



US DEPARTMENT OF VETERANS AFFAIRS **OFFICE OF INSPECTOR GENERAL**

Office of Audits and Evaluations

DEPARTMENT OF VETERANS AFFAIRS

Fiscal Year 2023 Risk Assessment of VA's Charge Card Program

Review

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September 10, 2024

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DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL
WASHINGTON, DC 20001



September 10, 2024

MEMORANDUM

TO: Inspector General (50)

FROM: Assistant Inspector General for Audits and Evaluations (52)

SUBJECT: Fiscal Year 2023 Risk Assessment of VA's Charge Card Program

This risk assessment by the VA Office of Inspector General (OIG) is mandated by the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act).¹ The law and the Office of Management and Budget (OMB) require inspectors general to conduct periodic risk assessments of illegal, improper, or erroneous purchases in their agencies' charge card programs. Inspectors general are required to use these risk assessments to determine the scope, frequency, and number of periodic audits of charge card programs.

VA's three charge card programs had over \$5.6 billion in spending from July 1, 2022, through June 30, 2023.² The programs cover purchase cards for supplies and services; travel cards for official travel expenses; and fleet cards for fuel, maintenance, and repair of government-owned and -operated vehicles.³ To determine the risk level for each card program, the OIG team analyzed data summarizing the number and value of potentially improper transactions and reviewed other sources such as prior OIG reports and investigations.⁴ As shown in table 1, the OIG concluded the Purchase Card Program is at medium risk, and the Travel and Fleet Card Programs are at low risk, for illegal, improper, or erroneous purchases.

¹ Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Pub. L. No. 112-194, 41 U.S.C. § 1909.

² The team selected the most recent 12 months of data available at the start of the review.

³ VA Financial Policy, "Government Purchase Card for Micro-Purchases," in vol. 16, *Charge Card Programs* (May 2022), chap. 1B; VA Financial Policy, "Government Travel Charge Card Program," in vol. 16, *Charge Card Programs* (October 2021), chap. 2; VA Financial Policy, "Fleet Charge Card," in vol. 16, *Charge Card Programs* (July 2022), chap. 3.

⁴ For further information, see the Scope and Methodology section of this memorandum.

Table 1. Charge Cards' Total Amounts and Assessed Risk Rating

Card type	Amount	Risk rating
Purchase	5,503,212,249	Medium
Travel	90,402,554	Low
Fleet	17,544,725	Low
Total	\$5,611,159,528	

Source: VA OIG analysis of in-scope U.S. Bank data.

Background

Charge cards enable authorized government employees to make purchases on behalf of the federal government, reduce the administrative costs related to the acquisition of goods and services, and are the preferred method for purchasing and paying for purchases of no more than \$10,000 (micropurchases).⁵ Federal agencies establish charge card accounts with Citibank or U.S. Bank, two banks used by the General Services Administration for the government's charge card program.

Oversight of the Charge Card Programs

Several VA entities and various controls are involved in program oversight.

Financial Services Center's Charge Card Services Division

The executive director of the Financial Services Center provides leadership, strategic planning, and budgeting oversight for the office responsible for administering the charge card program. The center's Charge Card Services Division is responsible for agencywide oversight of all financial operations and program administration duties for VA's charge card programs and systems. The chief of the Charge Card Services Division manages charge card administration and serves as the national program manager and coordinator for the Purchase, Travel, and Fleet Programs.

Office of Business Oversight's Reviews of the Purchase Card Process

The Office of Business Oversight is part of VA's Office of Management and is the VA's financial internal controls oversight organization. The office's Financial Risk Oversight Service documents and assesses VA's internal controls framework and provides auditing, testing, and

⁵ "The GSA SmartPay Program" (web page), General Services Administration, accessed October 10, 2023, <https://smartpay.gsa.gov/content/about-gsa-smartpay>; VA Financial Policy, "Government Purchase Card for Micro-Purchases"; FAR 13.201(b) (2023).

remediation assistance to VA management to support effective and efficient operations and assist in improving controls over financial reporting to fulfill VA's commitment to veterans.⁶

VA's Charge Card Management Plan

OMB consolidates requirements and guidance on maintaining internal controls that reduce the risk of fraud, waste, and error in government charge card programs. OMB requires that VA develop, issue, and maintain written policies and procedures for the appropriate use of charge cards. Its guidance states that maintaining a charge card management plan is important because the establishment of written, formal policies and procedures is critical to assure that a system of internal controls is followed, and to minimize the potential for fraud, misuse, and delinquency.⁷ VA's fiscal year (FY) 2022 and FY 2023 Charge Card Management Plans included

- responsibilities of key personnel;
- procedures for issuing a charge card;
- training requirements for cardholders;
- management controls, policies, and practices for ensuring appropriate charge card use;
- policies and practices developed to ensure strategic sourcing implementation, promotion, and effectiveness;
- explanation of how available reports and data are used for monitoring efficiencies;
- record-keeping requirements;
- policies for the closure or transfer of charge cards and maintenance of other documentation;
- a table of misuse remedies or penalties; and
- a chart of identified risks, and the corresponding risk management control and responsible personnel.⁸

VA submitted the FY 2022 and FY 2023 plans to OMB on January 13, 2022, and January 10, 2023, respectively.

⁶ "Office of Business Oversight" (website), VA, accessed October 10, 2023, <https://vaww.va.gov/OIC/index.asp>.

⁷ OMB, "A Risk Management Framework for Government Charge Card Programs," app. B in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, August 27, 2019.

⁸ VA, Fiscal Year 2022 Charge Card Management Plan, December 31, 2021; VA, Fiscal Year 2023 Charge Card Management Plan, December 31, 2022.

Scope and Methodology

The OIG conducted this risk assessment from August 2023 through January 2024. The team analyzed summary transaction data to assess charge card risk based on categories developed using data mining to identify potentially improper (including illegal and erroneous) charge card purchases. The team also reviewed VA policies, procedures, and other controls applicable to these charge card programs and established the criteria in table 2 to determine the risk rating for each charge card. Due to the nature of a risk assessment, the team did not review individual transactions.

Table 2. Criteria for Assessing Charge Card Risk

Risk rating	Percent of charge card transactions and value of purchases determined to be potentially illegal, improper, or erroneous
Low	Less than 5
Medium	From 5 to 20
High	More than 20

Source: Criteria established by the VA OIG.

In addition to the data analysis, the team reviewed previously issued OIG reports and recommendations, as well as results from OIG investigations of charge card misuse. The team obtained and reviewed VA's two most recent *Semiannual Reports on Purchase Charge Card Violations* submitted to OMB. This report describes charge card violations involving misuse of a purchase card, adverse personnel actions, punishments, or other actions taken for violations, as well as the status of violations—pending investigation, hearing, final agency action, or appeal decision. The team also contacted the VA's Office of Business Oversight for the results of any reviews conducted of the charge card programs.

Assessment 1: VA's Purchase Card Program Is at Medium Risk for Illegal, Improper, or Erroneous Purchases

VA's Purchase Card Program is the largest VA charge card program, as measured by both the number of transactions and the amount of spending. The high volume of transactions and large amount of purchase card spending make it important to have strong controls over purchase card use to safeguard government resources and ensure compliance with policies and procedures that reduce the risk of error, fraud, waste, or abuse. Controls over the use of purchase cards are essential to ensuring VA uses taxpayer funds effectively to serve the nation's veterans.

Purchase Card Risk Categories

The team analyzed purchase card data from July 1, 2022, through June 30, 2023, to identify transactions or patterns of activity that suggest potential illegal, improper, or erroneous purchases within the following risk categories:⁹

1. Surges in year-end purchase card spending
2. Potential split purchases
3. Potential use of unauthorized transactions using third-party payment processors
4. Excessive number of purchase card accounts per
 - approving official assigned more than 25 purchase card accounts, or
 - prosthetics approving official assigned more than 40 purchase card accounts

Table 3 shows the total number of purchase cardholders and transactions, along with the value of purchase card charges during the scope.

Table 3. Data for the Purchase Card Risk Assessment

Measure	July 1, 2022–June 30, 2023
Cardholders	11,846
Transactions	6,500,436
Charges	\$5,503,212,249

Source: VA OIG analysis of July 1, 2022, through June 30, 2023, U.S. Bank data.

Table 4 shows the percentage of transactions and dollars associated with the risk categories and the risk rating by category from July 1, 2022, through June 30, 2023.

Table 4. Percentage of Transactions and Dollars by Risk Category for the Purchase Card Risk Assessment

Risk category	Risk rating	Transaction percent	Dollar percent
1. Surges in year-end purchase card spending	Low	4.14	4.21
2. Potential split purchases	Low	0.73	3.43
3. Potential use of unauthorized third-party payers	Low	0.03	0.05

⁹ For purposes of this memorandum, the terms third-party payment(s), third-party payer(s), third-party payment processor(s), third-party payment processing companies, and third-party payment companies have substantially the same meaning and were used interchangeably.

Risk category	Risk rating	Transaction percent	Dollar percent
4. Excessive number of purchase card accounts per			
a. approving official assigned more than 25 purchase card accounts	Medium	9.03	10.21
b. prosthetics approving official assigned more than 40 purchase card accounts	Medium	8.52	7.10

Source: VA OIG analysis of July 1, 2022, through June 30, 2023, U.S. Bank data.

Note: The percentages in tables 4, 6, and 8 have been rounded.

The OIG determined the risk of illegal, improper, or erroneous purchases in VA's Purchase Card Program is medium. This is the same level of risk previously assessed by the OIG based on VA's purchase card data from the FY 2020 charge card risk assessment.¹⁰ The OIG assigned the risk rating based on the categories in table 4, consideration of other risk assessment factors such as prior OIG reports and investigations described below, and the potential of these factors to impact a program with spending of over \$5.5 billion from July 1, 2022, through June 30, 2023.

1. Surges in Year-End Spending

According to the Government Accountability Office (GAO), year-end spending is not inherently more wasteful than spending at other times of the year. Yet, funds are no longer available if an agency fails to obligate the funds by the end of the fiscal year for which they were appropriated.¹¹ To support a year-end obligation, there must be a legitimate or bona fide need, "not a mere need to use up remaining dollars before the end of the fiscal year."¹² Efforts to use rather than lose the funds could lead to the purchase of goods or services that do not represent bona fide needs of that fiscal year. Surges in year-end spending could result in wasteful spending.¹³

To assess the risk of year-end spending surges to VA's Purchase Card Program, the team compared VA's average purchase card spending during 10 months of the scope, excluding the two months at the fiscal year end, with the last two months of FY 2022. During those 10 months, VA averaged approximately \$455.4 million in monthly spending and about 538,000 transactions. In contrast, for the last two months of FY 2022, the average monthly spending and the number of

¹⁰ VA OIG, [Fiscal Year 2020 Risk Assessment of VA's Charge Card Program](#), Report No. 21-00350-201, August 18, 2021.

¹¹ GAO, *Principles of Federal Appropriations Law*, 3rd ed., vol. 1, GAO-04-261SP, January 2004, updated March 2015.

¹² GAO, *Department of Health and Human Services—Multiyear Contracting and the Bona Fide Needs Rule*, File: B-322455, August 16, 2013.

¹³ GAO, *Matter of: Department of Health and Human Services—Multiyear Contracting and the Bona Fide Needs Rule*, File: B-322455, August 16, 2013.

transactions grew to about \$474.6 million and about 560,000 per month, respectively, an increase of approximately 4 percent, which is a low-risk rating based on the criteria shown in table 2.

2. Potential Split Purchases

A split purchase occurs when a cardholder intentionally changes a single purchase into two or more purchases or payments to circumvent the micropurchase threshold.¹⁴ The threshold was \$10,000 from July 1, 2022, through June 30, 2023.¹⁵ The Federal Acquisition Regulation prohibits purchases from being split to qualify for simplified acquisition procedures or to avoid requirements that apply to purchases above the micropurchase threshold.¹⁶ To assess the risk that split purchases might pose to the VA Purchase Card Program, the team identified potential split purchases during the scope. This pool of potential split purchases included transactions with a combination of the same purchase date, cardholder, credit card number and with total spending greater than the micropurchase threshold.

The team identified 12,144 potential split purchases consisting of more than 47,000 transactions totaling over \$188 million, which is 0.73 and 3.43 percent of the total transactions and dollars, respectively. The team did not examine individual transactions to determine if they were actual split purchases. However, the OIG has been conducting separate financial management reviews at VA medical centers that include the examination of transactional data regarding potential split purchases. Based on the criteria shown in table 2 and the review team's analysis of the OIG financial management reviews, the risk level for potential split purchases is low.

3. Potentially Unauthorized Transactions Using Third-Party Payers

Merchants pay third-party payment processing companies a transaction fee for services rather than setting up and processing transactions through a traditional merchant charge card process. OMB's policy regarding these types of payers states, "Internet transactions that are made using third party payment platforms are considered to be high-risk as available transaction data may not be completely passed to the government's contractor bank and transaction dispute terms may vary from those offered on a traditional charge card transaction." Consequently, alternative methods of payment or using a different vendor that does not use a third-party payer should be considered before making a card payment using a third-party payer.¹⁷

Consistent with OMB guidance, VA policy states cardholders will not use third-party payers—for example, PayPal, E-Account, and Venmo—unless there are no other available vendors. The cardholder must justify in writing if a third-party payer is used and keep

¹⁴ VA Financial Policy, "Government Purchase Card for Micro-Purchases."

¹⁵ 41 U.S.C. § 1902.

¹⁶ FAR 13.003 (2023).

¹⁷ OMB, "A Risk Management Framework for Government Charge Card Programs," app. B in OMB Circular A-123.

documentation that identifies the actual vendor providing the item purchased. The use of third-party payers is discouraged because they do not always disclose the actual name of the merchant fulfilling the request, which may lead to unauthorized purchases.

VA data showed about 2,000 potentially unauthorized third-party payment transactions totaling approximately \$2.6 million occurred during the scope, which represents transaction and dollar percentages of 0.03 and 0.05, respectively. Based on the criteria shown in table 2, the risk level for unauthorized transactions using third-party payers is low. The team did not review individual transactions to determine if they were unauthorized.

4. Excessive Number of Purchase Card Accounts per Approving Official

An approving official is responsible for authorizing cardholder purchases, ensuring payment charges are reconciled to monthly billing statements, and helping to make sure purchase cards are used properly. General Services Administration guidance on purchase card use states that the number of account holders and the volume of transactions for which an approving official is responsible need to be reasonable so that the official may conduct reviews in a timely manner.¹⁸ These timely reviews are needed to ensure the detection of possible cases of card misuse and fraud. VA policy provides similar guidance but bases limitations on the number of accounts, not account holders. VA policy limits an approving official to being responsible for no more than 25 purchase card accounts. However, approving officials for prosthetic accounts may have as many as 40 purchase card accounts.¹⁹ The risk for illegal, improper, or erroneous purchases increases when the number of purchase card accounts assigned to an approving official exceeds these limits.

The team noted that 26 nonprosthetics approving officials were assigned more than the limit of 25 purchase card accounts, amounting to 787 accounts (an average of about 30 accounts per approving official), over 240,800 transactions, and about \$273.3 million in spending. The percent of transactions and spending for the nonprosthetics approving officials is assessed as medium based on the 9.03 and 10.21 transaction and dollar percentages, respectively. The team also identified 14 prosthetics approving officials who were assigned more than the limit of 40 accounts each, amounting to 640 accounts (an average of almost 46 accounts per approving official), about 326,400 transactions, and about \$200.7 million.²⁰ Based on the criteria shown in

¹⁸ General Services Administration, “The Review Process,” chap. 7 in *The GSA SmartPay Purchase Program*, Fall 2019, <https://smartpay.gsa.gov/files/managing-gsa-smartpay-purchase.pdf>.

¹⁹ VA Financial Policy, “Administrative Actions for Government Purchase Cards” in vol. 16, *Charge Card Programs* (June 2018), chap. 1A.

²⁰ VA’s data also showed that 243 approving officials and 25 cards were associated with both nonprosthetics and prosthetics purchases. Excluding those officials, cards, and associated transactions changed the risk percentages to 7.74 and 8.63, respectively, but did not change the assessed risk (medium).

table 2, the risk rating is assessed as medium due to the 8.52 transaction percentage and 7.10 dollar percentage.

Other Risk Assessment Factors

In assessing Purchase Card Program risk, the team also considered the results from prior OIG reports and recommendations as well as OIG investigations of charge card misuse. Other risk assessment factors included VA's semiannual reports on purchase card violations, and the VA's Office of Business Oversight's review of VA's Purchase Card Program.

Previously Issued OIG Reports

During financial efficiency reviews, the OIG found VA did not always use strategic sourcing to ensure VA obtains the most competitive prices, maintain supporting documentation, reconcile transactions promptly, and ensure cardholders consistently obtained approval before making purchases.²¹ The OIG also identified potential split purchases in three reports.²² Some of the OIG's recommendations related to these findings are open.

Results of OIG Investigations

The OIG's Office of Investigations continues to identify patterns of misuse and fraudulent use of purchase cards. OIG criminal investigators currently have several open cases regarding the misuse of purchase cards.

Each month, the OIG publishes highlights of its investigative work and oversight reports. During the scope, several highlights included information about the results of purchase card investigations, as noted in the examples below:

- A former supervisor at the Philadelphia VA Medical Center used his government-issued purchase card to place orders with a particular company for medical supplies that totaled over \$1.6 million. The former supervisor, who allegedly received cash payments of more than \$28,000 from the owner of this

²¹ VA OIG, [Financial Efficiency Review of the VA Black Hills Health Care System in South Dakota](#), Report No. 22-00066-184, July 27, 2022; VA OIG, [Financial Efficiency Review of the VA Cincinnati Healthcare System](#), Report No. 22-00208-221, September 1, 2022; VA OIG, [Financial Efficiency Inspection of the Northern Arizona VA Health Care System](#), Report No. 22-01721-35, February 8, 2023; VA OIG, [Financial Efficiency Inspection of the VA New York Harbor Healthcare System](#), Report No. 22-02989-103, June 14, 2023.

²² VA OIG, [Financial Efficiency Review of the VA Boston Healthcare System in Massachusetts](#), Report No. 21-03853-174, July 7, 2022; VA OIG, [Financial Efficiency Inspection of the VA Palo Alto Health Care System in California](#), Report No. 22-01565-29, February 2, 2023; VA OIG, [Financial Efficiency Inspection of the VA Philadelphia Healthcare System](#), Report No. 22-03503-131, June 29, 2023.

company, pleaded guilty in the Eastern District of Pennsylvania to accepting gratuities as a public official.²³

- An inventory management specialist at the Mountain Home VA Medical Center in Tennessee amended old purchase orders and then used his government-issued purchase card to submit payments to his wife's PayPal account in response to the "amendments." When the fraudulent purchase card payments were received, the inventory management specialist would transfer the funds to his own bank account. The loss to VA was over \$147,000. Following an investigation by the VA OIG, the defendant pleaded guilty in the Eastern District of Tennessee to theft of government funds.²⁴

VA's Semiannual Reports on Purchase Card Violations

The Charge Card Act directs the VA Secretary and VA Inspector General to submit semiannual joint violation reports to the OMB director that describe confirmed violations involving the misuse of purchase cards, adverse actions, punishments, or other actions taken based on each violation.²⁵

VA included one violation involving misuse of a purchase card in its July 2023 report, which also indicated that action was taken. According to the VA's chief of its Charge Card Services Division, a cardholder was creating invoices and paying his wife through PayPal. The situation was reported to the OIG and investigated as noted above. VA began to take disciplinary action against the employee; however, the individual left the agency before the action could be processed.

VA's Office of Business Oversight's Reviews of the Purchase Card Process

According to the director of the Office of Financial Risk Oversight Service, the office completed a review that included VA's purchase cards in August 2023. A Financial Services Center senior auditor told the team that there was one finding that the center was addressing by developing a process to complete and document its review of the U.S. Bank's service organization controls and identify any relevant complementary user entity controls. Third-party service providers, such as U.S. Bank, perform activities for many agencies. Agencies including VA are ultimately responsible for the services and processes provided by third-party service organizations as they

²³ VA OIG, "April 2023 Monthly Highlights," <https://www.vaoig.gov/sites/default/files/document/2023-08/VAOIG-Highlights-202304.pdf>.

²⁴ VA OIG, "May 2023 Monthly Highlights," <https://www.vaoig.gov/sites/default/files/document/2023-08/VAOIG-Highlights-202305.pdf>.

²⁵ Charge Card Act, 41 U.S.C. § 1909(c)(3).

relate to VA's ability to maintain internal control over operations, reporting, and compliance with laws and regulations.²⁶

Assessment 1 Conclusion

VA's Purchase Card Program is at medium risk of illegal, improper, or erroneous purchases. The OIG assigned a medium risk level based on analysis of purchase card summary transactions along with the volume and value of spending. The review team also considered OIG investigations and reviews, which continue to identify patterns of purchase card transactions that do not comply with the Federal Acquisition Regulation and VA policies and procedures. The OIG will use this risk assessment to evaluate the need for future audits of the VA Purchase Card Program.

Assessment 2: VA's Travel Card Program Is at Low Risk for Illegal, Improper, or Erroneous Purchases

Congress has mandated that federal employees use government travel charge cards for payments of expenses related to official government travel.²⁷ The government reimburses employees for authorized travel expenses, including meals and incidental expenses, and the employee is responsible for making payment to the bank.

During the scope of this review, over 21,000 VA travel cardholders initiated about 615,000 transactions totaling approximately \$90 million.

Travel Card Risk Categories

The team reviewed travel card data from July 1, 2022, through June 30, 2023, to identify transactions or patterns of activity that indicate potential improper travel card purchases in the following three risk categories:

1. Cardholders with single purchases greater than \$1,500
2. Airline purchases over \$40²⁸
3. Individual hotel transactions over \$2,000 without other purchases five days before or after the hotel stay

Table 5 shows travel cardholders and transactions and the spending associated with VA travel cards during the scope of the review.

²⁶ OMB, "Management's Responsibility for Enterprise Risk Management and Internal Control," in OMB Circular A-123.

²⁷ Travel and Transportation Reform Act of 1998, Pub. L. No. 105-264, 112 Stat. 2350.

²⁸ This category includes baggage fees and upgrade seating costs.

Table 5. Data for the Travel Card Risk Assessment

Measure	July 1, 2022–June 30, 2023
Cardholders	21,147
Transactions	615,485
Charges	\$90,402,554

Source: VA OIG analysis of July 1, 2022, through June 30, 2023, U.S. Bank data.

Table 6 shows the percentage of transactions and dollars associated with the risk categories and the assessed risk rating from July 1, 2022, through June 30, 2023.

Table 6. Percentage of Transactions and Dollars by Risk Category for the Travel Card Risk Assessment

Risk category	Risk rating	Transaction percent	Dollar percent
1. Cardholders with single purchases over \$1,500	Low	0.37	6.03
2. Airline purchases over \$40	Low	0.29	0.27
3. Individual hotel transactions over \$2,000 with no other purchases five days before or after stay	Low	0.06	1.15

Source: VA OIG analysis of July 1, 2022, through June 30, 2023, U.S. Bank data.

Note: The percentages in tables 4, 6, and 8 have been rounded.

The OIG determined the risk of illegal, improper, or erroneous purchases in VA's Travel Card Program is low. This is the same level of risk assessed by the OIG based on VA's travel card data from the FY 2020 charge card risk assessment.²⁹ The OIG assigned the risk level based on the categories in table 6.

1. Cardholders with Single Purchases over \$1,500

VA Financial Policy for the Government Travel Charge Card Program contains the following requirements:

- Any employee who has a travel card must use it to pay for all authorized official travel expenses not paid using the centrally billed account (in other words, those other than air, rail, or bus service).

²⁹ VA OIG, *Fiscal Year 2020 Risk Assessment of VA's Charge Card Program*.

- The travel card may only be used for official government travel expenses and cannot be used for unofficial personal travel expenses such as family meals, lodging, rent, or utilities.³⁰

The team set the threshold at \$1,500 for this risk category because a single purchase greater than that amount for a week of official government travel is not typical. The purchases in this risk category would not include common carrier charges, such as airfare, which should be paid by the centrally billed account.

The data for this risk category included 2,306 transactions totaling \$5,451,922. The risk rating for transactions is low (0.37 percent), while the risk rating for the spending is medium (6.03 percent). The potential misuse of a travel card would take place at the time of the transaction, regardless of the charged amount. Therefore, the risk rating for single travel card purchases over \$1,500 is low based on the criteria shown in table 2. The team did not review individual transactions.

2. Airline Purchases over \$40

The team set the threshold for analyzing data in this risk category at \$40 for typical costs such as baggage expenses and reasonable accommodations for upgraded coach class seating to accommodate the weight or height of the traveler.³¹ Travel card purchases from airlines at costs above those for baggage expenses or special needs upgrades may indicate improper use of the travel card.

For this risk category, the data indicated 1,794 airline transactions totaling \$248,604. Using the criteria shown in table 2, the team assessed the risk as low for airline purchases over \$40 based on the 0.29 and 0.27 transaction and dollar percentages, respectively. The team did not review individual transactions.

3. Hotel Transactions over \$2,000 with No Other Purchases within Five Days

VA's policy states that any employee who has a travel card must use it to pay for all authorized official travel expenses not paid by the centrally billed account. This includes lodging, meals and incidental expenses, and rental car and costs associated with the use of a rental car.³² Hotel transactions with no other purchases five days before or after appear unusual since travelers have five business days from the travel end date to file a travel claim for reimbursement.

³⁰ VA Financial Policy, "Government Travel Charge Card Program."

³¹ VA Financial Policy, "Miscellaneous Travel Expenses," in vol. 14, *Travel* (December 2022), chap. 4; VA Financial Policy, "Transportation Expenses," in vol. 14, *Travel* (February 2022), chap. 3.

³² VA Financial Policy, "Government Travel Charge Card Program."

The team set the threshold for data mining at \$2,000 for this risk category, as greater amounts would not be typical of hotel costs for a week of official government travel. Data for this risk category indicated 350 transactions totaling \$1,043,963 without other transactions five days before or after. The team assessed the risk as low for this category as a result of the 0.06 transaction percentage and 1.15 dollar percentage. The team did not review individual transactions.

Assessment 2 Conclusion

VA's Travel Card Program is at low risk of illegal, improper, or erroneous purchases. The OIG assigned a low-risk rating based on the results of the data analysis and the lack of any additional factors regarding VA travel cards, such as reports, recommendations, or investigations, that would increase the risk rating.

Assessment 3: VA's Fleet Card Program Is at Low Risk of Illegal, Improper, or Erroneous Purchases and Payments

VA issues fleet cards for all VA-owned and commercially leased vehicles, as well as for small-engine vehicles, such as a golf carts, snowmobiles, leaf blowers, chainsaws, and other non-license-plated ground equipment owned or leased by VA. Individual cardholders are not identified within the Fleet Card Program; instead, fleet cards are issued under the vehicle license plate number or are identified by the equipment that the cards will service. Multiple vehicle or equipment operators may use the same card, including non-VA employee volunteers. Fleet cards are used to pay for vehicles' fuel, maintenance, and repair.³³ From July 1, 2022, through June 30, 2023, VA fleet cards were used for over 165,000 transactions totaling approximately \$17.5 million.

Fleet Card Risk Categories

The team analyzed data for VA's fleet card transactions from July 1, 2022, through June 30, 2023, to identify patterns of activity that suggest potential illegal, improper, or erroneous purchases in the following risk categories:

1. Surges in year-end fleet card spending
2. Potential split purchases
3. Potential use of unauthorized transactions using third-party payment processors
4. More than five transactions on a single fleet card in one day

³³ VA Financial Policy, "Fleet Charge Card."

Table 7 shows total fleet cardholders and transactions and the associated spending for July 1, 2022, through June 30, 2023.

Table 7. Data for the Fleet Card Risk Assessment

Measure	July 1, 2022–June 30, 2023
Cardholders	4,188
Transactions	165,929
Charges	\$17,544,725

Source: VA OIG analysis of July 1, 2022, through June 30, 2023, U.S. Bank data.

Table 8 shows the percentage of transactions and dollars associated with the risk elements and the assessed risk rating from July 1, 2022, through June 30, 2023.

Table 8. Percentage of Transactions and Dollars by Risk Category for the Fleet Card Risk Assessment

Risk category	Risk rating	Transaction percent	Dollar percent
1. Surges in year-end fleet card spending	Medium	11.70	13.30
2. Potential split purchases	Low	0.00	0.06
3. Potential use of unauthorized third-party payers	Low	0.00	0.00
4. More than five transactions per day	Low	0.10	0.20

Source: VA OIG analysis of July 1, 2022, through June 30, 2023, U.S. Bank data.

Note: The percentages in tables 4, 6, and 8 have been rounded.

The OIG determined the risk of illegal, improper, or erroneous purchases in VA's Fleet Card Program is low. This is the same level of risk assessed by the OIG based on VA's fleet card data from the FY 2020 charge card risk assessment.³⁴ The team assigned a risk rating to each of the categories in table 8.

³⁴ VA OIG, *Fiscal Year 2020 Risk Assessment of VA's Charge Card Program*.

1. Surges in Year-End Spending

As noted previously, year-end spending is not uniquely more wasteful than spending at other times of the year. However, funds are no longer available if not obligated by the end of the fiscal year for which they were appropriated.³⁵ Regardless of when funds are spent, there must be a legitimate or bona fide need to obligate funds. Efforts to use rather than lose the funds at the end of the fiscal year could lead to the purchase of goods or services that do not represent bona fide needs of that fiscal year and could result in wasteful spending.³⁶

To assess the risk that year-end spending could pose to VA's Fleet Card Program, the team compared VA's average fleet card spending during 10 months of the scope, excluding the two months at the fiscal year end, with the last two months of FY 2022. VA averaged approximately \$1.3 million in monthly spending and about 13,000 transactions in 10 months of the scope. During the last two months of FY 2022, average monthly spending and number of transactions increased to about \$1.5 million and about 14,500 per month, respectively. While these increases of approximately 11.7 and 13.3 percent represent a medium risk rating based on the criteria shown in table 2, the review team considered the value of overall spending hikes when determining the overall assessment for the program.

2. Potential Split Purchases

The Federal Acquisition Regulation prohibits purchases from being split to qualify for simplified acquisition procedures or to avoid requirements that apply to purchases above the micropurchase threshold.³⁷ Therefore, a cardholder cannot intentionally modify a known requirement into two or more purchases or payments to circumvent the \$10,000 micropurchase threshold for a single purchase.³⁸ To assess the risk that split purchases could pose to the VA Fleet Card Program, the team first identified potential split purchases from July 1, 2022, through June 30, 2023. This group included transactions with a combination of total spending greater than the micropurchase threshold and the same purchase date, merchant name, and credit card number.

The team identified two transactions totaling \$10,145 in potential split purchases. Based on the criteria shown in table 2, the team assessed the risk as low for this category as a result of the 0.001 transaction percentage and the 0.050 dollar percentage. The team did not review individual transactions to determine if these two were actual split purchases.

³⁵ GAO, *Principles of Federal Appropriations Law*.

³⁶ GAO, *Matter of: Department of Health and Human Services—Multiyear Contracting and the Bona Fide Needs Rule*.

³⁷ FAR 13.003.

³⁸ VA Financial Policy, "Government Purchase Card for Micro-Purchases"; 41 U.S.C. § 1902.

3. Potentially Unauthorized Transactions Using Third-Party Payers

As noted previously, rather than setting up and processing transactions through a traditional merchant charge card process, some merchants pay third-party payment companies a transaction fee for services. OMB noted that using third-party payment platforms is considered high risk as available transaction data may not be completely available to the government's contractor bank, and transaction dispute terms may vary from those offered on a traditional charge card transaction. Consequently, using alternative methods of payment or using a different vendor that does not use a third-party payer should be considered.³⁹

VA policy states cardholders will not use third-party payers unless there are no other available vendors. In that situation, the cardholder must justify in writing the use of a third-party payer and keep documentation that identifies the actual vendor providing the item purchased.

The team identified four potentially unauthorized third-party payment transactions in the VA fleet card data totaling approximately \$800. Based on the criteria in table 2, the team assigned a low risk level for this category due to the 0.002 transaction percentage and the 0.004 dollar percentage. The team did not review individual transactions to determine if they were unauthorized.

4. More than Five Transactions per Fleet Card on the Same Day

As noted previously, fleet cards are not issued to individuals but to the licensed vehicle or to the equipment identification card. Thus, a card that is used more than five times a day could indicate a potential risk of misuse.

Upon reviewing VA fleet card data, the team identified 15 instances of individual fleet cards being used more than five times in one day during the scope, totaling about \$27,000. Based on the criteria shown in table 2, the team assessed the risk level as low for this category due to the 0.060 transaction percentage and the 0.160 dollar percentage. The team did not review individual transactions to determine what the fleet cards were used to purchase.

Assessment 3 Conclusion

VA's Fleet Card Program is at low risk of illegal, improper, or erroneous purchases. The team assigned a low risk level based on the determination that, while year-end spending hikes did occur, the team did not identify any additional factors regarding VA fleet cards, such as OIG reports, recommendations, or investigations, that would increase the risk rating.

³⁹ OMB, "A Risk Management Framework for Government Charge Card Programs," app. B in OMB Circular A-123.

Overall Assessment

VA's Purchase Card Program is at medium risk of illegal, improper, or erroneous purchases. Data analysis, the volume and value of spending, and OIG investigations and reviews identified patterns of purchase card transactions that deviate from the Federal Acquisition Regulation and VA policies and procedures. In contrast, VA's Travel and Fleet Card Programs have a low risk of illegal, improper, or erroneous purchases based on the data analysis and lack of related additional risk factors.

The OIG continues to consider audits of VA's charge card expenditures, and the OIG Office of Investigations continues to perform work on individual cases of purchase card abuse. A copy of this report has been provided to the deputy assistant inspector generals for both the Office of Audits and Evaluations and the Office of Investigations for their consideration as they plan their operational projects.



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