



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

Annual Risk Assessment of VA's Charge Card Programs

REVIEW

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MEMORANDUM

Date: July 22, 2019
To: Inspector General (50)
From: Assistant Inspector General for Audits and Evaluations (52)
Subject: Annual Risk Assessment of VA's Charge Card Program

Annual Risk Assessment of VA's Charge Card Programs

VA has three types of charge card business lines: purchase cards (including convenience checks), travel cards, and fleet cards. VA's Government Purchase Card Program remains at medium risk of illegal, improper, or erroneous purchases. The "data mining" of purchase card transactions identified potential misuse of purchase cards, and Office of Inspector General (OIG) investigations, audits, and reviews continue to identify patterns of purchase card transactions that do not comply with the Federal Acquisition Regulation (FAR) and VA policies and procedures.¹ Based on data mining, VA's Travel and Fleet Card programs have a low risk of illegal, improper, or erroneous purchases. Travel and fleet card transactions represented only about 2.7 percent and about 0.4 percent, respectively, of the approximately \$4.8 billion total VA spent on all charge card transactions during fiscal year (FY) 2018. The OIG continues to plan audits of VA's charge card expenditures. The OIG Office of Investigations also continues to investigate individual cases of purchase card abuse.

Background

The Government Charge Card Abuse Prevention Act of 2012 was enacted to prevent abuse in federal charge card programs.² That law and the Office of Management and Budget (OMB) Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, require Inspectors General to conduct periodic risk assessments of illegal, improper, or erroneous purchases within charge card programs. Inspectors General are required to use these

¹ "Data mining" refers to performing pattern-based queries, searches, or other analyses of one or more electronic databases to discover or locate predictive patterns or anomalies indicative of fraud, waste, or abuse of VA resources.

² Pub. L. No. 112-194 (Oct. 5, 2012) codified at 41 U.S.C. § 1909.

risk assessments to determine the scope and frequency of audits or reviews of charge card programs.

The General Services Administration’s SmartPay Program provides charge cards to federal agencies through one of three GSA SmartPay contractor banks—Citibank, J.P. Morgan, and U.S Bank. According to the General Services Administration, these charge cards enable authorized government employees to make purchases on behalf of the federal government in support of their organizations’ missions.³ Charge cards help agencies implement simplified acquisition procedures and provide a low-cost, efficient vehicle for obtaining goods and services directly from vendors.⁴

Scope and Methodology

The VA OIG conducted its risk assessment during January and February 2019. To accomplish its objective, the risk assessment team evaluated the three types of charge card business lines used by VA: purchase cards (including convenience checks), travel cards, and fleet cards. The team reviewed VA policies, procedures, and other controls applicable to these charge card programs. The team also obtained and compared FY 2017 and FY 2018 charge card data to identify transactions or patterns of activity that represent potentially illegal, improper, or erroneous charge card purchases.

The team used the criteria listed in Table 1 to establish an initial risk assessment based on the results of data mining.

Table 1. VA OIG Risk Assessment Criteria for Charge Cards

Risk level	Criteria
Low	Data analysis determined that less than 5 percent of charge card transactions reviewed were potentially illegal, improper, or erroneous.
Medium	Data analysis determined 5 to 20 percent of charge card transactions reviewed were potentially illegal, improper, or erroneous.
High	Data analysis determined more than 20 percent of charge card transactions reviewed were potentially illegal, improper, or erroneous.

Source: Criteria established by the VA OIG

³ General Services Administration, “GSA SmartPay Saves! The GSA SmartPay Program”. <https://smartpay.gsa.gov/content/about-gsa-smartpay#sa17> (The website was accessed on January 26, 2019).

⁴ Account holders may also use convenience checks when merchants do not accept purchase cards or electronic funds transfers.

In determining the risk assessment, the team also considered the results and recommendations from prior OIG reviews, audits, and investigations that evaluated aspects of these programs. The team further reviewed VA's FY 2017 and FY 2018 Annual Charge Card Management Plans. OMB Circular A-123, Appendix B requires that VA prepare these plans to address management controls, policies, and practices for ensuring appropriate charge card usage.⁵ Finally, the team reviewed VA's *Semiannual Report on Purchase Charge Card Violations*, which it received from the Financial Services Center on January 31, 2019. This report describes confirmed charge card violations and adverse personnel actions, punishments, or other actions taken based on each violation.

Assessment 1: VA's Government Purchase Card Program is at Medium Risk for Illegal, Improper, or Erroneous Purchases and Payments

VA's Government Purchase Card Program is the largest VA charge card program, as measured both by the number of transactions and the amount of spending. Agency purchase card spending increased by \$391.6 million, from about \$4.2 billion in FY 2017 to about \$4.6 billion in FY 2018. The number of purchase card transactions also increased by about 398,000, from approximately 6.7 million in FY 2017 to about 7.1 million in FY 2018. VA had about 13,600 purchase cardholders in FY 2018—this number is about 3.7 percent of VA's workforce of approximately 370,000 employees an increase of about 130 purchase cardholders from FY 2017. The continuing growth in VA's Government Purchase Card Program makes it important to have strong controls over these purchases. Controls over the use of purchase cards are critical to ensuring VA uses taxpayer funds effectively and efficiently to serve the nation's veterans.

Government Purchase Card Program Risk Assessment

The risk assessment team determined that sufficient evidence exists to assess a medium risk of illegal, improper, or erroneous purchases within VA's Government Purchase Card Program. This is the same assessment the OIG made last year based on VA's FY 2017 purchase card data. The team assigned its initial risk assessment based on the data mining, part of which is presented in Table 2. Purchase card transactions in FY 2018 showed that potential duplicate transactions represented 25.8 percent of all purchase card transactions. In addition, potential split purchases represented 9.9 percent of purchase card transactions. The potential duplicate transactions qualify the Government Purchase Card Program as high risk in accordance with the criteria cited in Table 1. However, the team also considered other qualitative factors. For example, the amount of potential split purchases represents an approximate decrease of 2.6 percent compared to the previously reported number and it is the second consecutive annual decrease. Based on the

⁵ OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, January 15, 2009.

consideration of all the analysis in this assessment, the team determined the risk level at medium, consistent with the OIG's prior assessment.

Government Purchase Card Program Data Mining

The risk assessment team analyzed FY 2018 purchase card data to identify transactions or patterns of activity that represent potential illegal, improper, or erroneous purchases. The analysis looked for control weaknesses and noncompliance in the following areas:

- Potential duplicate payments
- Potential split purchases
- Approving officials (AOs) assigned more than 25 cardholders⁶
- Inadequate recording or reporting of financial information
- Surges in year-end purchase card spending
- Convenience check usage for higher-risk purchases from nonfinancial institutions for purchases such as stored-value cards, foreign currency, money orders, and traveler's checks

Table 2 shows the numbers and value of potential duplicate transactions, potential split transactions, and the number of AOs assigned more than 25 purchase card accounts.

⁶ A high ratio of cardholders-to-approving officials is not conducive to thorough reviews of each cardholder's monthly billing statement and could hinder VA's ability to provide effective oversight of the Government Purchase Card Program.

Table 2. VA Purchase Card Risk Assessment

Measure	FY 2017	FY 2018	FY 2017 to FY 2018 change
Purchase card transactions	6,709,104	7,107,305	398,201
Amount of purchase card charges	\$4,235,720,116	\$4,627,296,188	\$391,576,072
Purchase cardholders	13,631	13,762	131
Potential duplicate transactions	1,789,196	1,835,304	46,108
Potential duplicates as a percentage of total transactions	26.7%	25.8%	(0.8%)
Potential split transactions	834,222	700,808	(133,414)
Potential splits as a percentage of total transactions	12.4%	9.9%	(2.6%)
Approving officials assigned more than 25 purchase card accounts	217	224	7

Source: OIG analysis of VA charge card data

Potential Duplicate Payments

Duplicate payments occur when VA pays a merchant more than once for the same good or service. This results in an overpayment and can lead to the additional expense of trying to recover any overpayments that are identified. Duplicate payments pose a risk of financial loss to VA regardless of whether the transactions were inadvertent—processing errors or inaccurate recordkeeping—or fraudulent. VA policy requires cardholders to report duplicate payments to their approving officials and agency/organization program coordinator to ensure that the federal government ultimately pays only for valid charges.

To assess program risk, the team identified potential duplicate payments by matching transactions that had the same purchase date, merchant name, credit card number, and dollar amount. Using this method, the team identified about 1.8 million potential duplicate payments in FY 2018, totaling approximately \$412 million. This amount reflects a 3.5 percent increase in dollar amount from FY 2017. Due to the limited scope of the risk assessment, the team did not determine if these transactions were actual duplicate payments.

Potential Split Purchases

A split purchase occurs when a cardholder intentionally modifies a known requirement into two or more purchases or payments to avoid exceeding the micropurchase threshold for a single purchase.⁷ The FAR prohibits cardholders from splitting purchases to qualify for simplified acquisition procedures or to avoid requirements that apply to purchases above the micropurchase threshold.⁸

To assess program risk, the team identified potential split purchases by matching transactions that had the same purchase date, merchant name, credit card number, and which had an aggregate sum greater than the micropurchase threshold: \$3,500 for purchases from October 1, 2017, to June 13, 2018, and \$10,000 for purchases from June 14, 2018, to September 20, 2018.⁹ The data mining of FY 2018 purchase card data identified about 701,000 potential split purchases totaling approximately \$799 million. This reflects a 20.7 percent reduction in the number of potential split purchase transactions compared to the potential splits reported for FY 2017. Due to the limited scope of the risk assessment, the team did not determine if these transactions were actual split purchases.

Excessive Number of Cardholders per Approving Official

VA appoints approving officials to authorize cardholder purchases, to ensure payment charges are reconciled to monthly billing statements and submitted to the designated billing office in a timely manner, and to ensure purchase cards are used properly. VA policy states that approving officials serve as the initial internal control to prevent or identify fraud, abuse, or misuse of purchase cards.¹⁰ However, the AOs' effectiveness can be diminished if they are responsible for an excessive number of cardholders. To better ensure AOs can perform an adequate review and verification of cardholder transactions, VA policy limits AOs to no more than 25 purchase card accounts. However, VHA prosthetic purchase card accounts are exempt from this limit and may have a ratio as high as 40 purchase card accounts to one AO.¹¹ The risk assessment team's data mining of FY 2018 purchase card data identified 224 approving officials who were assigned more than 25 purchase card accounts. The 224 approving officials had 8,383 cardholders in the aggregate (an average of approximately 37 cards per approving official). These 8,383 cardholders conducted 2,902,422 transactions totaling about \$1.2 billion during FY 2018. The

⁷ While there are exceptions to the threshold, the threshold for micropurchase limits was \$3,500 until June 2018. 48 CFR § 2.101. The National Defense Authorization Act for Fiscal Year 2018, Pub. L. 115-91, § 806 (Dec. 12, 2017) increased the micropurchase threshold to \$10,000. VA policy was updated to reflect the new micropurchase limit as of June 14, 2018. VA Financial Policy, Government Purchase Card for micropurchases, vol. 16, June 2018.

⁸ FAR 13.003(c)(2).

⁹ As explained in an earlier footnote, the micropurchase threshold increased from \$3,500 to \$10,000 as of June 14, 2018.

¹⁰ VA Financial Policies and Procedures, vol. XVI, chap. 1, *Government Purchase Card Program*.

¹¹ VA Financial Policies and Procedures, vol. XVI, chap. 1A.

team's analysis is based on the total number of purchase card accounts and it did not determine how many of those accounts were designated as prosthetics purchase card accounts.

When the number of cardholders assigned to an approving official exceeds 25, or 40 for prosthetic card accounts, this could contribute to the AO not conducting sufficient reviews of purchase card transactions.

Inadequate Recording or Reporting

VA may lack sufficient controls to ensure proper recording and reporting of purchase card transactions. Inadequate recording or reporting of transactions may cause inconsistencies in budget and accounting treatment, errors in transaction classification, improper payments, and inaccurate financial reporting. In addition, inadequate recording and reporting may conceal purchases of goods or services that are not for official use or not authorized in accordance with federal laws and regulations. Furthermore, inadequate recording and reporting may prevent or hinder the monitoring and auditing of purchase card transactions.

The data mining of FY 2018 purchase card data identified nearly 54,400 transactions totaling approximately \$53.8 million in which VA's financial records did not include a cost center description.¹² In another 3,846 transactions, totaling approximately \$3.6 million, VA's financial records did not include a budget object code.¹³ Cost center descriptions and budget object codes are necessary to ensure adequate recording and reporting of purchase card transactions.

Improper Year-End Spending

VA data show a surge of year-end purchase card spending in FY 2018. This could be an indicator of a rush to spend unused appropriations at the end of the fiscal year creating the potential for wasteful or abusive procurement practices, such as purchasing goods or services that do not meet legitimate government needs.

During the first 10 months of FY 2018, VA averaged about 606,000 purchase card transactions with an average of approximately \$374.1 million in spending per month. This average increased to about 638,000 transactions with an average of approximately \$451.9 million in spending per month during the last two months of the fiscal year, an increase of 5 percent and 17.2 percent respectively.

¹² VA Financial Policies and Procedures, vol. XIII, chap. 1, *Cost Centers*. A cost center is part of an accounting classification that identifies the organizational area of responsibility or geographic region that is associated with a financial transaction.

¹³ VA Financial Policies and Procedures, vol. XIII, chap. 2, *Budget Object Codes*. VA is required to utilize Budget Object Codes (BOCs). Budget object codes reflect the nature of financial transactions when obligations are first incurred.

Questionable Convenience Check Purchases

VA may not have adequate controls over convenience checks to prevent questionable purchases. Convenience checks are a payment or procurement tool intended for use only with merchants who do not accept purchase cards or electronic funds transfers. Convenience checks are written against purchase card accounts. VA policy states that convenience checks are a payment method of last resort and may only be used when no reasonable alternative merchant that accepts purchase cards or electronic funds transfers is available.¹⁴ VA policy considers all convenience check purchases inherently risky.¹⁵

The data mining of FY 2018 purchase card data found that VA issued 1,859 convenience checks with a total value of approximately \$1.4 million. Of the checks issued in FY 2018, almost 100 percent—1,855—were classified as higher-risk because they were from non-financial institutions for foreign currency, money orders, and traveler's checks.

Additional Information Considered in Assessment

In addition to the previous areas mentioned, key analysis also included previously issued OIG reports and recommendations, results of OIG investigations of misuse and fraudulent use, and other risk assessment and internal control factors.

Previously Issued OIG Reports and Recommendations

In an October 2017 report, the OIG identified split purchases, unauthorized commitments, improper payments, and ineffective oversight of VA's Government Purchase Card Program. The review identified potential misuse of purchase cards at Veterans Integrated Service Network (VISN) 15 and found 18 split purchases valued at approximately \$73,000, which resulted in unauthorized commitments and improper payments.¹⁶ Purchase cardholders did not have a clear understanding of what constituted a split purchase. Moreover, VISN 15's oversight of these purchase card transactions was ineffective and approving officials did not question what appeared to be the same routine purchases on an expired contract.

In July 2018, the OIG substantiated an allegation that employees at the VA St. Louis Health Care System split purchases by separating requirements.¹⁷ Out of 268 purchases made with a vendor in 2014 and 2015, cardholders made 25 split purchases, valued at approximately \$61,000.

¹⁴ VA Financial Policies and Procedures, vol. XVI, chap. 1C.

¹⁵ VA Financial Policies and Procedures, vol. XVI, chap. 1C.

¹⁶ Report Number 15-05519-377, October 26, 2017, *VHA Review of Potential Misuse of Purchase Cards at Veterans Integrated Service Network 15*.

¹⁷ Report Number 16-02863-199, July 17, 2018, *VHA Alleged Split Purchases at the VA St. Louis Health Care System*.

An OIG report published in March 2018 found a lack of appropriate controls over purchase card use at the Washington DC VA Medical Center.¹⁸ The OIG found that a purchasing agent at this medical center fraudulently purchased eight Microsoft Surface Pro computers, eight Apple iPhones, and two Apple iPads, all for a single veteran during 2016. Another example of a lack of appropriate controls cited in the same report is that the medical center chief logistics officer was responsible for approving expenditures made by non-logistics staff and purchases with those cards could not be well tracked.

Results of OIG Investigations

The OIG's Office of Investigations continues to identify patterns of misuse and fraudulent use of purchase cards. From FY 2015 through FY 2018, OIG criminal investigators reported that they opened 78 cases regarding the misuse of purchase cards.

OIG investigations found cardholders misused purchase cards to:

- Make split purchases that would have otherwise exceeded the micropurchase threshold;
- Procure gift cards used to pay for personal items;
- Make authorized purchases for supplies and equipment, then misappropriating those items for personal use;
- Order medical supplies using fraudulent invoices for supplies that were never delivered to VA;¹⁹ and
- Allow other people to purchase personal items, including from online and local merchants.

During the one-year period from October 2017 through September 2018, the OIG's Office of Investigations reported closing one purchase card fraud case that resulted in the resignation of the VA employee and one purchase card fraud case that resulted in an employee termination.

These two cases are described below:

- **Items purchased for personal use:** A prosthetics representative in Seattle, Washington, falsified documents, improperly created a vendor profile in VA's payment system, and attempted to purchase a computer valued at over \$3,400 for personal use through VA's Choice Program. The employee resigned from federal service while under investigation.

¹⁸ Report Number 17-02644-130, March 7, 2018, *VHA Critical Deficiencies at the Washington DC VA Medical Center*.

¹⁹ The fraudulent invoices were paid using a former employee's government-issued purchase card.

- **Split purchases:** An item manager at the Dallas, Texas, VA Medical Center improperly created a vendor profile in VA's payment system and made numerous split purchases resulting in VA overpaying for supplies by \$37,000. The employee was removed from federal service because of this investigation.

The OIG's Office of Investigations found fraudulent use of purchase cards, which are indicative of risk; however, the risk assessment team also considered that in FY 2018, VA decreased the potential duplicate transactions as a percent of all purchase card transactions and decreased potential split transactions as a percent of all purchase card transactions. Therefore, the team maintained the risk level at medium, consistent with the prior assessment.

Other Risk Assessment and Internal Control Factors

The OIG considered that VA continued to maintain its Charge Card Management Plan in FY 2018, as required by OMB Circular A-123, Appendix B. The OIG also considered the results of VA's semiannual reports on purchase card violations and VA's Office of Business Operations role in oversight of purchase cards, leading to the determination of a medium level of risk for purchase cards.

VA's Charge Card Management Plan

We determined that VA continued to maintain its Charge Card Management Plan in FY 2018, as required by OMB Circular A-123, Appendix B. The circular prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs. Maintaining a charge card management plan is important because the establishment of written, formal policies and procedures is critical to help assure that a system of internal controls is followed, and to minimize the potential for fraud, misuse, and delinquency. OMB requires each agency to maintain and annually submit Charge Card Management Plans no later than January 31 of each calendar year.²⁰ VA's FY 2018 Charge Card Management Plan includes:

- Responsibilities of key personnel
- Procedures for issuing a purchase card
- Training requirements for purchase cardholders
- Recordkeeping requirements
- Purchase card risks and controls implemented to mitigate risk to the greatest extent possible

²⁰ Office of Management and Budget Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012, Required Safeguards and Internal Controls.

- Reports available to officials to manage the Government Purchase Card Program
- Disciplinary actions in cases of cardholder misuse

Proper and consistent implementation of the plan should reduce the risk of fraud, misuse, and delinquency of purchase cards. We found that VA submitted this plan to OMB on January 31, 2019, and addressed all elements required.

VA's Semiannual Reports on Purchase Charge Card Violations

The Government Charge Card Abuse Prevention Act of 2012 directs the VA Secretary and VA Inspector General, on a semiannual basis, to submit to the OMB Director a joint report that describes confirmed violations involving the misuse of a purchase card, and all adverse actions, punishment, or other action taken based on each violation.

VA reported two confirmed violations involving misuse of a purchase card in FY 2017 and nine violations in FY 2018. The report also listed adverse personnel actions in FY 2018, including one demotion, one suspension, and seven removals. The chief of the Charge Card Services Division told the OIG that there was an increase in employee removals in FY 2018 because of VA's effort to more stringently enforce VA charge card policies.

VA's Office of Business Oversight Reviews of Purchase Card Transactions

On October 1, 2018, the Office of Internal Controls was redesignated as the Office of Business Oversight. The Office of Business Oversight is part of VA's Office of Management and is dedicated to improving internal controls. Its primary mission is to provide targeted oversight activities aimed at those business processes most vulnerable to improper payment, fraud, waste, or abuse. As part of this mission, the Office of Business Oversight's Financial Risk Oversight Service documents and assesses VA's internal controls framework and provides auditing, testing, and 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.

The Office of Business Oversight also reviews and updates financial processes through the issuance of business cycle memos. The next payment management cycle memo update is planned for FY 2020.

Assessment 1 Conclusion

VA's Government Purchase Card Program remains at medium risk of illegal, improper, or erroneous purchases, as previously assessed by the OIG for FY 2017. The data mining of purchase card transactions identified potential misuse of purchase cards and OIG investigations, audits, and reviews continue to identify patterns of purchase card transactions that do not comply with the FAR and VA policies and procedures.

The OIG will use this risk assessment to evaluate the need for future audits of VA's Government Purchase Card Program. The OIG's Office of Investigations also continues to perform work on individual cases of purchase card abuse.

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

Congress has mandated that federal employees use government travel charge cards for payments of expenses related to official government travel.²¹ Travel managers should ensure that travelers use their government-issued travel card for purchases of travel-related services or products such as rental cars and hotel rooms. The government reimburses travelers for authorized expenses. The cardholder is responsible for making payments to the bank that issued the card. VA has established policies and procedures regarding VA's Travel Charge Card Program.²² VA reported that during FY 2018, about 30,000 of VA's approximately 370,000 employees used travel cards to make about 978,000 transactions totaling approximately \$130.7 million.

Assessed Risk of Travel Charge Card Program

The risk assessment team determined there is a low risk of illegal, improper, or erroneous purchases within VA's Government Travel Charge Card Program. The team made this determination because our data review showed that both the FY 2018 potential duplicate transactions and potential split purchases each represented less than 1 percent of travel card transactions. VA reported about \$130.7 million of travel card transactions in FY 2018, which represented only about 2.7 percent of the approximately \$4.8 billion VA spent on charge card transactions.

Travel Card Data Mining

The risk assessment team performed data mining of VA's FY 2018 travel card transactions to identify transactions or patterns of activity that may represent potential illegal, improper, or erroneous purchases. The data in Table 3 show the number and values of potential duplicate transactions and potential split transactions.

²¹ Travel and Transportation Reform Act of 1998, Pub. L. No. 105-264, 112 Stat. 2350 (1998).

²² VA Financial Policies and Procedures, vol. XVI, chap. 2, *Government Travel Charge Card Program*.

Table 3. VA Travel Card Risk Assessment

Measure	FY 2017	FY 2018	FY 2017 to FY 2018 Change
Travel card transactions	1,003,183	977,678	(25,505)
Amount of travel card charges	\$134,201,857	\$130,677,385	(\$3,524,472)
Travel cardholders	29,854	30,276	422
Potential duplicate transactions	8,377	7,210	(1,167)
Potential split transactions	979	931	(48)

Source: OIG analysis of VA charge card data

Potential Duplicate and Split Payments

Out of the approximately 978,000 travel card transactions in FY 2018, data mining identified 7,210 potential duplicates compared to 8,377 in FY 2017. These transactions totaled about \$780,000 in spending, a decrease of \$100,490 from FY 2017.

Out of the approximately 978,000 travel card transactions in FY 2018, data mining identified 931 potential split purchases compared to 979 in FY 2017. These transactions totaled about \$1.5 million in spending, a decrease of approximately \$164,000 from FY 2017.

The risk assessment team also identified 509 cardholders who used their cards an average of 100 to 999 times per month during FY 2018. However, the team did not consider this an excessive use of travel cards because VA creates accounts for facility employees who use the cards extensively for patient or beneficiary travel programs. In addition, VA policy requires cardholders to reconcile all charges on travel card billing statements monthly.

VA's Charge Card Management Plan

VA's FY 2018 Charge Card Management Plan outlines VA policies and procedures established to mitigate travel card misuse and abuse and includes:

- Credit worthiness evaluation procedures for travel cardholders
- Requirements for travel cardholders to receive training every three years
- Recordkeeping requirements
- Travel card risks and controls implemented to mitigate risk to the greatest extent possible
- A list of reports available to officials to manage the Travel Charge Card Program

- Procedures for identifying and resolving travel card delinquencies and ensuring appropriate card usage
- Disciplinary procedures for cardholders who misuse travel cards

Proper and consistent implementation of the plan should reduce the risk of illegal, improper, or erroneous use of travel cards.

Assessment 2 Conclusion

VA's Travel Card Program remains at low risk of illegal, improper, or erroneous purchases. The risk assessment team assigned a low risk level primarily because data mining showed a low percentage of potential duplicate and split purchases. In addition, travel card transactions represented only about 2.7 percent of the approximately \$4.8 billion spent by VA on charge card transactions during FY 2018.

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 VA-leased vehicles, as well as for small engine vehicles such as golf carts and riding lawn mowers, on-site generators, and other grounds equipment. Individual cardholders are not identified within the Fleet Card Program. Fleet cards are issued under the name of the vehicle license plate number or are identified by the equipment that the cards will service. VA fleet cards are used to pay for these vehicles' fuel, maintenance, and repair. VA has established policies and procedures regarding its Fleet Card Program.²³ During FY 2018, VA reported that cardholders used fleet cards to make about 231,000 transactions totaling approximately \$17.5 million.

Assessed Risk of Fleet Card Program

The risk assessment team determined there is a low risk of illegal, improper, or erroneous purchases within VA's Fleet Card Program. The team made this determination because data mining showed that both the FY 2018 potential duplicate transactions and potential split purchases represented less than 1 percent of fleet card transactions. VA reported about \$17.5 million of fleet card charges in FY 2018, which represented only about 0.4 percent of the approximately \$4.8 billion total VA spent on charge card transactions. Although the team assessed a low risk level, data mining of FY 2018 fleet card transactions also identified purchases from questionable merchants.

²³ VA Financial Policies and Procedures, vol. XVI, chap. 3, *Fleet Charge Card*.

Fleet Card Data Mining

The OIG performed data mining of VA's reported FY 2018 fleet card transactions to identify patterns of activity that may represent potential illegal, improper, or erroneous purchases. In addition, the review identified 1,313 fleet card transactions, totaling \$331,551, from vendors with merchant category codes not normally associated with fleet cards, such as glassware, sporting goods, home furnishings, and exterminating services. However, the \$331,551 amount represents only about 2 percent of approximately \$17.5 million spent on FY 2018 fleet card transactions. The data in Table 4 show the number of potential duplicate transactions and potential split transactions.

Table 4. VA Fleet Card Risk Assessment

Measure	FY 2017	FY 2018	FY 2017 to FY 2018 change
Fleet card transactions	233,112	231,187	(1,925)
Amount of fleet card charges	\$15,679,630	\$17,475,938	\$1,796,308
Number of fleet cards	4,285	4,296	11
Potential duplicate transactions	423	799	376
Potential split transactions	65	50	(15)

Source: OIG analysis of VA charge card data

VA's Charge Card Management Plan

VA's FY 2018 Charge Card Management Plan outlines VA policies and procedures established to help mitigate fleet card fraud and misuse. The plan includes:

- Procedures for issuing fleet cards by vehicle license number
- Requirements for fleet card users to receive training every two years
- Recordkeeping requirements
- Procedures for closing accounts when vehicles are removed from service
- Fleet card risks and controls implemented to mitigate each risk
- Reports available to officials to manage the fleet card program
- Disciplinary procedures for cardholders who misuse fleet cards

Proper and consistent implementation of the plan should reduce the risk of illegal, improper, or erroneous use of fleet cards.

Assessment 3 Conclusion

VA's Fleet Card Program remains at low risk of illegal, improper, or erroneous purchases. The risk assessment team assigned a low risk level because data mining identified a low number of potential duplicate and split purchases. Moreover, fleet card transactions represented only about 0.4 percent of the approximately \$4.8 billion spent by VA on charge card transactions during FY 2018. However, the team did note potential areas of misuse with respect to merchant category codes not normally associated with fleet cards.



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