



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

DATE: September 29, 2014

TO: Daniel M. Tangherlini  
Administrator (A)

FROM: Theodore R. Stehney   
Assistant Inspector General for Auditing  
Office of Audits (JA)

SUBJECT: GSA Office of Inspector General Fiscal Year 2013 Risk Assessment  
of GSA's Charge Card Program  
Memorandum Number A140019-3

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) reinforced Administration efforts to prevent waste, fraud, and abuse that may exist in 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*, requires Inspectors General to annually conduct risk assessments of purchase card, combined integrated card, and travel card programs<sup>1</sup> 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. Additionally, Inspectors General are to report to the Director of OMB 120 days after the end of each fiscal year on agency progress in implementing such audit recommendations.<sup>2</sup>

In accordance with the Charge Card Act and the implementation guidance set forth in OMB Memorandum M-13-21, we conducted risk assessments of GSA's fiscal year (FY) 2013 purchase and travel card programs.<sup>3</sup> To identify and analyze the risk of illegal,

---

<sup>1</sup> Per the Charge Card Act, the term "travel card" refers to any Federal contractor-issued travel charge card that is individually billed to each travel card holder. Only Inspectors General for agencies that have \$10 million or greater in prior year travel card spending are required to conduct an annual risk assessment on travel card programs. While GSA did not meet the \$10 million threshold for fiscal year 2013, we elected to conduct a risk assessment given the amount of travel dollars spent in previous fiscal years and a recent report issued by the GSA OIG related to travel – *Management Deficiency Report: General Services Administration Public Buildings Service – 2010 Western Regions Conference*, issued on April 2, 2012.

<sup>2</sup> We noted at the start of our assessment that there were no outstanding recommendations from our previously issued audit reports regarding GSA's charge card programs.

<sup>3</sup> We did not conduct an assessment of combined integrated cards as GSA does not use this type of card.

improper, or erroneous purchases and payments made through GSA’s purchase and travel card programs, we reviewed GSA’s policies and procedures, internal controls, questionable charges reports, GSA’s internal testing of improper payments, and prior audit work completed in these areas.

The results of our risk assessments are summarized in *Figure 1* and details can be found in subsequent sections of this memorandum. Based upon these risk assessments, we do not plan to conduct any audits of the purchase or travel card programs in FY 2015.

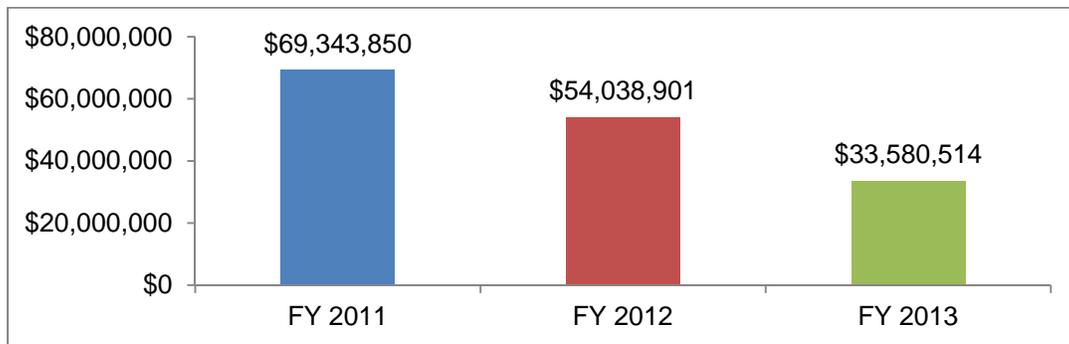
**Figure 1 - Results of Risk Assessments**

Charge Card Program	Assessed Level of Risk
Purchase Cards	Medium
Travel Cards	Low

**Purchase Card Risk Assessment**

As of September 2013, GSA had 1,055 active purchase card holders which accounted for approximately 9 percent of GSA’s staff of 11,885 employees. The total dollars spent using purchase cards since FY 2011 are presented in *Figure 2*. As shown, GSA’s purchase card spending has continued to decrease since FY 2011.

**Figure 2 – GSA Purchase Card Spending for FY 2011 – FY 2013**



GSA has policies and procedures in place to address risks of purchase card misuse. These policies are outlined in GSA’s Charge Card Management Plan (Management Plan) and follow the requirements of the Charge Card Act. Specifically, the Management Plan: (1) provides a listing and responsibilities of key personnel; (2) describes procedures for issuing and revoking a purchase card; (3) explains bi-annual training requirements for purchase card holders; (4) includes recordkeeping requirements; (5) details the monitoring and review process of various purchase card transaction reports; and (6) provides disciplinary procedures for employees who misuse or abuse their purchase card.

In addition to reviewing the controls outlined in the Management Plan, we also reviewed several documents related to GSA’s purchase card program. These documents

included: (1) a listing of GSA's FY 2013 purchase card transactions; (2) monthly questionable charge reports; and (3) select FY 2013 assurance statements from GSA's Heads of Services and Staff Offices, Regional Administrators, and Regional Commissioners outlining concerns regarding the purchase card program.

Despite the existing controls in place, GSA's Independent Public Accountant (IPA) noted some deficiencies with GSA's purchase card monitoring. In conducting test work for GSA's FY 2013 financial statement audit, the IPA issued findings and related recommendations regarding the monitoring of charge cards (both purchase and travel). Through its test work, the IPA found that there were no effective monitoring controls in place to: (1) ensure the timely review and certification of the monthly credit card transaction report;<sup>4</sup> (2) provide an explanation for all identified questionable charges; or (3) cancel a separated employee's credit card in a timely manner. GSA concurred with these findings but had not completed corrective actions at the time of this memorandum. In addition to reviewing the work performed by the IPA, we also noted that there were no administrative and/or disciplinary actions resulting from purchase card misuse reported to OMB during FY 2013.

In accordance with the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and OMB Circular No. A-123, Appendix C – *Requirements for Effective Measurement and Remediation of Improper Payments*, the GSA Office of the Chief Financial Officer (OCFO) conducted a risk assessment in 2012 of FY 2011 payments for various programs, including the purchase card program.<sup>5</sup> GSA selected 307 purchase card transactions for testing and determined that 97 payments (approximately 32 percent) were improper.<sup>6</sup> Of those 97 improper payments, 83 were due to documentation issues.<sup>7</sup> As a result of its testing, the OCFO concluded that the purchase card was a high risk program for improper payments. In response to the high risk rating, the OCFO was required by IPERA to reevaluate the purchase card program in 2013. The OCFO tested 602 FY 2012 purchase card transactions and found that 78 payments (approximately 13 percent) were improper. Of those 78 improper payments, 39 were due to documentation issues. As a result of this testing, the OCFO decreased the risk rating to medium risk.

Based upon our analysis and reliance on the prior audit work and testing conducted on GSA's purchase card program, we determined that sufficient evidence exists to assess a medium risk of illegal, improper, or erroneous purchases and payments made through

---

<sup>4</sup> The monthly credit card transaction report includes all transactions for the month detailing the transaction date, cardholder's name, region, and staff office. It also includes merchant information such as name, location, and transaction coding information that indicates the reason for the purchase.

<sup>5</sup> There were 12 GSA programs tested in this risk assessment. These programs included, but were not limited to purchase cards and travel, motor vehicle, and card services.

<sup>6</sup> An improper payment is defined by OMB as any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

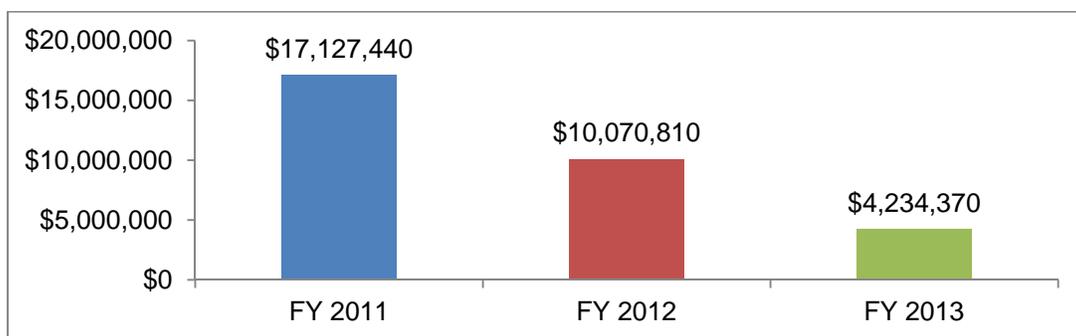
<sup>7</sup> Documentation issues include instances where documentation was either not received, partially complete, or deemed insufficient by the OCFO review team.

GSA's purchase card program; this coincides with GSA's risk assessment of this program.

### Travel Card Risk Assessment

We performed a travel card risk assessment as a result of the amount of travel dollars spent in previous fiscal years, and a recent report issued by the GSA OIG related to the Agency's travel.<sup>8</sup> As of September 2013, GSA had 9,246 active travel card holders which accounted for approximately 78 percent of GSA's staff of 11,885 employees. The total dollars spent using travel cards since FY 2011 are presented in *Figure 3*.

**Figure 3 – GSA Travel Card Spending for FY 2011 - FY 2013**



GSA has policies and procedures in place to address risks of travel card misuse. These policies are outlined in the Management Plan and follow the requirements of the Charge Card Act. Specifically, the Management Plan: (1) provides a listing and responsibilities of key personnel; (2) describes the procedures for issuing a travel card; (3) defines the procedures for travel cardholders when separating or transferring; (4) details the responsibilities of the Travel Management Center, which reconciles transportation billings prior to payment; (5) lists controls such as monitoring Automatic Teller Machine withdrawals, monthly delinquency reports, and monthly questionable charges reports; and (6) provides disciplinary procedures for employees who abuse or misuse the travel card.

In addition to reviewing the controls outlined in the Management Plan, we also reviewed several documents related to GSA's travel card program. These documents included: (1) a listing of GSA's FY 2013 travel card transactions; (2) monthly questionable charge reports; and (3) a listing of GSA employees who completed travel card training in FY 2012.

We noted a discrepancy between GSA's policies and procedures as outlined in the Management Plan and the requirements of the Charge Card Act and OMB Circular No. A-123, Appendix B – *Improving the Management of Government Charge Card*

<sup>8</sup> *Management Deficiency Report: General Services Administration Public Buildings Service – 2010 Western Regions Conference*, issued on April 2, 2012.

*Programs.* The Management Plan requires all new travel card applicants to take a web-based travel charge card training course and submit the completion certificate with their application. The Charge Card Act requires that “appropriate training is provided to each travel charge card holder” and OMB Circular No. A-123 Appendix B clarifies, “All program participants must take refresher training, at a minimum, every 3 years.” Currently, GSA does not have a refresher training requirement for the travel card program.

GSA’s IPA conducted test work for GSA’s FY 2013 financial statement audit and issued findings and related recommendations regarding the monitoring of charge cards (both purchase and travel). Through its test work, the IPA concluded that there were no effective monitoring controls in place to: (1) ensure the timely review and certification of the monthly charge card transaction report; (2) provide explanation for all identified questionable charges; or (3) cancel a separated employee’s charge card in a timely manner. GSA concurred with these findings but had not completed corrective actions at the time of this memorandum. In addition to reviewing this work performed by the IPA, we also noted that GSA reported 19 administrative and/or disciplinary actions resulting from travel card misuse to OMB during FY 2013.<sup>9</sup>

While we identified the lack of routinely updated training to be a risk, we determined that controls are in place to identify travel card misuse and minimize the impact of misuse. Therefore, based upon our limited analysis and reliance on the prior audit work and testing conducted on GSA’s travel card program, we determined that sufficient evidence exists to assess that there is a low risk of illegal, improper, or erroneous purchases and payments made through GSA’s travel card program.

---

<sup>9</sup> We did not inquire further regarding these administrative and/or disciplinary actions as the occurrence rate was 0.002 percent of cardholders. We determined any analysis of these personnel actions to be outside the scope of this risk assessment.

## Other Observations

We identified an opportunity for improvement not directly related to the focus area of our risk assessment. The Travel and Transportation Reform Act of 1998 requires federal employees to use federal travel cards for the payment of all expenses during official Government travel. This requirement is established in the Federal Travel Regulation and GSA guidance.<sup>10</sup> The regulation allows for exceptions, such as paying for meals in a group setting or paying for an expense at an establishment that does not accept the travel card. However, the Federal Travel Regulation does not list any exceptions for not using the contractor-issued travel card for hotel expenses. During FY 2013, approximately 71 percent of travel card spending was attributed to merchant codes assigned to hotels. GSA has no controls in place to verify the mandatory use of the travel card. As hotel expenses make up a large portion of travel card spending, we are bringing this to management's attention.

## Conclusion

We determined that the risks of illegal, improper, or erroneous purchases and payments made through GSA's purchase card and travel card programs are medium and low, respectively. As such, we do not plan to conduct any audits of the purchase card or travel card programs in FY 2015. However, we will continue to monitor the progress of corrective actions taken in response to the IPA's charge card findings. In addition, we plan to analyze the purchase and travel card programs as part of the FY 2014 Charge Card risk assessment.

If you have any questions regarding this audit memorandum, please contact me, Marisa A. Roinestad, Associate Deputy Assistant Inspector General for Auditing, at [marisa.roinestad@gsaig.gov](mailto:marisa.roinestad@gsaig.gov) or 202-273-7241, or any member of the team at the following:

Brian Gibson	Program Director	<a href="mailto:brian.gibson@gsaig.gov">brian.gibson@gsaig.gov</a>	202-273-7278
Michelle Westrup	Audit Manager	<a href="mailto:michelle.westrup@gsaig.gov">michelle.westrup@gsaig.gov</a>	816-926-8605
Matthew Jacobs	Auditor-In-Charge	<a href="mailto:matthew.jacobs@gsaig.gov">matthew.jacobs@gsaig.gov</a>	202-273-7324
Robert Lange	Auditor	<a href="mailto:robert.lange@gsaig.gov">robert.lange@gsaig.gov</a>	312-692-2222

I would like to thank you and your staff for your assistance during these risk assessments.

---

<sup>10</sup> *Helpful Hints for Travel Card Use and Travel Card Program Guide for Agency/Organization Program Coordinators.*

---

## ***Memorandum Distribution***

---

Administrator (A)

Chief Financial Officer (B)

Chief Administrative Services Officer (H)

Audit Liaison, Office of Chief Financial Officer (B)

Audit Liaison, Office of Administrative Services (H)

Branch Chief, GAO/IG Audit Response Branch (H1C)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Investigations (JID)

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