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**TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION**



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

January 24, 2017

Reference Number: 2017-10-015

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 24, 2017

Highlights of Reference Number: 2017-10-015 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 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. 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, 2016.

#### WHAT TIGTA FOUND

The IRS properly identified and reported 21 instances of confirmed purchase card misuse and four instances of potential purchase card misuse pending final agency action. The 21 confirmed purchase card misuse cases

reported by the IRS collectively totaled about \$1,250.

TIGTA also reviewed the IRS's annual certification 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 2016 annual assurance statement under the Federal Managers' Financial Integrity Act of 1982, the IRS attests that these policies and controls are in place.

Finally, TIGTA reviewed the status of the recommendations in audit reports related to IRS purchase and travel cards issued over the past five fiscal years (Fiscal Years 2012 to 2016). There are currently no open recommendations that need to be addressed.

#### WHAT TIGTA RECOMMENDED

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



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DEPARTMENT OF THE TREASURY**

**WASHINGTON, D.C. 20220**

January 24, 2017

**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 # 201710003)

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 to September 30, 2016. This review is included in our Fiscal Year 2017 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.

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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***Abbreviations***

ALERTS	Automated Labor and Employee Relations Tracking System
CCS	Credit Card Services
FY	Fiscal Year
GSA	General Services Administration
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  
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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, 2016, the IRS purchase card program included 2,934 purchase cardholders. IRS records show that these cardholders made 37,969 purchases totaling almost \$13.8 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 42 checks totaling more than \$14,000.

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 in the prior fiscal year must submit semiannual reports detailing 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 certain Offices of Inspectors General, including the Treasury Inspector General

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<sup>1</sup> The Federal Acquisition Regulation limits a single micro-purchase to no more than \$3,500 for goods, \$2,500 for services, and \$2,000 for construction. 48 C.F.R. §13.201(b) (Effective as of October 1, 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*, p. 2 (June 2013).

<sup>3</sup> TIGTA, Ref. No. 2015-10-070, *Review of the Internal Revenue Service's Purchase Card Violations Report*, p. 6 (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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for Tax Administration (TIGTA). The Office of Management and Budget (OMB) and the General Services Administration (GSA) 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 establishes minimum requirements for Government purchase card programs and suggests best practices.<sup>8</sup>

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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 GSA 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>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.

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



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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 the 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 and CCS Branch share joint responsibility for the centrally billed travel card program. The Chief Financial Officer is responsible for program policy, while the CCS Branch is responsible for program administration and procedures. 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 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 Criminal Results Management 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 IRS Purchase Card Violations Report appropriately identified all reported instances of misuse.

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<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.

<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* (Jan. 2015).

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



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We analyzed information obtained from Agency-Wide Shared Services and CCS Branch management and staff located in Jacksonville, Florida, and Cincinnati, Ohio, and Human Capital Office Labor Relations management and staff located in Washington, D.C., during the period September through December 2016. 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 the actions taken by management in response***

TIGTA found that the IRS properly identified and reported 21 instances of confirmed purchase card misuse and four instances of potential purchase card misuse pending agency action. The 21 confirmed purchase card misuse cases collectively totaled about \$1,250. All of the cases were associated with the purchase of prohibited items such as hand sanitizer, candy, a book, magnifying glasses, and tissues for office use. In nine instances, totaling about \$455, the items were returned and the amounts were credited back to the related IRS charge card account.

With respect to disciplinary action for the 21 cases, employees:

- Received oral counseling in two cases.
- Received a cautionary or counseling letter in six cases.
- Received written counseling in one case.
- Received admonishment in one case.
- Resigned due to an unrelated conduct issue in one case.

The remaining 10 cases were closed without any 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 to IRS management taking formal disciplinary actions.

We 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. We 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 IRS investigation in our prior review. These four cases were confirmed to be instances of purchase card misuse and are included among the 21 cases identified in the Purchase Card Violations Report in Appendix IV.



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### **Purchase cardholders continue to split purchases to circumvent established micro-purchase limits and make purchases prior to securing funding**

In addition to the 21 confirmed misuse cases reported in the semiannual violations report, the CCS Branch also identified 70 purchase card transactions totaling more than \$44,000, it determined to have met the Charge Card Act's definition of administrative matters (policy noncompliance), which included 14 instances of split purchases. Transactions that were made by a single cardholder, on the same day, with the same vendor, and have a total purchase price that exceeds the allowable dollar amount for the good or service, is the definition of a split purchase. 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 the overpayment for goods and services. Splitting a purchase is a violation of Federal regulations and IRS policy, which dictate that inappropriate use will be referred to Labor Relations for review and recommendation on the appropriate disciplinary action. If a cardholder requires goods or services from a vendor that exceed the micro-purchase threshold (\$3,500 and \$2,500, respectively), the cardholder is required to notify the Office of Procurement so the appropriate competitive process is used to ensure that the IRS gets the best value for the items required.<sup>13</sup>

Further, the CCS Branch found 45 instances in which funding was not secured or approved before the purchase was made, six instances in which single-transaction limits were exceeded, and five other instances of procedural errors. Also, the CCS Branch identified another 20 instances totaling more than \$3,000 of prohibited purchases being made that were for valid business needs but for which the cardholder did not have authority to purchase the items. For instance, information technology equipment that was not purchased by the Information Technology organization functional cardholders.

The IRS penalty guide provides a range of disciplinary actions that can be applied for each violation of policy or inappropriate use. 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.

### **Review of the IRS annual assurance statement and the IRS's charge card guidance**

TIGTA reviewed the IRS's Fiscal Year (FY) 2016 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

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<sup>13</sup> 48 C.F.R. 13.003 (b)(1) (Dec 2016); 48 C.F.R. 13.202 (Dec 2016); 48 C.F.R. 13.301 (Dec 2016); and Document 9185, *The Internal Revenue Service's Purchase Card Guide* (Jan. 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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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 2017, we will review the Department of the Treasury Charge Card Management Plan (updated annually on January 30) and determine if it meets the requirements of the Charge Card Act as implemented by OMB Memorandum M-13-21.

### ***Status of the IRS's Implementation of TIGTA Audit Recommendations Related to Government Charge Cards***

We identified four TIGTA audit reports related to IRS purchase and travel cards issued over the past five fiscal years (FYs 2012 to 2016) that contained 20 recommendations and 23 planned corrective actions proposed by the IRS in response to those recommendations. Of the 20 recommendations, we determined through a review of the Joint Audit Management Enterprise System (JAMES)<sup>14</sup> that all of the recommendations had been closed by the IRS, including two that were closed during FY 2016.

These recommendations focused on referring IRS employees with significant personal financial problems associated with travel card misuse to the IRS Human Capital Officer and issuing a separate notification to all purchase cardholders and their managers reminding them of their responsibilities and listing specific prohibited items, such as hand sanitizers. Additional details associated with the recommendations closed during FY 2016 can be found in Appendix V.

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<sup>14</sup> The JAMES is the 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.



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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 through September 30, 2016.<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, 2016.
  - A. Reviewed Public Law No. 112-194, related OMB implementing guidance M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012* (Sept. 2013); GSA Smart Bulletin No. 021, *OMB Memorandum M-13-21 and Charge Card Compliance Summary* (Nov. 2013); OMB Circular A-123 (Appendix B), *Improving the Management of Government Charge Card Programs* (Jan. 2009); OMB Circular A-50, *Audit Followup* (Sept. 1982); 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 Chief Financial Officer, 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 Purchase Card Violations Report for the period April 1 through September 30, 2016, and determined if it is reasonable.
    2. How the IRS established when purchase cards had been misused by IRS employees.

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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 GSA 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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3. What adverse personnel actions the IRS took in response to purchase card misuse.
- II. Reviewed purchase card (and convenience check) violations by IRS employees and identified the actions the IRS 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 2016 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.

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<sup>3</sup> The review period was from April 1 through September 30, 2016.

<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 GSA's clarifying guidance of OMB Memorandum M-13-21.

<sup>7</sup> These five categories were identified in the GSA's clarifying guidance of OMB Memorandum M-13-21.

<sup>8</sup> These four categories were identified in the GSA's clarifying guidance of OMB Memorandum M-13-21.

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



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- 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.
- 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 (FYs 2012 to 2016).
  - B. Reviewed all TIGTA audit reports issued within the past five fiscal years (FYs 2012 to 2016) related to Government charge cards and determined the status of audit recommendations on the JAMES that were associated with these reports.

### **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 databases. We reviewed IRS policies and procedures

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<sup>10</sup> We made this determination by analyzing the status of our recommendations in the JAMES. The JAMES is the 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.



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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 determine the status of recommendations related to Government charge cards.



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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

George S. Hartman, Lead Auditor

Trisa M. Brewer, Auditor



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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



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**Appendix IV**

**IRS 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 through September 30, 2016</b>
a. Abuse.	0
b. Fraud.	0
c. Other loss, waste, or misuse: <i>Cardholders purchased restricted or prohibited items.</i>	21
<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, through September 30, 2016</b>
a. Documentation of Counseling: <i>Oral or written counseling issued.</i>	10
b. Demotion.	0
c. Reprimand.	0
d. Suspension.	0
e. Removal.	1
f. Other (no action taken): <i>Closed without any IRS management disciplinary action.</i>	10
<b>III. Status of all pending violations.</b>	<b>April 1 through September 30, 2016</b>
a. Number of violations pending investigation.	0
b. Number of violations pending hearing.	0
c. Number of violations pending final agency action.	4
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> This summary is for adverse personnel actions, not for administrative errors.



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

**Appendix V**

***Fiscal Year 2016 Closed  
Purchase Card Recommendations***

**Closed Recommendations**

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

The Chief, Agency-Wide Shared Services, should work with the Chief Financial Officer and IRS Human Capital Officer to develop and implement a policy by which 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.

***Review of the Internal Revenue Service's Purchase Card Violations Card Report*** (Ref. No. 2016-10-055), issued on July 15, 2016.

The Chief, Agency-Wide Shared Services, should issue a separate notification to all purchase cardholders and their managers reminding them of their responsibilities and listing specific prohibited items, such as hand sanitizers.

Source: Our analysis of the JAMES.<sup>1</sup>

<sup>1</sup> The JAMES is the 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.