




U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

---

**SEP 27 2019**

TO: EMILY W. MURPHY  
ADMINISTRATOR (A)

FROM: CAROL F. OCHOA   
INSPECTOR GENERAL (J)

SUBJECT: GSA Office of Inspector General's Fiscal Year 2018 Risk Assessment of  
GSA's Charge Card Program  
Audit Memorandum Number A190041

We conducted a risk assessment of GSA's charge card program to identify and analyze risks of illegal, improper, or erroneous purchases related to GSA's purchase and travel cards. We based our risk assessment on limited purchase card testing and our *Audit of GSA's Fiscal Year 2018 Travel Card Program* (travel card audit).<sup>1</sup>

We assessed the risk for GSA's purchase card program as moderate. Through our limited purchase card testing, we noted the Office of Administrative Services (OAS) improved its follow-up rate for high-risk transactions that it had deemed questionable (e.g., purchases containing the words casino, hotel, or party). However, we also found that OAS should improve its purchase card controls to ensure that cardholders upload supporting documentation into GSA's system of record.

In our travel card audit, we did not find any travel card transactions that were not properly and fully supported, reported, and approved. However, we identified opportunities for improvement and provided recommendations to strengthen controls over the travel card program to ensure compliance with GSA, Office of Management and Budget (OMB), and federal guidelines. As travel cards are individually billed accounts, and liability rests with the cardholder and not the Agency, they continue to be inherently low risk to GSA.

*Figure 1* presents our Fiscal Year (FY) 2018 assessment ratings for GSA's purchase and travel card programs. Our ratings are consistent with our FY 2017 risk assessment.<sup>2</sup>

---

<sup>1</sup> *Audit of GSA's Fiscal Year 2018 Travel Card Program* (Report Number A190030/O/5/F19003, September 20, 2019).

<sup>2</sup> *GSA Office of Inspector General's Fiscal Year 2017 Risk Assessment of GSA's Charge Card Program* (Audit Memorandum Number A180027, September 28, 2018).

**Figure 1 – Results of Risk Assessment**

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

### **Background**

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) was enacted to prevent waste, fraud, and abuse that may exist in federal charge card programs. The Charge Card Act and OMB Memorandum M-13-12, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, require Inspectors General to annually conduct risk assessments of purchase and travel card programs. These assessments analyze the risks of illegal, improper, or erroneous purchases and payments. Inspectors General are required to use these risk assessments to determine the necessary scope, frequency, and number of audits to be performed in these areas.

In FY 2018, GSA used its purchase cards for goods and services totaling \$29.2 million. GSA purchase cards are centrally billed accounts, and liability for all purchases rests with GSA. Travel card spending for FY 2018 totaled \$10.8 million. GSA travel cards are individually billed accounts, and liability for purchases rests with the cardholder. As GSA is obligated to pay the balance for purchase card transactions, purchase cards inherently carry more risk than travel cards.

### **Risk Assessment Methodology**

Our risk assessment is based on our limited testing of FY 2018 purchase card transactions and our travel card audit. The methodology is discussed in detail below.

### **Purchase Card Risk Assessment**

Our risk assessment determined that GSA's purchase card program has a moderate level of risk. For this risk assessment, we performed limited testing over FY 2018 purchase card transactions. Specifically, we:

- Examined relevant criteria including public laws, an executive order, OMB Memorandum M-13-12, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, and GSA directives, purchase card policies, and procedures;
- Reviewed our prior audit reports related to the purchase card program;
- Reviewed OAS's FY 2018 charge card risk assessment;
- Performed trend analyses of cardholder and regional spending for FY 2018 purchase card transactions;

- Selected a random sample of 20 transactions below and 5 transactions above the micro-purchase threshold to determine whether purchase card transactions were fully supported;<sup>3</sup>
- Reviewed purchase card questionable charges reports to determine whether there was adequate resolution of questionable charges;
- Selected a random sample of 25 questionable charges to determine if the transactions were appropriate and fully supported; and
- Verified that OAS is testing split transactions, which are transactions that result from separating a single purchase into multiple transactions to circumvent procurement requirements.

We found that some cardholders are still failing to upload the required supporting documentation for purchase card transactions in Pegasys, the purchase card system of record. OAS implemented internal controls in FY 2016 to address this issue. However, we noted missing documentation in our FY 2017 risk assessment and the current FY 2018 risk assessment. Specifically, 7 of the 25 FY 2018 transactions we tested did not have all of the required supporting documentation in Pegasys.

There was noticeable improvement in OAS's follow-up when Agency supervisors failed to respond to questionable purchase card charges. Our testing of the FY 2018 transactions found that OAS followed up on 100 percent of questionable charge non-responses, contrary to the 72 percent follow-up rate we noted in our prior FY 2015 purchase card audit.<sup>4</sup> Finally, in FY 2018, OAS continued its testing to identify and evaluate potentially split purchase card transactions. OAS resolved any potential issues by discussing them with the respective cardholders.

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

### **Travel Card Risk Assessment**

Our risk assessment determined that GSA's travel card program has a low level of risk. This risk assessment is based on the results of our travel card audit that examined travel card transactions processed and approved during FY 2018. Specifically, we:

---

<sup>3</sup> A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures. The micro-purchase threshold was \$3,500 from October 1, 2017-June 25, 2018. The micro-purchase threshold increased to \$10,000 on June 26, 2018. As the threshold changed late in our testing period, we used the \$3,500 threshold for testing purposes.

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

- Examined relevant criteria, including public laws, an executive order, OMB Memorandum M-13-12, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, and GSA directives, travel card policies, and procedures;
- Reviewed our prior audit reports related to the travel card program;
- Performed a trend analysis of cardholder and regional spending using all FY 2018 travel card transactions;
- Evaluated OAS's processes related to the detection, resolution, and prevention of questionable travel card charges and delinquent payments;
- Tested a judgmental sample of 10 questionable charges to determine whether there was a timely and adequate resolution;
- Reviewed a random sample of 20 employee separations in FY 2018 to determine if travel cards were deactivated;
- Analyzed GSA's voucher data to identify instances of employees not following travel card policies;
- Assessed OAS's processes to verify travel card refunds; and
- Verified OAS's efforts to monitor cash withdrawals.

We did not find any travel card transactions in our testing that were not properly and fully supported, reported, and approved. However, we identified opportunities for improvement and provided recommendations to strengthen controls over the travel card program to ensure compliance with GSA, OMB, and federal guidelines.

Based on the results of our travel card audit, and the individually billed nature of the travel card accounts, we assessed the risk for GSA's travel card program as low.

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

---

## ***Memorandum Distribution***

---

GSA Administrator (A)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)