



Office of Audits
Office of Inspector General
U.S. General Services Administration

GSA's Purchase Card Program is Vulnerable to Illegal, Improper, or Erroneous Purchases

*Report Number A160022/O/R/F16004
September 30, 2016*



Office of Audits
Office of Inspector General
U.S. General Services Administration

REPORT ABSTRACT

OBJECTIVES

The objectives of our audit were to determine whether: (1) GSA's purchase card program has controls in place to ensure purchase cardholders are in compliance with GSA's purchase card policies; (2) GSA purchase card transactions are properly and fully supported, reported, and approved; and (3) GSA purchase card use above the single transaction limit of \$3,000 complies with acquisition laws.

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WHAT WE FOUND

We found that GSA's purchase card program controls should be improved and enforced. Specifically, we found that purchase card transactions are not properly and fully supported, reported, and approved to ensure the goods and services are business-related. In addition, GSA may not identify illegal, improper, or erroneous purchases because the controls over the resolution of questionable purchase card transactions are not operating effectively. Finally, GSA lacks controls to routinely monitor purchase card transactions to identify split transactions, which increases the risk that GSA cardholder violations of federal acquisition regulations concerning micro-purchase authority will go undetected.

WHAT WE RECOMMEND

Based on our audit findings we recommend the Chief Administrative Services Officer:

1. Enforce GSA Order OAS 4200.1A, *Management and Use of the GSA SmartPay Purchase Card*;
2. Ensure questionable charges are identified, reviewed, and resolved; and
3. Ensure the Charge Card Management Division fully develops and implements the MasterCard Expert Monitoring System, and performs routine tests of split transactions.

These summary-level recommendations are presented in detail in the report body.

GSA COMMENTS

The Chief Administrative Services Officer concurred with the audit report findings and recommendations. GSA's written comments to the draft report are included in their entirety as **Appendix C**.

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Introduction

We performed an audit of GSA's fiscal year 2015 purchase card program.

Purpose

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) was enacted to prevent fraud, waste, and abuse in federal charge card programs. The Charge Card Act and Office of Management and Budget (OMB) Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, require Inspectors General to conduct annual risk assessments of charge card programs to analyze the risks of illegal, improper, or erroneous purchases and payments. Inspectors General are required to use these risk assessments to determine the necessary scope, frequency, and number of audits to be performed in these areas.

We issued our *Fiscal Year 2014 Risk Assessment of GSA's Charge Card Program* on September 30, 2015. The risk assessment found a high level of risk of illegal, improper, or erroneous purchases made through GSA's purchase card program during fiscal year 2014. Because of this high-risk assessment, we determined that an audit of GSA's fiscal year 2015 purchase card program was necessary.

Objectives

The objectives of our audit were to determine whether:

- (1) GSA's purchase card program has controls in place to ensure purchase cardholders are in compliance with GSA's purchase card policies;
- (2) GSA purchase card transactions are properly and fully supported, reported, and approved; and
- (3) GSA purchase card use above the single transaction limit of \$3,000 complies with acquisition laws.

See **Appendix A** – Scope and Methodology for additional details.

Background

Fiscal Year 2014 Risk Assessment

In our *Fiscal Year 2014 Risk Assessment of GSA's Charge Card Program*, we assessed a high level of risk of illegal, improper, or erroneous purchases made through GSA's purchase card program. Specifically, we concluded that GSA did not have assurance that purchase cards were used exclusively for approved and business-related goods and services due to a lack of supporting documentation within Pegasys, GSA's financial management system. Further, we found that limitations in GSA's process to detect purchase card misuse or abuse could increase the Agency's risk of making illegal, improper, or erroneous purchase card transactions. Ineffective controls related to

identifying merchant category codes perceived to be of higher risk compounded the issue.¹ Finally, we determined that GSA did not have controls in place to identify split transactions. Split transactions are transactions that result from separating a single purchase above the micro-purchase threshold (\$3,000 in fiscal year 2015) into multiple transactions in order to stay within the authorized single transaction limit. GSA Order OAS 4200.1A, *Management and Use of the GSA SmartPay Purchase Card*, prohibits split transactions.

GSA SmartPay Program

Established in 1998, the GSA SmartPay Program is the world's largest government charge card and commercial payment program, providing services to more than 350 federal agencies, organizations, and Native American tribal governments. GSA SmartPay enables authorized government employees to make purchases on behalf of the federal government in support of their organization's mission. The program consists of four business lines: purchase, travel, fleet, and integrated, with services provided by three contractors: Citibank, JPMorgan Chase, and U.S. Bank.

Prior to implementing GSA SmartPay, the federal government used traditional paper-based payment processes such as purchase orders for small dollar purchases (under the micro-purchase threshold). In many cases, traditional paper-based processing techniques cost more to process than the amount of the transaction itself.² The inefficiency, costs, and risks associated with these processes were a key factor in the dramatic increase in the use of GSA SmartPay, which streamlines transaction processing.

Purchase Card Use

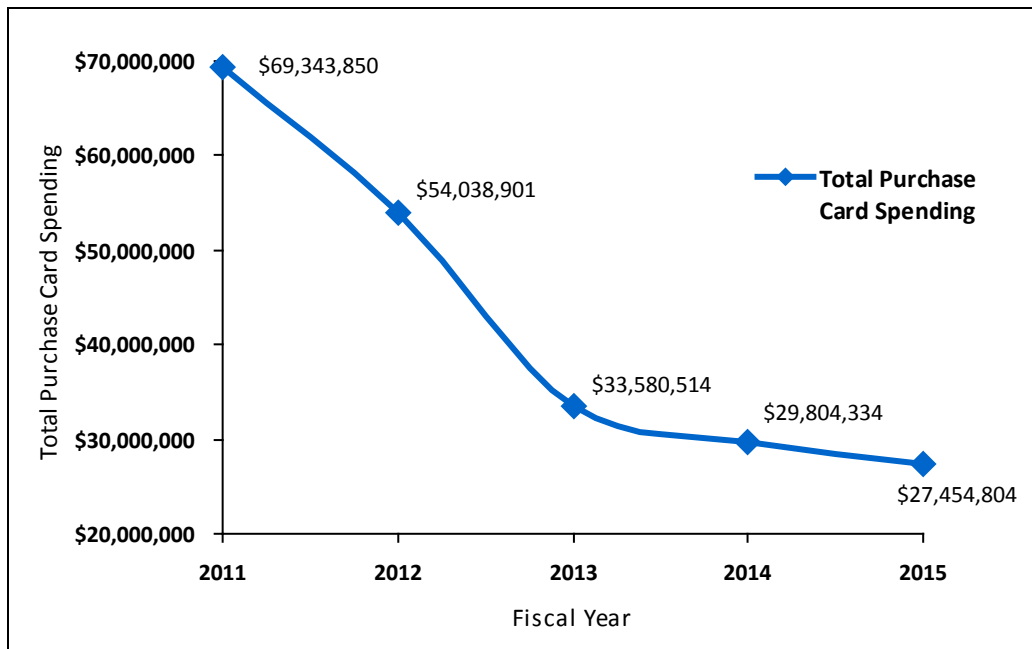
In fiscal year 2015, GSA used its purchase cards for goods and services totaling \$27.5 million. This represents a 7.9 percent reduction in spending from the prior year. The decline in purchase card spending is a trend that has continued since 2011 (see *Figure 1*).

GSA's Central Office, National Capital Region, and Mid-Atlantic Region were responsible for more than 50 percent of the \$27.5 million in purchase card transactions during fiscal year 2015. Ninety-nine percent of all fiscal year 2015 transactions were under the \$3,000 micro-purchase threshold.

¹ A merchant category code is a 4-digit number assigned to a merchant by credit card companies to classify the business by the type of goods or services it sells.

² For example, administrative expenses for traditional paper-based purchasing systems include costs for personnel, as well as to print, distribute, scan, rekey, file, and archive paper procurement documents.

Figure 1 - GSA's Total Purchase Card Spending: Fiscal Years 2011 – 2015



Purchase Card Controls

GSA Order OAS 4200.1A and the *Charge Card Management Plan for General Services Administration Purchase and Travel Card Programs* (Management Plan) define controls for the GSA purchase card program. The Management Plan is required by OMB Circular A-123, Appendix B (Revised), *Improving the Management of Government Charge Card Programs*, and OMB Memorandum M-13-21. The Management Plan outlines policies and procedures within GSA that are critical controls for the management of the purchase card program and is developed by the Charge Card Division within the Office of Administrative Services (OAS). Similarly, GSA Order OAS 4200.1A provides policy guidance on the proper use of the purchase card and outlines the various roles and responsibilities of stakeholders in the purchase card program.

An Approving Official (typically a supervisor) ensures that the purchase card is used properly, that purchases are for legitimate government needs, and that purchases are properly recorded in Pegasys. Regional Charge Card Coordinators (Regional Coordinators) are responsible for managing the purchase card program at the regional level. Two of the Regional Coordinators' key duties are monitoring and documenting the resolution of transactions on the Monthly Questionable Charges Report, which highlights purchase card charges deemed high-risk, identified by a keyword search. Regional Coordinators are also responsible for ensuring that Approving Officials review and certify their Pegasys Monthly Charge Card Transactions Report. As discussed in *Finding 2*, not all Regional Coordinators have access in Pegasys to review their cardholders' supporting documentation. See **Appendix B** for additional details of GSA's purchase card program roles and responsibilities.

Results

Our audit found that GSA's purchase card program controls should be improved and enforced. We identified issues with three major controls used by GSA's Office of Administrative Services (OAS) to ensure the success of its purchase card program during fiscal year 2015. Specifically, we determined that: (1) GSA does not have assurance purchase cards are used exclusively for approved and business-related purchases; (2) GSA's controls over the resolution of questionable transactions are not operating effectively; and (3) GSA lacks controls to identify split transactions.

Finding 1 – GSA does not have assurance that purchase cards are used exclusively for approved, business-related goods and services because controls to support and review transaction documentation are not performed consistently.

Purchase cardholders are not consistently loading supporting documentation in Pegasys, GSA's financial management system, nor are Approving Officials consistently reviewing transactions. In accordance with GSA Order OAS 4200.1A, cardholders are required to upload three key documents for every purchase card transaction under the micro-purchase threshold (\$3,000 in fiscal year 2015): (1) an order form or pre-written authorization, (2) an invoice or receipt, and (3) an independent receipt and acceptance of goods and services.³ However, we found that these steps were not being performed consistently.

We selected and tested a random sample of 35 transactions under the micro-purchase threshold from our four sample regions: Central Office, Mid-Atlantic, Northwest/Arctic, and National Capital. Of the 35 transactions tested, 23 (66 percent) lacked required documentation in Pegasys. In an effort to determine whether any of the missing documentation was maintained elsewhere, we asked GSA for it, but GSA provided full support for only 6 of the 23 transactions, leaving 49 percent of the sampled transactions unsupported.

Based on interviews of cardholders, Approving Officials, and Regional Coordinators, we determined that the absence of supporting documentation results from inconsistent use of Pegasys by cardholders and Approving Officials. GSA Order OAS 4200.1A requires Approving Officials to complete a monthly sampling review of their cardholders' transactions to ensure cardholders are following guidance and making allowable purchases for GSA. During interviews, Approving Officials told us there was no specific methodology or guidance on how to perform this monthly sampling review, and that they were not reviewing supporting documentation. Two of five Approving Officials told us they have never logged into Pegasys to review supporting documentation for purchase card transactions. If the Approving Officials are not consistently logging into Pegasys to review purchase card transactions for supporting documentation, they cannot ensure

³ According to GSA Order OAS 4200.1A, documentation of independent receipt and acceptance of goods is only required for purchases over \$150.

transactions are appropriate. Further, purchase cardholders may continue to upload the required support partially, improperly, or not at all.

For example, 1 of the 23 purchase card transactions lacking complete documentation in Pegasys totaled \$2,998.13 for air conditioning equipment. There was no evidence in Pegasys of the Approving Official's written authorization, a receipt or invoice for the purchase, an independent receipt and acceptance of the purchase, or approval of the proper budget accounting code to use for the purchase. When purchases are made with the GSA purchase card, but documentation to support those transactions is incomplete, missing, or not maintained in Pegasys, the Approving Official cannot use the system of record to validate, review, or track the purchase to ensure its accuracy.

Recommendation 1

We recommend the Chief Administrative Services Officer:

- 1a. Enforce GSA Order OAS 4200.1A by implementing a review process to ensure purchase cardholders upload supporting documentation to Pegasys and that Approving Officials resolve instances of missing documentation; and
- 1b. Develop a process to hold purchase cardholders and Approving Officials accountable for not adhering to requirements in GSA Order OAS 4200.1A for maintaining documentation and reviewing transactions. This process may include card suspension, card removal, or reassignment of responsibilities of the cardholder and Approving Official.

GSA Comments

The Chief Administrative Services Officer concurred with the audit report finding and recommendations. GSA's written comments are included in their entirety as **Appendix C**.

Finding 2 – GSA may not identify illegal, improper, or erroneous purchases because controls over the resolution of questionable purchase card transactions are not operating effectively.

Limitations in GSA's process to detect purchase card misuse or abuse could increase the Agency's risk of paying for illegal, improper, or erroneous purchase card transactions. To identify questionable charges, OAS uses MasterCard's Expert Monitoring System (EMS), a data-mining tool designed for monitoring and controlling risks associated with card spending, including fraud, waste, and abuse. However, we determined that: (1) the EMS tool is not operating as it should, (2) OAS personnel fail to follow up on non-responses to questionable charge inquiries, and (3) OAS personnel conduct inadequate reviews of questionable charge responses they receive.

EMS Tool Not Calibrated to Identify Questionable Charges

In accordance with GSA Order OAS 4200.1A, OAS personnel perform keyword searches in EMS to identify questionable purchase card transactions. EMS flags purchase card transactions as questionable based on specific attributes, such as suspicious merchant descriptions, merchant category codes, or weekend purchases. For example, some purchases are flagged because they were made from QVC or eBay, or on a Sunday.

While the EMS tool has helped GSA identify questionable charges, we found that EMS is not operating as intended. Specifically, the audit team replicated the EMS search query for identifying questionable charges. We traced 15 sample purchase card transactions that met OAS' high-risk search criteria, and found that EMS failed to detect 2 of the transactions, 1 of which was close to the \$3,000 micro-purchase threshold, totaling \$2,853.35, to an electrical parts and equipment merchant. According to an OAS manager, one of the business rules in the EMS query tool was written incorrectly and therefore, not all questionable charges were identified. An OAS manager informed the audit team that this has been updated within EMS. In addition, we noted OAS's query terms are not up-to-date or reflective of today's consumer purchasing habits. For example, the EMS tool searches for an outdated video game system instead of the current model.

GSA Does Not Follow Up on Non-Responses to Questionable Charge Inquiries

The Agency Program Coordinator is a designated individual within OAS responsible for overseeing GSA's purchase card program. GSA Order OAS 4200.1A requires the Agency Program Coordinator to analyze monthly questionable purchase card transactions, follow up with the appropriate individuals, and monitor responses to those inquiries.

However, we observed that OAS does not have a process in place to ensure cardholders respond to questionable charge inquiries. In fiscal year 2015, OAS identified 945 questionable charges totaling \$433,804 in all regions. OAS sent inquiries to Regional Coordinators about these charges, but did not receive responses for 262 of the 945 transactions (28 percent totaling \$121,587). GSA's Central Office and National Capital Region were responsible for 46 percent of these non-responses. OAS personnel told us they do not follow up on the non-responses because they do not have the time and personnel to do so.

Inconsistent Review of Questionable Charge Responses

GSA Order OAS 4200.1A requires Regional Coordinators to coordinate with program offices to obtain detailed and precise explanations of questionable charges within 30

days of receipt of the report. A response to a questionable charge inquiry should provide the credit log along with an explanation of the charge.⁴

We reviewed nine questionable charge responses to determine if they were adequate. Our review consisted of evaluating the explanation provided for the questionable charges, as well as information in Pegasys. Of the nine responses we reviewed, only two were adequately supported in Pegasys, seven were not. For example, while reviewing a questionable \$235.99 charge for internet services flagged because the transaction occurred on the weekend, we discovered the documentation loaded into Pegasys was for boiler fuel. This was not detected until our audit.

We also found that although GSA Order OAS 4200.1A requires Regional Coordinators to monitor the resolution of the Monthly Questionable Charges Report and maintain documentation of resolution, it does not describe the extent of the review that should be performed. Not all Regional Coordinators have access to Pegasys to review the supporting documentation loaded into the system. Further, two Regional Coordinators we met with noted they do not review any supporting documentation for these transactions.

Given the problems identified, we concluded the process to review and resolve the responses to OAS' Monthly Questionable Charges Report is not adequate. We are concerned because in fiscal year 2015 alone, OAS identified \$433,804 in questionable charges. Without proper review of supporting documentation for these charges, including invoices, authorization, and independent receipt verification, OAS cannot determine whether these transactions are valid GSA expenses.

Recommendation 2

We recommend the Chief Administrative Services Officer:

- 2a. Implement procedures to require that OAS periodically verifies that its EMS business rules are designed as intended to capture questionable charges;
- 2b. Further ensure that search terms programmed to identify questionable charges are routinely updated to identify outdated and ineffective search terms, for example, Google versus AOL, PlayStation 4 versus PlayStation 3, and other similar changes;
- 2c. Assess the workload of the Central Office and National Capital Region Regional Coordinators and Agency Program Coordinators to determine if additional staff is necessary to ensure purchase card controls are managed and operating effectively;

⁴ A credit log, *i.e.*, a credit card log form, is an electronic document for users to record a purchase card transaction in Pegasys. It is an order to obligate funds and it is mandatory that cardholders immediately create a credit log for each transaction in Pegasys.

- 2d. Incorporate specific guidance, in both policy and training, on the procedures Approving Officials should follow in responding to questionable charge transactions; and
- 2e. Ensure Regional Coordinators are given access to Pegasys to improve and reinforce their review of questionable charge card transactions.

GSA Comments

The Chief Administrative Services Officer concurred with the audit report finding and recommendations. GSA's written comments are included in their entirety as **Appendix C**.

Finding 3 – GSA lacks controls for identifying split purchase card transactions, making GSA vulnerable to cardholders violating federal procurement regulations.

Split transactions are transactions that result from separating a single purchase into multiple transactions to circumvent procurement requirements such as the micro-purchase threshold or the transaction limits on a purchase card. Federal Acquisition Regulation 13.003(c)(2) prohibits splitting transactions in an attempt to avoid requirements that apply to transactions above the micro-purchase threshold (\$3,000 in fiscal year 2015). In addition, GSA Order OAS 4200.1A states "Micro-purchase cardholders and warranted contracting officers are strictly prohibited from splitting purchases to circumvent their purchase card limits." Controls to test for split transactions are required by OMB Circular A-123, Appendix B (Revised), *Improving the Management of Government Charge Card Programs*, which states that "when mitigating risks of misuse and/or delinquency, charge card managers should monitor reports to identify potential split purchases."

We found that GSA lacks controls to identify split transactions. First, OAS does not attempt to identify split transactions to ensure cardholders are not circumventing the micro-purchase threshold or using the incorrect procurement vehicle. Second, inconsistent and incomplete documentation in Pegasys hinders the effectiveness of any efforts to identify the potential existence of split transactions. Last, as referenced in *Finding 1*, some Approving Officials are not reviewing cardholder purchases and thus are not attempting to identify if any are split transactions. The lack of controls increases the risk that GSA cardholder violations of federal acquisition regulations concerning micro-purchase authority will go undetected.

OAS managers developed a query to identify split transactions using the EMS tool. According to OAS officials, they tested the query in February 2015; however, they determined there were too many "false positives" (*i.e.*, the query identified transactions that were not split). OAS officials told us during the audit that they were in the process of refining the query. As a result, OAS did not use the EMS tool or any other method to identify split transactions during fiscal year 2015, making GSA vulnerable to cardholders who violate federal procurement regulations.

Recommendation 3

We recommend the Chief Administrative Services Officer institute regular testing to identify and evaluate potentially split transactions.

GSA Comments

The Chief Administrative Services Officer concurred with the audit report finding and recommendation. GSA's written comments are included in their entirety as **Appendix C**.

Conclusion

We identified issues with three major controls used by GSA's OAS to ensure the success of its purchase card program during fiscal year 2015. Specifically, we determined that: (1) requirements to support and review transactions are not performed consistently and as a result, GSA does not have assurance purchase cards are used exclusively for approved and legitimate purchases; (2) GSA's controls over resolving questionable transactions are not operating effectively; and (3) GSA lacks controls to identify split transactions. Based on our audit findings, we recommend the Chief Administrative Services Officer enforce GSA Order OAS 4200.1A, and hold cardholders and Approving Officials accountable when GSA Order OAS 4200.1A is not followed. In addition, we recommend the Chief Administrative Services Officer ensure questionable charges are identified, reviewed, and resolved. Finally, the Charge Card Management Division should institute regular tests to identify split transactions.

Audit Team

This audit was managed out of the Real Property and Finance Audit Office and conducted by the individuals listed below:

Marisa A. Roinestad	Associate Deputy Assistant Inspector General for Auditing
Porsha P. Brower	Audit Manager
Cairo J. Carr	Auditor-In-Charge
Joy L. Wright	Auditor

Appendix A – Scope and Methodology

Scope and Methodology

We examined purchase card transactions processed and approved by GSA purchase cardholders, Approving Officials, and Regional Coordinators during fiscal year 2015. We performed analysis to determine whether:

- GSA's purchase card program has controls in place to ensure purchase cardholders are in compliance with GSA's purchase card policies;
- GSA purchase card transactions are properly and fully supported, reported, and approved; and
- GSA purchase card use above the single transaction limit of \$3,000 complies with acquisition laws.

To accomplish our objectives, we:

- Examined relevant criteria, including public laws, executive orders, OMB memoranda, and GSA directives, purchase card policies and procedures;
- Reviewed prior audit reports and guidance related to the purchase card program issued by the GSA Office of Inspector General and the U.S. Government Accountability Office;
- Conducted interviews with GSA cardholders, Approving Officials, and Regional Coordinators, within the Central Office, Mid-Atlantic, Northwest/Arctic, and National Capital regions;
- Performed analysis of fiscal year 2015 purchase card transactions and related purchase card reports;
- Performed detailed testing of purchase card transactions to determine validity of purchases made, to confirm completeness of documentation maintained in the financial system, and to determine compliance with GSA purchase card policies;
- Analyzed purchase card transactions to determine the possible existence of split transactions during fiscal year 2015;
- Reviewed questionable charge transactions to determine whether they were valid and properly supported in Pegasys; and
- Analyzed queries used to identify questionable charge transactions via the EMS tool to determine whether EMS is flagging the appropriate transactions.

We conducted the audit between October 2015 and April 2016 in accordance with generally accepted government auditing standards. These 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

Our assessment of internal controls was limited to those necessary to address the objectives of the audit. Identified internal control issues are discussed in the Results section of this report.

Appendix B – GSA’s Purchase Card Program Roles and Responsibilities

Purchase Card Role	Summary of Responsibilities <i>Source: GSA Order OAS 4200.1A – Management and Use of the GSA SmartPay Purchase Card</i>
Agency/ Organization Program Coordinators	<ul style="list-style-type: none"> (1) Oversee the purchase card program (2) Provide administrative support and training to Regional Charge Card Coordinators (3) Conduct annual review of merchant category codes (4) Analyze monthly questionable purchase card transactions and prepare monthly questionable transaction reports for Heads of Services and Staff Offices (HSSO) and Regional Commissioners for review and action (5) Follow-up and monitor responses to questionable charges (6) Notify the OIG of Regional Commissioners and HSSOs that do not provide timely response to their monthly questionable charges reports
Regional Charge Card Coordinators	<ul style="list-style-type: none"> (1) Ensure cardholders and Approving Officials (AO) complete the mandatory purchase card training at GSA On-line University prior to establishment of an account (2) Ensure cardholders complete Pegasys charge card training course or know how to use Pegasys prior to the establishment of an account (3) Coordinate training for cardholders and AOs at least once a year to ensure compliance with GSA policy (4) Monitor resolution of transactions on the Monthly Questionable Charges Report and maintain documentation of resolution (5) Ensure AOs review and certify their Pegasys Monthly Charge Card Transactions Report within 10 days of receipt of the Pegasys reports
Approving Officials	<ul style="list-style-type: none"> (1) Ensure the purchase card is used properly (2) Authorize all purchase card transactions in writing before purchases are made by the cardholder (3) Ensure appropriate supporting documentation is uploaded by conducting a monthly sampling of purchase card transactions (4) Ensure that the cardholder’s purchase card transactions are logged and reconciled within 10 calendar days from receipt of the bank statement line (5) Ensure applicable procurement regulations and policies are followed (6) Take necessary action on all questionable transactions upon receipt of the monthly Questionable Charges Report
Cardholders	<ul style="list-style-type: none"> (1) Use the purchase card only for official business in compliance with applicable procurement laws, regulations, and GSA policies (2) Obtain written authorization from the authorizing official before making any purchase (3) Ensure the independent receipt and acceptance of goods is documented for all purchases over \$150 (4) Perform reconciliations of all transactions within 10 days receipt of the bank statement line in Pegasys (5) Upload supporting documentation in Pegasys for items purchased, such as the written authorization, receipt or invoice, and discard paper documents after verification of upload (6) Do not split purchases to circumvent the micro-purchase threshold

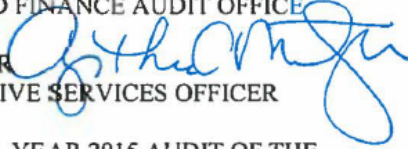
Appendix C – GSA Comments



Office of Administrative Services

September, 27 2016

MEMORANDUM FOR MARISA A. ROINESTAD
ASSOCIATE DEPUTY ASSISTANT INSPECTOR GENERAL
FOR AUDITING
REAL PROPERTY AND FINANCE AUDIT OFFICE

FROM: CYNTHIA A. METZLER 
CHIEF ADMINISTRATIVE SERVICES OFFICER

SUBJECT: RESPONSE TO FISCAL YEAR 2015 AUDIT OF THE
GENERAL SERVICES PURCHASE CARD PROGRAM –
REPORT NUMBER A16022

Thank you for the opportunity to comment on the draft report. We appreciate evaluation of the performance of the GSA purchase card program and agree with the findings and recommendations.

GSA has taken the following actions on the recommendations:

- Completed a review in Fiscal Year (FY) 2016 of the Expert Monitoring System (EMS) search strings and removed outdated and ineffective search terms. A review will be completed each FY.
- Completed a review in FY 2016 of EMS business rules to verify that EMS business rules are designed as intended to capture questionable charges. A review will be completed each FY.
- Initiated a split transaction review for FY 2016 purchase card transactions. The results of this review will determine the frequency and timing of future reviews.
- Beginning in FY 2016, GSA began consolidating the regional charge card programs into a national program operated by the Office of Administrative Services (OAS). These efforts will improve management oversight and accountability in the charge card program, as well as develop standard and consistent operating procedures across GSA.
- Completed access to Pegasys for all OAS charge card coordinators in FY 2016 to assist in resolving questionable charges.

GSA will develop a corrective action plan for all other recommendations made by OIG in FY 2017.

The Office of Administrative Services (OAS) response to the individual draft audit findings and recommendations follows:

Finding 1

GSA does not have assurance that purchase cards are used exclusively for approved, business-related goods and services because controls to support documentation and review transactions are not performed consistently.

Recommendation 1:

1a. Enforce GSA Order OAS 4200.1A by implementing a review process to ensure purchase cardholders upload supporting documentation to Pegasys and that Approving Officials resolve instances of missing documentation; and

Management Response:

GSA concurs with the finding and recommendation.

1b. Develop a process to hold purchase cardholders and Approving Officials accountable for not adhering to requirements in GSA Order OAS 4200.1A for maintaining documentation and reviewing transactions. This process may include card suspension, card removal, or reassignment of responsibilities of the cardholder and Approving Official.

Management Response:

GSA concurs with the finding and recommendation.

Finding 2

GSA may not identify illegal, improper, or erroneous purchases because controls over the resolution of questionable purchase card transactions are not operating effectively.

Recommendation 2:

We recommend the Chief Administrative Services Officer:

2a. Implement procedures to require that OAS periodically verifies that its EMS business rules are designed as intended to capture questionable charges;

Management Response:

GSA concurs with the finding and recommendation and has verified the EMS business rules in FY 2016 and will continue to periodically verify.

2b. Further ensure that search terms programmed to identify questionable charges are routinely updated to identify outdated and ineffective search terms, for example, Google versus AOL, PlayStation 3 versus PlayStation 4, and other similar changes;

Management Response:

GSA concurs with the finding and recommendation that it should routinely review and remove search terms that do not produce results. GSA completed a review of search terms in FY 2016.

2c. Assess the workload of the Central Office and National Capital Region Regional Coordinators and Agency Program Coordinators to determine if additional staff is necessary to ensure purchase card controls are managed and operating effectively;

Management Response:

GSA concurs with the finding and recommendation. Beginning in FY 2016, GSA began consolidating the regional charge card programs into a national program operated by the Office of Administrative Services (OAS). Resources have been identified and either transferred to OAS or OAS is in the process of recruiting additional staff. These efforts will improve management oversight and accountability in the charge card program, as well as develop standard and consistent operating procedures across GSA.

2d. Incorporate specific guidance, in both policy and training, on the procedures Approving Officials should follow in responding to questionable charge transactions; and

Management Response:

GSA concurs with the finding and recommendation.

2e. Ensure Regional Coordinators are given access to Pegasys to improve and reinforce their review of questionable charge card transactions.

Management Response:

GSA concurs with the finding and recommendation and has provided Pegasys access to OAS charge card coordinators in FY 2016. As new hires are made, OAS will ensure that coordinators are provided access to Pegasys.

Finding 3

GSA lacks controls for identifying split purchase card transactions, making GSA vulnerable to cardholders violating federal procurement regulations.

Recommendation 3:

We recommend the Chief Administrative Services Officer institute regular testing to identify and evaluate potentially split transactions.

Management Response:

GSA concurs with the finding and recommendation. The Office of Administrative Services is conducting an FY 2016 review of split transactions. The test review of potential split transactions that occurred in FY 2015 did not reveal any violations of the Federal Acquisition Regulation.

Appendix D – Report Distribution

GSA Administrator (A)

Chief Administrative Services Officer (H)

GAO/IG Audit Management Division (H1G)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)