed in

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<sup>14</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).



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

the original requisition. The cardholder did not have approval or funding for the coin envelopes. Although there appeared to be funding available due to the decrease in the number of toners, the funds were approved and obligated specifically for toner. Figure 1 summarizes the 29 purchase card transactions that did not comply with OMB purchase card guidelines.

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

<b>Description</b>	<b>Number</b>
Split Purchase Transactions Collectively Exceeding the Micro-Purchase Limit	1
Purchases Made Absent Available Funding (Approval) or Prior to Securing Managerial Approval	26
Purchases Above the Micro-Purchase Limit	1
Purchase Order Altered After Managerial Review	1
<b>Total</b>	<b>29</b>

*Source: Analysis of CCS Branch documentation.*

Similarly, 35 of the 64 instances identified by the CCS Branch totaling almost \$9,000 were related to 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, USB cables/hubs, keypads, HDMI cables) was purchased, but not by Information Technology organization functional cardholders as required. The total value of the information technology equipment purchased was approximately \$7,500.

### **The IRS's Annual Assurance Statement affirms that controls are in place**

TIGTA reviewed the IRS's Fiscal Year 2018 Annual Assurance Statement under the Federal Managers' Financial Integrity Act of 1982 and determined that the IRS had updated it to affirm that appropriate policies 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 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 2019, we will review the Department of the Treasury Charge Card Management Plan (updated annually on January 30) and determine if it meets the requirements



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

---

of the Charge Card Act as implemented by OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*.

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

In compliance with the Charge Card Act, we are required to annually report on the implementation of recommendations related to purchase and travel card findings. TIGTA reviewed the Joint Audit Management Enterprise System and prior TIGTA audit reports to determine the status of open recommendations associated with IRS purchase and travel cards in audit reports issued over the past five fiscal years (Fiscal Years 2014 through 2018). TIGTA found no open recommendations associated with prior purchase or travel card findings.



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

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## Appendix I

### Detailed Objective, Scope, and Methodology

Our overall objective was to assess the IRS's compliance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act)<sup>1</sup> requirements for the period April 1, 2018, through September 30, 2018.<sup>2</sup> To accomplish this objective, we:

- I. Reviewed purchase card (and convenience check) violations by IRS employees and identified the actions the IRS took as a result of those violations.
  - A. Determined the total number of confirmed violations involving misuse of a purchase card for the specified period. We determined whether the violations constituted: 1) abuse;<sup>3</sup> 2) fraud;<sup>4</sup> or 3) other loss, waste, or misuse.<sup>5</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>6</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

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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 IRS and TIGTA reviews relate to the 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.

<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 clarifying guidance of OMB Memorandum M-13-21, issued September 6, 2013.

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



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

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- investigation, 2) pending a hearing, 3) pending final agency action, or 4) pending a decision on appeal.<sup>7</sup>
- II. Reviewed the IRS's final Fiscal Year<sup>8</sup> 2018 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 to:
- A. 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.
  - B. 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. Implement penalties for charge card violations that are jointly developed by agency charge card management and human resources components.
  - D. Define and apply appropriate and consistent employee disciplinary procedures, and comply with joint external reporting requirements.
  - E. Comply with external reporting requirements of TIGTA and IRS management.
- III. Determined the IRS's progress in implementing prior TIGTA audit recommendations for improving internal controls related to Government charge cards.
- 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 (Fiscal Years 2014 to 2018).
  - B. Reviewed all TIGTA audit reports issued within the past five fiscal years (Fiscal Years 2014 to 2018) 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 Joint Audit Management Enterprise System reports.

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

<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.

<sup>9</sup> 31 U.S.C. § 3512(d)(2).



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

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2. There were no open recommendations related to purchase or travel cards at the time of our review. There were also no recommendations that were closed during Fiscal Year 2018.

### **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 confirmed and pending violations in the Purchase Card Violations Report and analyzed inappropriate use forms and logs, 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 databases. We also reviewed IRS policies and procedures related to the Charge Card Act, including controls over centrally billed travel card accounts. In addition, we reviewed prior TIGTA audit reports and information in the Joint Audit Management Enterprise System to identify closed recommendations during Fiscal Year 2018 and any remaining open recommendations associated with Government charge cards.



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

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**Appendix II**

*Major Contributors to This Report*

Deann Baiza, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations)

Alicia P. Mrozowski, Director

Seth A. Siegel, Audit Manager

George Hartman, Lead Auditor

Lauren Bourg, Senior Auditor



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

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**Appendix III**

*Report Distribution List*

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



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

**Appendix IV**

*Internal Revenue Service Purchase  
Card Violations Report*

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>April 1, 2018, Through September 30, 2018</b>
a. Abuse.	
b. Fraud.	
c. Other loss, waste, or misuse: <i>Cardholders purchased restricted or prohibited items.</i>	5
<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>April 1, 2018, Through September 30, 2018</b>
a. Documentation of Counseling: <i>Oral or written counseling issued.</i>	1
b. Demotion.	
c. Reprimand.	
d. Suspension.	
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>April 1, 2018, Through September 30, 2018</b>
a. Number of violations pending investigation.	4
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.