

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



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

January 22, 2025

Report Number: 2025-1S0-011

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

Final Report issued on January 22, 2025

Report Number 2025-1S0-011

Why TIGTA Did This Review

This review was initiated because the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), signed into law on Oct. 5, 2012, requires each agency with more than \$10 million in annual purchase card spending to submit semiannual reports of employee purchase card violations and the disposition of those violations, including any disciplinary actions taken.

These semiannual reports, known as Purchase Card Violations Reports, are prepared by the agency head and reviewed by the Inspectors General prior to the agency submitting the report to the Office of Management and Budget.

The overall objectives of this review were to assess whether the IRS complied with the Charge Card Act requirements for the period April 1 through Sept. 30, 2024, and the status of prior Government charge card recommendations.

Impact on Tax Administration

Inappropriate use of Government charge cards does not promote economic and efficient use of publicly funded resources. Federal audits of agency charge card programs have found varying degrees of fraud, waste, and abuse. The Charge Card Act requires agencies to establish and maintain safeguards and internal controls for Government charge card programs.

What TIGTA Found

The IRS's purchase card program controls are generally effective, and the number of purchase card violations identified by the Chief Financial Officer's Credit Card Services Branch were minimal. According to the IRS, between April 1 and Sept. 30, 2024, its purchase card program included an average of 2,449 purchase cardholders. These cardholders made 28,764 purchases totaling just over \$18.4 million. Additionally, authorized cardholders wrote 13 convenience checks totaling \$8,938.



The IRS identified six confirmed purchase card violations for the period April 1 through Sept. 30, 2024. The 6 confirmed purchase card cases collectively totaled just under \$33,089 and included 4 violations in which the cardholders exceeded the single transaction limit and 2 instances of split purchases. These employees received nondisciplinary and disciplinary actions ranging from written counseling to the case being closed without action with a cautionary statement and admonishment.

The Credit Card Services Branch also identified 7 purchase card transactions, *e.g.*, Ethernet connectors, wireless mice, and shipping services, totaling \$953 that did not comply with the IRS's internal charge card policies and procedures, but were not reportable to the Office of Management and Budget. The Office of Management and Budget requires that only certain inappropriate purchase card transactions be reported in an agency's Purchase Card Violations Report. Reportable inappropriate transactions are those indicating that abuse, internal fraud, or misuse has occurred. The Office of Management and Budget excludes from its reporting requirements administrative discrepancies, such as actions that violate operational policies or procedures but do not violate federal law or regulation.

In addition, we are required to report annually on the implementation of recommendations related to purchase and travel card findings. Our review of prior TIGTA reports found no open recommendations related to purchase or travel card findings.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20024

January 22, 2025

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Danny Verneuille
Acting Deputy Inspector General for Audit

SUBJECT: Final Report – Review of the Internal Revenue Service’s Purchase
Card Violations Report and Status of Recommendations
(Review No.: 20241S0004)

This report presents the results of our review of the Internal Revenue Service’s (IRS) compliance with the Government Charge Card Abuse Prevention Act of 2012 requirements for the period April 1 through Sept. 30, 2024, and the status of prior Government charge card recommendations.¹ We performed this review during the period September 2024 through January 2025. We are issuing this report to document the actions taken by the IRS to comply with the Government Charge Card Abuse Prevention Act of 2012. This review is part of our Fiscal Year 2025 Annual Audit Plan and addresses the major management and performance challenge of *Protection of Taxpayer Data and IRS Resources*.

If you have any questions, please contact me or Bryce Kisler, Assistant Inspector General for Audit (Taxpayer Services and Operational Support).

¹ Pub. L. No. 112-194, 126 Stat. 1445 (codified as amended at 5 U.S.C. § 5701 note, 10 U.S.C. § 2784, and 41 U.S.C. § 1909).

Background

Government purchase cards are a cost-effective and streamlined means for making payments, and the Federal Acquisition Regulation has designated the purchase card as the preferred method to purchase and pay for goods and services up to the micro-purchase limits.¹ On Oct. 5, 2012, the President signed the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) into law to reinforce Administration efforts to prevent fraud, waste, and abuse of Governmentwide charge card programs.²

The Office of Management and Budget (OMB) provides oversight of Government charge card programs and issued guidance in September 2013 to establish minimum requirements and best practices for Government charge card programs. These minimum requirements and best practices may be supplemented by individual agency policies and procedures. In August 2019, the OMB revised its guidance contained in Circular A-123, Appendix B, to consolidate the Governmentwide charge card program management requirements and guidance issued by various agencies.³ The updates to the OMB guidance provided best practices and definitions for implementation in agencies' charge card programs.

Requirements of the Charge Card Act

The Charge Card Act established additional reporting and audit requirements for oversight of the Government charge card program. For example, it required at a minimum:

- Agencies to compile reports of purchase card violations.
- The establishment and maintenance of safeguards and internal controls.
- Inspector General risk assessments and audits.

Each agency with more than \$10 million in annual purchase card spending is required to submit to the OMB semiannual reports (Oct. 1 through March 31 and April 1 through Sept. 30) of employee purchase or integrated card violations and the disposition of those violations, including any disciplinary actions taken. These semiannual reports, known as Purchase Card Violations Reports, are prepared by the agency head, reviewed by the Inspectors General, and then submitted to the OMB no more than 120 calendar days after the end of the reporting periods.⁴

Agencies do not have to report purchases that are inconsistent with administrative or internal control processes that do not result in confirmed fraud, loss to the Government, or

¹ See Appendix II for a glossary of terms. The single transaction limit for micro-purchases is \$10,000 for supplies, \$2,500 for services, and \$2,000 for construction and alterations based on the Federal Acquisition Regulation micro-purchase threshold.

² Pub. L. No. 112-194, 126 Stat. 1445 (codified as amended at 5 U.S.C. § 5701 note, 10 U.S.C. § 2784, and 41 U.S.C. § 1909).

³ OMB, OMB Circular No. A-123, Appendix B (Revised), *A Risk Management Framework for Government Charge Card Programs* (August 2019), provides guidance that establishes minimum requirements for Government purchase card programs and suggests best practices.

⁴ As a bureau of the Department of the Treasury, the Internal Revenue Service is required to abide by the Charge Card Act and report charge card violations.

misappropriation of funds or assets (whether recouped or not) in their semiannual violations reports. However, the Treasury Inspector General for Tax Administration (TIGTA) comments on all purchase card noncompliance identified by the Internal Revenue Service (IRS) in its semiannual review of purchase card violations reporting. TIGTA also reviews its Criminal Results Management System to identify potential purchase card violations that may not have been directly identified by the IRS.

Inappropriate use of Government charge cards does not promote economic and efficient use of publicly funded resources. Federal audits of agency charge card programs have found varying degrees of fraud, waste, and abuse. The Charge Card Act requires agencies to establish and maintain safeguards and internal controls over their charge card programs. Each agency head is required to annually certify that 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. This certification is reported as part of the existing annual assurance statement under the Federal Managers Financial Integrity Act of 1982.⁵ In addition, each agency is required to develop, issue, and maintain written policies and procedures for the appropriate use of charge cards that are consistent with OMB guidance.

The Charge Card Act also provides for additional oversight by requiring the Inspectors General to conduct periodic risk assessments of purchase cards, including convenience checks, combined integrated cards, and travel card programs to analyze the risks of illegal, improper, and erroneous purchases. Beginning in Fiscal Year 2014, the Inspectors General were also required to report annually to the Director, OMB, by Jan. 31, on the agency's progress in implementing prior audit recommendations related to purchase and travel cards.⁶ This progress is compiled and sent to Congress and to the Comptroller General of the Government Accountability Office.

IRS roles and responsibilities for administering its purchase card program

Within the IRS, the Office of Procurement is responsible for providing policy guidance for the purchase card program as it relates to acquisition regulations. The Credit Card Services (CCS) Branch within the Office of the Chief Financial Officer is responsible for providing oversight for the purchase card program and convenience checks, issuing program guidance, and overseeing periodic program reviews. In addition, the CCS Branch is responsible for tracking and reporting alleged inappropriate purchase card use and compiling the Purchase Card Violations Report for submission to the OMB.

The CCS Branch evaluates compliance with purchase card operating guidance to detect and deter noncompliance with purchase card policy and procedures. According to the IRS, these evaluations include reviews of:

- Merchant categories and names to ensure that purchases are not made from restricted vendors.
- Itemized transaction details reported to the Government credit card contractor by certain vendors to determine if the charge was allowable.

⁵ 31 U.S.C. §§ 1105, 1113, and 3512(d)(2) (2023).

⁶ TIGTA issued its most recent report to comply with this requirement of the Act on July 23, 2024. TIGTA, Report No. 2024-100-044, [Review of the Internal Revenue Service's Purchase Card Violations Report](#) (July 2024).

- Random samples of purchase card charges to assess compliance with purchase card regulations. Quarterly purchase card transactions are also reviewed to ensure that cardholders comply with the split purchase policy.
- Convenience checks issued by convenience check cardholders to assess compliance with purchase card regulations.

The Labor/Employee Relations and Negotiations function (hereafter referred to as Labor Relations) is the IRS office responsible for advising and supporting managers on employee disciplinary matters, except for such matters committed by employees of the Office of Chief Counsel. Once an alleged purchase card violation is referred by the CCS Branch, Labor Relations assists the responsible manager by providing procedural advice and guidance in determining whether disciplinary action is appropriate.⁷ Although Office of Chief Counsel employee purchase card violations may be identified by the CCS Branch, the Office of Chief Counsel is responsible for researching and applying disciplinary actions for those employees as well as tracking the disciplinary actions in its own credit card database.

Objective

The overall objectives of this review were to assess whether the IRS complied with the Charge Card Act requirements for the period April 1 through Sept. 30, 2024, and the status of prior Government charge card recommendations.

Results of Review

Implementation of and Compliance With the Government Charge Card Abuse Prevention Act of 2012

The IRS stated that between April 1 and Sept. 30, 2024, its purchase card program included an average of 2,449 purchase cardholders. These cardholders made 28,764 purchases totaling just over \$18.4 million with their purchase cards. Figure 1 summarizes the purchase card statistics.

⁷ Purchase card violations are recorded in the Automated Labor and Employee Relations Tracking System. We also looked for violations recorded in the data we received from the Office of Chief Counsel, the TIGTA Office of Investigations, and the CCS Branch Inappropriate Use Referral Log.

**Figure 1: Purchase Card Statistics
from April 1 Through Sept. 30, 2024**



Source: TIGTA analysis of IRS purchase card statistics provided by the CCS Branch.

In addition, authorized cardholders wrote 13 convenience checks totaling \$8,938. Our review of the IRS's purchase card program found that controls are generally effective, and the number of purchase card violations identified by the CCS Branch were minimal. However, we also found that purchase cardholders continue to make unauthorized purchases.

Semiannual report on IRS purchase card violations and actions taken by management in response

We reviewed the violations and related supporting documentation that the IRS identified for the Purchase Card Violations Report. For the period of April 1 through Sept. 30, 2024, the IRS identified 6 confirmed cases involving exceeding single transaction limits and split purchases totaling \$33,089.⁸ Figure 2 summarizes the purchase card violations.

The IRS identified 6 violations out of 28,764 purchase card transactions during April through September 2024.

⁸ A split purchase is a series of purchases from the same vendor on the same day that collectively exceed the purchase cardholder's single transaction limit (usually \$10,000 for goods, \$2,500 for services, and \$2,000 for construction). Cardholders may not make a split purchase payment under any circumstance.

**Figure 2: Purchase Card Violations
from April 1 Through Sept. 30, 2024**

	Violation Type	Number	Dollar Value
	Exceeding Single Transaction Limit	4	\$25,940
	Split Purchase	2	\$7,149

Source: TIGTA analysis of IRS purchase card statistics provided by the CCS Branch.

With respect to personnel actions taken by IRS management in response to these six cases, the employees received nondisciplinary and disciplinary actions ranging from written counseling to the case being closed without action with a cautionary statement and admonishment.

The Internal Revenue Manual provides a range of nondisciplinary and disciplinary actions, from no action to suspension, which can be applied for each purchase card policy violation or inappropriate use.⁹ Further, the *IRS Manager's Guide to Penalty Determinations* provides a range of penalties, from a five-day suspension for a first offense up to removal for a third offense.¹⁰ However, according to IRS policy, use of the penalty guide is not mandatory, and the ultimate decision lies with management.

Additionally, the CCS Branch identified no cases of potential credit card violations that occurred during the period of April 1 through Sept. 30, 2024, that were still pending adjudication by management. We also reviewed information provided by TIGTA's Criminal Results Management System on purchase card violations and complaints that occurred during the review period. The TIGTA Office of Investigations reported no purchase card violations involving IRS employees.

Purchase cardholders continue to make unauthorized purchases

The CCS Branch also identified 7 purchase card transactions totaling \$953 that did not comply with the IRS's internal charge card policies and procedures and were not reportable to the OMB. The OMB requires that only certain inappropriate purchase card transactions be reported in an agency's Purchase Card Violations Report. Reportable inappropriate transactions are those indicating that abuse, internal fraud, or misuse has occurred. The OMB excludes from its reporting requirements administrative discrepancies, such as actions that violate operational

⁹ Internal Revenue Manual 6.751.1, *Discipline and Disciplinary Actions: Policies, Responsibilities, Authorities, and Guidance* (Nov. 4, 2008).

¹⁰ IRS, *IRS Manager's Guide to Penalty Determinations* (Rev. Aug. 1, 2012).

policies or procedures but do not violate federal law or regulation. In the 7 transactions totaling \$953, the cardholders purchased Ethernet cords and connectors, wireless mice, and shipping services without having the proper authorization from IRS management to purchase those items.

Status of TIGTA recommendations related to government charge cards

The Charge Card Act requires Inspectors General of Executive Agencies to report on the implementation of recommendations related to purchase and travel card findings. We reviewed prior reports issued between Fiscal Years 2020 through 2024 and found no open recommendations related to purchase or travel card findings.

Conclusion

The IRS is required by the Charge Card Act to review thousands of purchase card transactions every six-months and report any violations or unauthorized purchases found. Identification of these activities help the IRS to protect government resources from inappropriate use. Failure to complete these reviews may allow misuse of resources and the erosion of public trust in the IRS. Our review of the IRS's purchase card program from April 1 through Sept. 30, 2024, found that controls are generally effective, and the number of purchase card violations identified by the CCS Branch were minimal.

Performance of This Review

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General*. Those standards require that the work adheres to the professional standards of independence, due professional care, and quality assurance and follows procedures to ensure accuracy of the information presented. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the objective of our review.

Major contributors to the report were Bryce Kisler, Assistant Inspector General for Audit (Taxpayer Services and Operational Support); LaToya George, Director; Phyllis Heald London, Director; Brian Foltz, Audit Manager; John Jarvis, Acting Audit Manager; and Cindy Harris, Senior Auditor.

Appendix I

Internal Revenue Service Purchase Card Violations Report

PURCHASE CARD VIOLATION DATA	PERIOD
I. Summary description of confirmed violations involving misuse of a purchase card or integrated card.¹	April 1 through Sept. 30, 2024
a. Abuse.	6
b. Internal Fraud.	0
c. Misuse.	0
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.	April 1 through Sept. 30, 2024
a. Documentation of Counseling: <i>Oral or written counseling issued.</i>	3
b. Demotion.	0
c. Reprimand.	1
d. Suspension.	0
e. Removal.	0
f. Other (no action taken): <i>Closed without any IRS management adverse personnel action.</i>	2
III. Status of all pending violations.	April 1 through Sept. 30, 2024
a. Number of violations pending investigation.	0
b. Number of violations pending hearing.	0
c. Number of violations pending final agency action.	0
d. Number of violations pending decision on appeal.	0

Source: IRS review of inappropriate use logs and case information contained in the Automated Labor and Employee Relations Tracking System.

¹ All terms used here are defined in OMB Circular No. A-123, Appendix B (Revised).

Appendix II

Glossary of Terms

Term	Definition
Automated Labor and Employee Relations Tracking System	An application used to track labor/employee relations case data. It was developed to ensure consistency in tracking labor and employee relations disciplinary actions.
Convenience Check	Checks written against a purchase card account. Convenience checks are a payment and procurement tool intended only for use with merchants that do not accept purchase cards and for other authorized purposes where charge cards are not accepted.
Criminal Results Management System	A management information system that provides the TIGTA Office of Investigations the ability to manage and account for complaints received, including congressional inquiries, investigations initiated, and leads developed from local investigative initiatives and national investigative initiatives.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The federal government's fiscal year begins on Oct. 1 and ends on Sept. 30.
Integrated Card	A combination of two or more business lines in a single card, <i>e.g.</i> , purchase and travel.
Internal Controls	Tools to help achieve results and safeguard the integrity of programs. A system of internal controls includes measures such as policies and procedures, checks and balances, monitoring, and reviews to identify potentially wasteful, fraudulent, and other potential misuse.
Nondisciplinary Action	Used in situations where the misconduct is not serious or recurring. Oral or written counseling are often used.

Appendix III

Abbreviations

CCS	Credit Card Services
IRS	Internal Revenue Service
OMB	Office of Management and Budget
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,
contact our hotline on the web
at <https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at www.tigta.gov/form/suggestions.**

Information you provide is confidential, and you may remain anonymous.