



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

**January 25, 2018**

**Reference Number: 2018-10-018**

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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Phone Number / 202-622-6500

E-mail Address / [TIGTACommunications@tigta.treas.gov](mailto:TIGTACommunications@tigta.treas.gov)

Website / <http://www.treasury.gov/tigta>



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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 January 25, 2018

Highlights of Reference Number: 2018-10-018 to the Internal Revenue Service Commissioner for Operations Support.

#### IMPACT ON TAXPAYERS

Federal audits of agency charge card programs have found varying degrees of fraud, waste, and abuse. On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), which reinforced Administration and congressional efforts to prevent fraud, waste, and abuse of Government-wide 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 compliance with the law's requirements for the period April 1 through September 30, 2017.

#### WHAT TIGTA FOUND

The IRS identified and reported six instances of confirmed purchase card misuse and 21 instances of purchase card misuse pending final agency action. The six confirmed purchase card misuse cases reported by the IRS collectively totaled \$134.

In addition to the 27 confirmed and pending misuse cases reported in the IRS semiannual violations report, the IRS also identified 45 purchase card transactions totaling just over \$75,000 that the IRS determined to have met the Charge Card Act's definition of administrative matters (policy noncompliance). These cases included 13 instances of split purchases totaling almost \$62,000.

Similarly, the IRS identified another 42 instances totaling more than \$15,000 of prohibited purchases being made. The purchases were prohibited from being made or the purchases were made for valid business needs but the cardholder did not have the authority to purchase the items.

TIGTA also reviewed the IRS's current charge card guidance and determined that policies and controls have been established and designed to mitigate the risk of fraud and inappropriate Government travel and purchase card practices, including controls that address centrally billed travel card accounts. In the Fiscal Year 2017 Annual Assurance Statement under the Federal Managers' Financial Integrity Act of 1982, the IRS affirmed that these policies were in place.

Finally, TIGTA reviewed the Joint Audit Management Enterprise System 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 2013 through 2017). TIGTA found no open recommendations associated with purchase or travel card findings.

#### 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 report's conclusions.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

January 25, 2018

**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 Recommendations  
(Audit # 201710025)

This report presents the results of our review of the Internal Revenue Service’s Purchase Card Violations Report. The overall objective of this review was to assess the Internal Revenue Service’s compliance with the Government Charge Card Abuse Prevention Act of 2012 for the period April 1 through September 30, 2017. 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 Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).



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*Abbreviations*

ALERTS	Automated Labor and Employee Relations Tracking System
CCS	Credit Card Services
IRS	Internal Revenue Service
JAMES	Joint Audit Management Enterprise System
OMB	Office of Management and Budget
TIGTA	Treasury Inspector General for Tax Administration



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

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### *Background*

Government purchase cards are an affordable and convenient means for making electronic payments. According to the Internal Revenue Service (IRS), between April 1 and September 30, 2017, the IRS purchase card program included 2,754 purchase card holders. The IRS informed us that these cardholders made 35,397 purchases totaling nearly \$13.6 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 77 checks totaling nearly \$28,000.

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, the Treasury Inspector General for Tax Administration (TIGTA) 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> 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 and that the instances of purchase card misuse identified by the IRS were minimal and all for nominal amounts.<sup>4</sup>

The Charge Card Act, signed into law by the President on October 5, 2012, 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 annually must submit semiannual reports of employee purchase card violations (the

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<sup>1</sup> The Federal Acquisition Regulation generally limits a single micro-purchase (single transaction) 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> TIGTA, Ref. No. 2013-10-056, *The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use* (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*, pp. 4 and 5 (July 2014); TIGTA, Ref. No. 2015-10-070, *Review of the Internal Revenue Service's Purchase Card Violations Report*, pp. 4–6 (July 2015); TIGTA, Ref. No. 2016-10-055, *Review of the Internal Revenue Service's Purchase Card Violations Report*, pp. 5 and 6 (July 2016); TIGTA, Ref. No. 2017-10-060, *Review of the Internal Revenue Service's Purchase Card Violations Report*, pp. 5 and 6 (July 2017).



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Purchase Card Violations Report), the disposition of those violations, and any disciplinary actions taken.

The Charge Card Act established additional reporting requirements for certain Offices of Inspectors General (including TIGTA) to be consistent with existing statutory responsibilities, including avoidance of improper payments and the protection of privacy. 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 Office of Management and Budget (OMB) and the General Services Administration have issued guidance and templates for reporting violations.<sup>5</sup>

Additional requirements of the Charge Card Act include augmentation of existing internal controls. At a minimum, all agency charge card management plans are required to be reviewed and updated to reflect the following internal control activities related to centrally billed travel card accounts:<sup>6</sup>

- ***To prevent an individual from being reimbursed for a bill already paid by the Government*** by ensuring that agency officials who approve or settle official travel verify that charges paid directly by the Government to the bank are not also reimbursed to an employee's individually billed account.
- ***To prevent the Government from spending money on 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 and human resource 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>5</sup> On September 6, 2013, the OMB issued Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, and on November 18, 2013, the General Services Administration issued Smart Bulletin No. 021, *OMB Memorandum M-13-21 and Charge Card Compliance Summary*, which included a summary compliance checklist for agency use and a sample reporting template.

<sup>6</sup> Centrally billed travel card accounts are corporate accounts issued to an agency business unit that may be used only to pay for common carrier transportation when an employee is authorized to perform official travel but did not receive an individually billed account card, *e.g.*, new employees who have not been issued a travel card or infrequent travelers. Centrally billed accounts are paid directly by the Government to the card-issuing entity.



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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>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 suggested best practices.<sup>8</sup>

Further, because agencies should be aware of charge card audit findings and ensure that they are promptly resolved, Inspectors General must report to the Director of the OMB 120 days after the end of each fiscal year<sup>9</sup> 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>10</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>11</sup> The Chief Financial Officer and the CCS Branch share joint responsibility for the travel card program, which includes centrally billed accounts. 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 Purchase Card Guide.<sup>12</sup> The IRS Restricted Purchase List also provides cardholders with detailed information on what is and is not an acceptable purchase.<sup>13</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,

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<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).

<sup>9</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>10</sup> The CCS Branch is a function under Agency-Wide Shared Services.

<sup>11</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>12</sup> Internal Revenue Manual 1.35.4 Purchase Card Program (Aug. 25, 2017); Document 9185, *The Internal Revenue Service's Purchase Card Guide* (Jan. 2015)

<sup>13</sup> The IRS Restricted Purchase List is available on the IRS Office of Procurement Intranet page under Links. This list provides guidance on goods and services that IRS employees are prohibited from buying or that can only be purchased with the appropriate approval.



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except for cases involving the IRS Office of the Chief Counsel. The CCS Branch identifies instances of purchase card misuse and refers any involving Office of the 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 all 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.

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 October through December 2017. 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*

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

**IRS Purchase Card Violations Report results and the actions taken by  
management in response**

TIGTA found that the IRS identified and reported six instances of confirmed purchase card misuse and 21 instances of potential purchase card misuse pending final agency action.<sup>14</sup> The six confirmed purchase card misuse cases collectively totaled \$134. All six of the cases were associated with the purchase of personal use items such as hand sanitizer, sanitizing wipes, and tissues. These charge card purchases were considered personal use items because they were purchased for the express use of the individual rather than for organizational benefit. Personal use items are prohibited under IRS internal guidance. In three instances totaling \$68, the personal items were returned and the amounts were credited back to the related IRS charge card account.

With respect to disciplinary action for the six cases of confirmed purchase card misuse, all six employee cases were closed without any disciplinary action. However, in four of these cases, the cardholder did 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.

The IRS penalty guide<sup>15</sup> 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 and that the disciplinary actions provide a deterrent factor for purchase card misuse and shield the purchase card program from repeated violations of applicable laws and regulations.

We reviewed the violations that the IRS identified in its 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. In addition, we followed up on the status of two cases previously reported as pending

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<sup>14</sup> There were 16 instances in which magnifiers/magnifying glasses were purchased for IRS employees. While the purchase of optical goods is typically prohibited for employees, it is permitted in the presence of a legitimate need. The Department of the Treasury Office of the Procurement Executive is planning to issue guidance related to clarifying the appropriateness of purchasing magnifying glasses for employees using them to perform official duties.

<sup>15</sup> IRS Manager's Guide to Penalty Determinations.



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

### **Split purchases were used to circumvent established micro-purchase limits, and purchases were made prior to securing funding**

In addition to the 27 confirmed and pending misuse cases reported in the Purchase Card Violations Report, the CCS Branch also identified 45 purchase card transactions totaling just over \$75,000 that the CCS Branch determined to have met the Charge Card Act's definition of administrative matters (policy noncompliance). These cases included 13 instances of split purchases totaling almost \$62,000. The IRS defines split purchases as transactions that were made by a single cardholder, on the same day, with the same vendor, having a total purchase price that exceeds the micro-purchase threshold. 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 or nondisciplinary action. If a cardholder requires goods or services from a vendor that exceed the micro-purchase threshold, the purchase must be processed by the Office of Procurement.<sup>16</sup>

Further, 13 of the 45 purchase card transactions that were related to administrative matters (noted above) related to instances in which required funding or manager approval was not secured before the purchase was made. For 16 of the 45 transactions, items were purchased without using the priority list of required sources, and for one transaction, the single micro-purchase limit of \$3,500 for goods was exceeded. Finally, there were two transactions with altered orders. An altered order is an order that was approved but changed afterwards in some way by the cardholder.

Similarly, the CCS Branch identified another 42 transactions totaling more than \$15,000 of prohibited purchases being made. The purchases were prohibited from being made or the purchases were made for valid business needs but the cardholder did not have the authority to purchase the items.<sup>17</sup> For instance, the IRS prohibits the purchase of personal calendars or information technology equipment (such as USB audio adapters, 10-key pads, and external hard drives) unless approved by the IRS Information Technology organization. The total value of the information technology equipment was \$12,351.

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<sup>16</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); Document 9185, *The Internal Revenue Service's Purchase Card Guide* (Jan. 2015).

<sup>17</sup> The purchases were in violation of the Restricted Purchase List guidelines.



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

TIGTA reviewed the IRS's Fiscal Year 2017 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 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 2018, 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, *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. We reviewed the Joint Audit Management Enterprise System (JAMES)<sup>18</sup> and found no open recommendations related to purchase or travel card findings.

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<sup>18</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.



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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, 2017, through September 30, 2017.<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.<sup>3</sup>
  - 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>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>

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<sup>1</sup> Pub. L. No. 112-194 (Oct. 2012). On September 6, 2013, the OMB issued Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. On November 18, 2013, the General Services Administration issued Smart Bulletin No. 021, *OMB Memorandum M-13-21 and Charge Card Compliance Summary*, which included a summary compliance checklist for agency use and sample reporting templates.

<sup>2</sup> It is important to note that the IRS and TIGTA reviews relate to the 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> The review period was from April 1 through September 30, 2017.

<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 sample semiannual Joint Purchase and Integrated Card Violation Report, which is a requirement of Smart Bulletin No. 021.

<sup>7</sup> These five categories were identified in the sample semiannual Joint Purchase and Integrated Card Violation Report, which is a requirement of Smart Bulletin No. 021.



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- 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.
- II. Reviewed the IRS's final Fiscal Year<sup>8</sup> 2017 annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices in its Annual Assurance Statement under the Federal Managers' Financial Integrity Act of 1982.<sup>9</sup> Specifically, we reviewed whether the IRS has controls:
  - A. To verify that charges paid directly by the Government to the bank are not also reimbursed to an employee or an employee's individually billed account.
  - B. To verify that the IRS (travel management center or service or commercial travel office) submits requests to servicing common carriers for refunds of fully or partially unused tickets and tracks the status of those tickets to ensure resolution.
  - C. To implement penalties for charge card violations that are jointly developed by agency charge card management and human resources components.
  - D. To define and apply appropriate and consistent employee disciplinary procedures and comply with joint external reporting requirements.
  - E. To comply with 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.<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 seven fiscal years (Fiscal Years 2011 through 2017).
  - B. Reviewed all TIGTA audit reports issued within the past seven fiscal years (Fiscal Years 2011 through 2017) related to Government charge cards.

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<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).

<sup>10</sup> We made this determination by analyzing the status of our recommendations in the JAMES. The JAMES is Treasury's web-based audit tracking system. The JAMES tracks issues, findings, and recommendations extracted from the Office of the Inspector General, the Government Accountability Office, and TIGTA audit reports. It also tracks the current status of Planned Corrective Actions for related material weaknesses, significant deficiencies, and remediation plans. In order to comply with the intent of the Federal Managers' Financial Integrity Act of 1982, OMB Circulars, and Treasury Directives, tracking these audits and the Planned Corrective Actions is mandatory.



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

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1. Identified the status of implemented (closed) and open TIGTA audit recommendations associated with the reports issued within the past five fiscal years using the IRS's JAMES reports.
2. There were no open recommendations associated with purchase or travel cards at the time of our review. There were also no recommendations that were closed during Fiscal Year 2017.

### **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 the 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 the Chief Counsel's tracking log, the ALERTS,<sup>11</sup> and the Criminal Results Management System<sup>12</sup> 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 JAMES to identify closed recommendations during Fiscal Year 2017 and any remaining open recommendations associated with Government charge cards.

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<sup>11</sup> The ALERTS records employee misconduct allegations and cases and management's responses, except for cases involving the IRS Office of the Chief Counsel.

<sup>12</sup> TIGTA's Office of Investigations system that provides the ability to manage and account for all complaints received, investigations initiated, and leads developed from law enforcement initiatives.



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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

Gary D. Pressley, Senior Auditor



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**Appendix III**

*Report Distribution List*

Commissioner  
Office of the Commissioner – Attn: Chief of Staff  
Chief Counsel  
Chief, Facilities Management and Security Services  
Chief Financial Officer  
IRS Human Capital Officer  
Associate Chief Financial Officer for Financial Management  
Director, Workforce Relations Division, IRS Human Capital Officer  
Director, Office of Audit Coordination



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**Appendix IV**

*Internal Revenue Service Purchase Card  
Violations Report*

<b>PURCHASE CARD VIOLATION DATA</b>	
<b>I. Summary description of confirmed violations involving misuse of a purchase card or integrated card.<sup>1</sup></b>	<b>April 1 through September 30, 2017</b>
a. Abuse.	0
b. Fraud.	0
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>April 1 through September 30, 2017</b>
a. Documentation of counseling: <i>oral or written counseling issued.</i>	0
b. Demotion.	0
c. Reprimand.	0
d. Suspension.	0
e. Removal.	0
f. Other (no action taken): <i>closed without any IRS management adverse personnel action.</i>	6
<b>III. Status of all pending violations.</b>	<b>April 1 through September 30, 2017</b>
a. Number of violations pending investigation.	0
b. Number of violations pending hearing.	0
c. Number of violations pending final agency action.	21 <sup>3</sup>
d. Number of violations pending decision on appeal.	0

<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.

<sup>3</sup> There were 16 instances in which magnifiers/magnifying glasses were purchased for IRS employees. The Department of the Treasury Office of the Procurement Executive is planning to issue guidance related to clarifying the appropriateness of purchasing magnifying glasses for employees using them to perform official duties.