



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

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SUBJECT: GSA Office of Inspector General's Fiscal Year 2019 Risk Assessment of
GSA's Charge Card Program
Audit Memorandum Number A200999

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 2019 Travel Card Program* (travel card audit).¹

We assessed the risk for GSA's purchase card program as moderate. Through our limited purchase card testing, we noted the Office of Administrative Services (OAS) maintained a 100 percent follow-up rate for high-risk transactions that it had deemed questionable (e.g., purchases containing the words casino, gift, 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.

We assessed the risk for GSA's travel card program as low. In our travel card audit, we found that OAS did not have an adequate review process to address delinquent cardholder accounts. We also found that OAS did not ensure that travel card coordinators and GSA travel cardholders completed mandatory travel card training. However, since travel cards are individually billed accounts and liability rests with the cardholder and not the Agency, they continue to be inherently low risk to GSA.

Figure 1 presents our Fiscal Year (FY) 2019 assessment ratings for GSA's purchase and travel card programs. Our ratings are consistent with our FY 2018 Charge Card Risk Assessment.²

¹ *Audit of GSA's Fiscal Year 2019 Travel Card Program* (Report Number A200984/O/3/F20004, September 18, 2020).

² *GSA Office of Inspector General's Fiscal Year 2018 Risk Assessment of GSA's Charge Card Program* (Audit Memorandum Number A190041, September 27, 2019).

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 Appendix B to OMB Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*, requires Inspectors General to periodically 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 2019, GSA used its purchase cards for goods and services totaling \$30.9 million. GSA purchase cards are centrally billed accounts, and liability for all purchases rests with GSA. Travel card spending for FY 2019 totaled \$10.7 million. GSA travel cards are individually billed accounts, and 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 2019 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 level of risk. For this risk assessment, we performed limited testing over FY 2019 purchase card transactions. Specifically, we:

- Examined relevant criteria including public laws, Appendix B to OMB Circular No. A-123, and GSA directives, purchase card policies, and procedures;
- Reviewed our prior charge card risk assessments;
- Reviewed OAS’s FY 2019 charge card risk assessment;
- Performed trend analyses of cardholder and regional spending for FY 2019 purchase card transactions;

- Tested a sample of 20 transactions below and 5 transactions above the micro-purchase threshold to determine whether purchase card transactions were fully supported;³
- Reviewed purchase card questionable charges reports to determine whether there was adequate resolution of questionable charges;
- Tested a sample of 25 questionable charges 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. OAS implemented internal controls in FY 2016 to address this issue. However, we noted missing documentation in our FY 2018 risk assessment and the current FY 2019 risk assessment. Specifically, 6 of the 25 FY 2019 transactions we tested did not have all of the required supporting documentation in Pegasys. Examples of this missing documentation include invoices and pre-written authorization for purchases from an approving official.

We also found that OAS lacked internal controls for identifying and evaluating potentially split purchase card transactions for the majority of FY 2019. According to OAS, this occurred as a result of the transition to *GSA SmartPay 3*.⁴ Specifically, no control measures were in place from December 2018 to July 2019 to capture and flag split transactions. However, during our risk assessment, we confirmed the control was fully operational starting in August 2019 but this tool is not capable of testing retroactively for the months it was not running.

Finally, our testing of the FY 2019 transactions found that OAS was in compliance with GSA's Charge Card Management Plan and followed up on 100 percent of questionable charge non-responses. This is consistent with our FY 2018 Charge Card Risk Assessment.⁵

Based on the findings from our limited purchase card testing identified above, and the centrally billed nature of purchase card accounts, we assessed the risk for GSA's purchase card program as moderate. OAS should continue to improve controls over cardholders uploading supporting documentation into GSA's purchase card system of record.

³ A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures. The micro-purchase threshold increased to \$10,000 on June 26, 2018.

⁴ GSA SmartPay 2 expired on November 29, 2018, transitioning from Citibank to U.S. Bank.

⁵ *GSA Office of Inspector General's Fiscal Year 2018 Risk Assessment of GSA's Charge Card Program* (Audit Memorandum Number A190041).

Travel Card Risk Assessment

Our risk assessment determined that GSA's travel card program has a low level of risk. This risk assessment is based on the results of our travel card audit that examined travel card transactions processed and approved during FY 2019. Specifically, we:

- Examined relevant criteria, including public laws, Appendix B to OMB Circular A-123, and GSA directives, travel card policies, and procedures;
- Reviewed our prior audit reports related to the travel card program;
- Performed a trend analysis of cardholder and regional spending using all FY 2019 travel card transactions;
- Tested a sample of 10 travel card charges to determine if they were properly authorized, reported, and supported;
- Evaluated OAS's processes related to the detection, resolution, and prevention of questionable travel card charges and delinquent payments;
- Tested a sample of 22 questionable charges to determine whether there was a timely and adequate resolution;
- Reviewed FY 2019 employee separation reports to determine if travel cards were deactivated properly;
- Analyzed GSA's voucher data to identify instances of employees not following travel card policies;
- Assessed OAS's processes to verify travel card refunds; and
- Verified OAS's efforts to monitor cash withdrawals.

Our travel card audit identified opportunities for improvement and provided recommendations to strengthen controls over the travel card program to ensure compliance with GSA, OMB, and federal guidelines. Specifically, we found that OAS's process to review delinquent travel card accounts does not ensure that delinquencies are resolved. We found that supervisors responded in 455 instances, or 52 percent, to these monthly delinquencies. Supervisors did not follow up on delinquencies in 421 instances, or 48 percent. Additionally, GSA did not have controls in place to ensure that travel card coordinators and active GSA travel cardholders completed the mandatory travel card training. Only 35 percent of travel cardholders in our sample completed GSA Travel Card Training and 87 percent of travel cardholders in our sample completed Temporary Duty Travel Training.

While the audit identified issues with the travel card program, the risk to GSA is inherently less because the travel card accounts are individually billed and the cardholder is responsible for paying for the charges against the travel card rather than GSA. Therefore, we assessed the risk for GSA's travel card program as low.

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.

Memorandum Distribution

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