



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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TO: EMILY W. MURPHY  
ADMINISTRATOR (A)

FROM: CAROL F. OCHOA   
INSPECTOR GENERAL (J)

SUBJECT: GSA Office of Inspector General's Fiscal Year 2017 Risk Assessment of GSA's Charge Card Program  
Audit Memorandum Number A180027

We conducted a risk assessment of GSA's charge card program to identify and analyze risks of illegal, improper, or erroneous purchases related to GSA's purchase and travel cards. We based our risk assessment on limited purchase card testing and our *Audit of GSA's Fiscal Year 2017 Travel Card Program* (travel card audit).<sup>1</sup>

Through our limited purchase card testing, we noted the Office of Administrative Services' (OAS) improvement in its follow-up rate for high-risk transactions that it previously deemed questionable (e.g., purchases containing the words casino, hotel, or party). However, we also found that OAS should improve its purchase card controls to ensure that cardholders upload supporting documentation into GSA's system of record. In our travel card audit, we found that cardholders continue to perform well in loading supporting documentation into GSA's travel card system of record. However, OAS needs to provide its travel card questionable charges reports to supervisors in a timely manner and ensure those reports are responded to in a timely manner.

Figure 1 presents our Fiscal Year (FY) 2017 assessment ratings for GSA's purchase and travel card programs. Our assessment ratings are consistent with our FY 2016 risk assessment.<sup>2</sup>

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<sup>1</sup> *Audit of GSA's Fiscal Year 2017 Travel Card Program* (Report Number A180031/O/R/A180031/O/R/F18005, September 25, 2018).

<sup>2</sup> *GSA Office of Inspector General's Fiscal Year 2016 Risk Assessment of GSA's Charge Card Program* (Audit Memorandum Number A170042, September 22, 2017).

**Figure 1 – Results of Risk Assessment**

| Charge Card Program | Assessed Level of Risk |
|---------------------|------------------------|
| Purchase Card       | Moderate               |
| Travel Card         | Low                    |

### **Background**

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) was enacted to prevent waste, fraud, and abuse that may exist in federal charge card programs. The Charge Card Act and Office of Management and Budget Memorandum M-13-12, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, require Inspectors General to annually conduct risk assessments of purchase and travel card programs. These assessments 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.

In FY 2017, GSA used its purchase cards for goods and services totaling \$29.4 million. GSA purchase cards are centrally billed accounts, meaning liability for all purchases rests with GSA. Travel card spending for FY 2017 totaled \$10.1 million. GSA travel cards are individually billed, meaning liability for purchases rests with the cardholder. As GSA is obligated to pay the balance for purchase card transactions, purchase cards inherently carry more risk than travel cards.

### **Risk Assessment Methodology**

Our risk assessment is based on our limited testing of FY 2017 purchase card transactions and our travel card audit. The methodology is discussed in detail below.

### **Purchase Card Risk Assessment**

Our risk assessment determined that GSA’s purchase card program has a moderate risk level. For this risk assessment, we performed limited testing over FY 2017 purchase card transactions. Specifically, we:

- Examined relevant criteria including public laws, an executive order, Office of Management and Budget Memorandum M-13-12, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, and GSA directives, purchase card policies, and procedures;
- Reviewed our prior audit reports related to the purchase card program issued by the GSA Office of Inspector General;
- Reviewed OAS’s 2017 charge card risk assessment;
- Performed trend analyses of cardholder and regional spending for FY 2017 purchase card transactions;

- Selected a random sample of 20 transactions below the micro-purchase threshold,<sup>3</sup> and 5 transactions above the micro-purchase threshold, to determine whether purchase card transactions were fully supported;
- Analyzed queries in Citibank’s Electronic Monitoring System (EMS) tool to determine whether EMS is appropriately flagging questionable charges;
- Reviewed purchase card questionable charges reports to determine whether there was adequate resolution of questionable charges;
- Selected a random sample of 15 questionable charges with no response from a cardholder’s supervisor to determine if the transactions were appropriate and fully supported; and
- Verified that OAS is testing split transactions, which are transactions that result from separating a single purchase into multiple transactions to circumvent procurement requirements.

We found that some cardholders are still failing to upload the required supporting documentation for purchase card transactions in Pegasys, the purchase card system of record. Specifically, 5 of the 25 transactions we tested did not have all of the required supporting documentation in Pegasys. We did find improvement in OAS’ response to questionable charges. Our FY 2015 purchase card audit found that OAS failed to follow up on 28 percent of questionable charge non-responses from cardholders’ supervisors.<sup>4</sup> Our testing of the FY 2017 transactions found that the failure to follow up on non-responses fell to 1.4 percent. Finally, in FY 2017, OAS continued its testing to identify and evaluate potentially split purchase card transactions. OAS resolved any potential issues by discussing them with the respective cardholders.

Based on our limited purchase card testing, our risk assessment rating for GSA’s purchase card program is moderate. We found that while OAS made improvements to its follow-up rate for high-risk transactions, OAS needs to improve controls over cardholders loading supporting documentation into GSA’s purchase card system of record.

### **Travel Card Risk Assessment**

Our risk assessment determined that GSA’s travel card program has a low risk level. This risk assessment is based on the results of our travel card audit that examined travel card transactions processed and approved during FY 2017. Specifically, we:

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<sup>3</sup> A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures. The threshold for these simplified procedures was under \$3,500 for our review period.

<sup>4</sup> *GSA’s Purchase Card Program is Vulnerable to Illegal, Improper, or Erroneous Purchases* (A16022/O/R/F/16004, September 30, 2016.)

- Examined relevant criteria, including public laws, an executive order, Office of Management and Budget Memorandum M-13-12, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, and GSA directives, travel card policies, and procedures;
- Reviewed our prior audit reports related to the travel card program issued by the GSA Office of Inspector General;
- Performed a trend analysis of cardholder and regional spending using all FY 2017 travel card transactions;
- Tested travel card transactions to determine the validity of purchases made, to confirm the completeness of documentation maintained in the travel system, and to determine compliance with GSA travel card policies;
- Reviewed questionable travel card transactions to determine whether there was adequate resolution;
- Analyzed queries in Citibank's EMS tool to determine whether EMS is appropriately flagging questionable charges;
- Selected a random sample of 35 travel card transactions, and a judgmental sample of 10 transactions for the five individuals with the highest total dollar amount of travel, to determine whether the GSA travel card was used for official travel in accordance with travel card policy;
- Selected a random sample of 25 travel card cash advances, a judgmental sample of 15 cash advances for the five individuals with the highest dollar amount of cash advances, and 16 cash advances with no supervisor response or follow-up, to determine whether the GSA travel card was used for official travel in accordance with travel card policy; and
- Reviewed a list of separated employees to determine if their travel card accounts were closed in accordance with travel card policy.

We found that GSA travelers consistently upload the required supporting documentation into Concur, the travel card system of record. However, OAS can improve its questionable charges monitoring control. We noted that GSA's Travel Policy and Charge Card Program Office personnel, housed within OAS, are not providing supervisors for GSA's travel cardholders with questionable charges reports in a timely manner. This severely limits the ability of supervisors and OAS to detect and address travel card misuse and abuse. Further, we found that OAS regional coordinators continue to not follow up on questionable charges when they do not receive a response from a cardholder's supervisor.

Based on the results of our travel card audit, our risk assessment rating for GSA's travel card program is low. We found that, while travel cardholders continue to perform well in loading supporting documentation into GSA's travel card system of record, OAS needs to improve its controls over its questionable charges monitoring process.

I would like to thank you and your staff for your assistance during this risk assessment. If you have any questions regarding this audit memorandum, please contact me at 202-501-0450, or R. Nicholas Goco, Assistant Inspector General for Auditing, at 202-501-2322.

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