Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

Report on the Government Purchase Card Initiative

July 2018

EXECUTIVE SUMMARY

Objective

The objective of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) purchase card initiative was to analyze and review Government purchase card data to determine the risks associated with purchase card transactions.

Approach

To accomplish this objective, 20 participating OIGs reviewed Federal agencies that processed over 1.8 million purchase card transactions totaling over $941 million from October 1, 2016 through March 31, 2017. The participating OIGs selected and then tested a random sample of 1,255 high-risk purchase card transactions of over $1.3 million to identify transactions that were potentially illegal, improper, or erroneous.

Twenty Federal Offices of Inspector General (OIGs) conducted an analysis of Government purchase card transactions identified as high risk.

The General Services Administration (GSA) administers the Government purchase card program, which provides the Government's charge card services to Federal agencies. The purpose of the program is to streamline the payment process for small purchases, minimize paperwork, and generally simplify the administrative efforts associated with procuring goods and services under certain thresholds. The Office of Management and Budget (OMB) provides Government-wide policy to Federal agencies on purchase card use.

Of the 1,255 high-risk transactions the 20 participating OIGs selected for review, they found 501 transactions that did not comply with applicable policies in these top 5 categories—split transactions, sales tax transactions, transactions from unauthorized third-party merchants, transactions from prohibited merchant category codes (MCCs), and transactions from questionable MCCs. While the OIGs did not find evidence of fraudulent behavior, they found weaknesses in certain areas—such as policy, monitoring, and training—that reduced program efficiency and increased the risk of unauthorized purchases on Government purchase cards. The OIGs found that agencies' cardholders need additional training in properly using their cards; agencies need to develop additional policies and procedures for the cards; and approving officials need to better review transactions. By strengthening these controls, Federal agencies can reduce the risk of potentially illegal, improper, or erroneous transactions and generally improve their use of Government purchase cards.

To strengthen monitoring and oversight of purchase cards, OMB should remind agencies of their responsibilities over purchase card activities as detailed in OMB Circular No. A-123. Specifically, agencies should take steps to improve controls such as training, policies and procedures, separation of duties, and supervisory reviews to mitigate risks from potentially illegal, improper, or erroneous transactions.

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BACKGROUND AND OBJECTIVES

Background

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) was statutorily established as an independent entity within the Executive Branch by the Inspector General Reform Act of 2008.[1] CIGIE's mission is to:

- Address integrity, economy, and effectiveness issues that transcend individual Government agencies; and
- Increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General (OIG).

CIGIE Information Technology Committee

The CIGIE Information Technology (IT) Committee's mission is to facilitate effective IT audits, evaluations, and investigations by Inspectors General and to provide a vehicle to express the OIG community's perspective on Government-wide IT operations. Under its operating principles, this Committee strives to: (1) promote participation by OIG community members in its activities; (2) encourage communication and cooperation with colleagues in the IT field (including Federal Chief Information Officers and staff, and security professionals); and (3) promote effective teamwork in addressing Government-wide initiatives, improving OIG IT activities, and safeguarding national IT assets and infrastructure.

The CIGIE IT Committee's Data Analytics Working Group proposed a joint effort among Federal OIGs to promote the use of data analytics.[2] The CIGIE IT Committee announced in October 2016 a Government-wide initiative to review and analyze Government purchase card data to determine the risks associated with purchase card transactions. Twenty statutory Federal OIGs participated in the initiative (see Exhibit A). The Department of Agriculture (USDA) OIG's Office of Data Sciences, the United States Postal Service OIG, and the Department of Education OIG created algorithms to identify high-risk purchase card transactions and, in conjunction with the CIGIE IT Committee, provided analytical and statistical tools to support the OIGs' testing of these types of transactions. USDA OIG coordinated this effort and prepared this consolidated report. In completing the report, USDA OIG consolidated testing results from the 20 participating OIGs, resulting from a review of 1,255 high-risk purchase card transactions for the first two quarters of fiscal year 2017, with a reported value of approximately $1.3 million (see Scope and Methodology).[3]

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[1] Inspector General Reform Act of 2008, Pub. L. No. 110-409, 122 Stat. 4302.
[2] The CIGIE IT Committee has four subcommittees: Investigations Subcommittee, OIG CIO Subcommittee, Data Analytics Working Group, and the Audits and Evaluations/Federal Audit Executive Council IT Subcommittee.
[3] Quarter 1 includes purchase card transactions made from October 1, 2016 to December 31, 2016. Quarter 2 includes transactions from January 1, 2017 to March 31, 2017.

Government Purchase Card

The General Services Administration (GSA), the Office of Management and Budget (OMB), and individual Federal agencies have different responsibilities for the Government purchase card program. GSA administers the Federal Government's purchase card program and maintains contracts with private banks that issue purchase cards, OMB is responsible for issuing Government-wide policy on purchase card use, and individual agencies decide which bank to use to support their purchase card requirements. Agencies are also responsible for monitoring the actions of their cardholders as well as issuing agency-specific policies and procedures on the appropriate use of purchase cards.

Government purchase card is part of GSA's SmartPay® Program, which provides the Government's charge card services and commercial payment solutions to more than 560 Federal agencies, organizations, and Native American tribal governments. The purpose of the program is to streamline the payment process for small purchases, minimize paperwork, and generally simplify the administrative efforts associated with procuring goods and services under certain thresholds. For the first half of fiscal year 2017 (October 1, 2016 through March 31, 2017), GSA reported that purchase cardholders Government-wide made more than 9.4 million transactions, which totaled more than $8.3 billion.

OMB provides overall direction for Government-wide procurement policies, regulations, training, and procedures to promote economy, efficiency, and effectiveness in the acquisition processes. OMB is responsible for prescribing policies and procedures to agencies regarding how to maintain internal controls in Government charge card programs. Specifically, OMB has established minimum requirements and suggested best practices for Government charge card programs in *Improving the Management of Government Charge Card Programs*, Circular No. A-123 in Appendix B. This appendix 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.

In addition, the Government Charge Card Abuse Prevention Act of 2012 requires heads of executive agencies that issue and use purchase cards to "establish and maintain safeguards and internal controls" over their usage.[4] The Act further requires executive agencies' OIGs to take these actions:

- Conduct periodic assessments of the agency's purchase card program to identify and analyze the risks of illegal, improper, or erroneous purchases and payments;
- Perform analyses or audits, as necessary, of purchase card transactions designed in part to identify potentially illegal, improper, or erroneous uses of purchase cards;
- Report the results of such analyses or audits to the head of the executive agency concerned; and
- Report to OMB on the agency's implementation of recommendations that address the audit findings.

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[4] Government Charge Card Abuse Prevention Act of 2012, Pub. L. No. 112-194, 126 Stat. 1445.

OMB requires OIGs to report to the Director of OMB 120 days after the end of each fiscal year (January 31) on each agency's progress in implementing audit recommendations. Additionally, when purchase card program expenditures total more than $10 million annually, the head of each executive agency and OIG are required to jointly report semiannually (July 31 and January 31) to OMB any violations or other actions committed by employees to include any disciplinary actions taken.

Individual Federal agencies establish and maintain their own purchase card programs that must conform to the Government-wide guidance issued by OMB. Each agency is responsible for establishing its own internal policies and procedures for purchase card use and management, deciding which of its employees are to receive purchase cards, and handling billing and payment issues for agency purchase card accounts. Individual cardholders have primary responsibility for the proper use of purchase cards, including following agency policies and other acquisition laws and regulations. Individual cardholders are assigned to an approving official (AO), who ensures that purchases comply with statutes, regulations, and agency policies. AOs provide final approval of purchase card transactions after the cardholder reconciles them.

AOs are responsible for ensuring purchase cards are used for authorized purposes by reviewing statements and reports to identify questionable or suspicious transactions and verifying reconciled transaction records to ensure that all purchases are appropriate and accurate.[5] Timely reviews of transactions are necessary to ensure detection of possible cases of account misuse and fraud.

Prior Reviews

Over the years, audits and reviews of agency purchase card programs have reported internal control weaknesses. For example, in a 2008 Government-wide audit of the purchase card program, the Government Accountability Office (GAO) noted breakdowns in agencies' internal controls, including authorization of purchases that resulted in fraudulent, improper, and abusive purchase card use.[6] GAO estimated that 35 percent of the purchases exceeding the micro-purchase threshold it tested did not have proper authorization. GAO also found examples of split purchases made either to circumvent the cardholders' single purchase limit or to avoid the need to obtain competition on purchases over the micro-purchase threshold.

GAO issued a report in February 2017 noting GSA and OMB have taken a number of actions since 2008 to enhance purchase card program controls over micro-purchases.[7] These actions include developing training, monitoring tools, and guidance. However, GAO's Government-wide review found some weaknesses in agencies' approval process for micro-purchases due to inadequate documentation, as agencies had not consistently maintained complete documentation of the approval process. GAO noted this can increase the risk of purchase card misuse and

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[5] OMB, *Improving the Management of Government Charge Card Programs*, Circular A-123, Appendix B Revised (Jan. 15, 2009).

[6] Audit Report GAO-08-333, *Governmentwide Purchase Cards: Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper, and Abusive Purchases* (March 2008).

[7] Audit Report GAO-17-276, *Government Purchase Cards: Little Evidence of Potential Fraud Found in Small Purchases, but Documentation Issues Exist* (February 2017).

recommended that management provide guidance to purchase card managers reemphasizing the need to obtain and retain complete documentation in support of purchase card transactions. In response, GSA reemphasized record keeping requirements "to obtain, maintain, and retain complete documentation of all purchases."[8]

Objective

The objective of the CIGIE purchase card initiative was to analyze and review Government purchase card data to determine the risks associated with purchase card transactions.

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[8] GSA Federal Acquisition Service, *GSA SmartPay® – Re-emphasizing Record Keeping Requirements (Issued pursuant to Government Accountability Office (GAO) Audit Report # GAO-17-276)*, Smart Bulletin No. 028 (Mar. 29, 2017).

FINDINGS	FEDERAL AGENICES NEED TO STRENGTHEN CONTROLS OVER THE GOVERNMENT PURCHASE CARD PROGRAM

Of the 1,255 high-risk transactions the 20 participating OIGs selected for review, they found 501 transactions that did not comply with applicable policies in these top 5 categories—**split transactions**, **sales tax transactions, transactions from unauthorized third-party merchants, transactions from prohibited MCCs, and transactions from questionable MCCs (see Scope and Methodology)**. While the OIGs participating in this initiative did not find evidence of fraudulent behavior, such as potentially illegal, improper, or erroneous transactions, they found weaknesses in certain areas—such as policy, monitoring, and training—that reduced program efficiency and increased the risk of unauthorized purchases on Government purchase cards. The OIGs found that agencies' cardholders need additional training in properly using their cards; agencies need to develop additional policies and procedures for the cards; and approving officials need to better review transactions. By strengthening these controls, Federal agencies can reduce the risk of potentially illegal, improper, or erroneous transactions and generally improve their use of Government purchase cards.

OMB Circular A-123, Appendix B establishes overall policy and suggested best practices for maximizing benefits to the Federal Government when using charge cards to pay for goods and services in support of official Federal missions. This policy details training requirements and the use of program data to monitor policy compliance.

Federal Agencies Need to Strengthen Controls to Prevent Split Transactions

Of the 1,255 transactions sampled, 13 OIGs identified 279 as potential split transactions. The OIGs found that 83 of these transactions did not follow policies prohibiting split purchases (or 6.6 percent of the total 1,255 transactions). See Figure 1.[9]
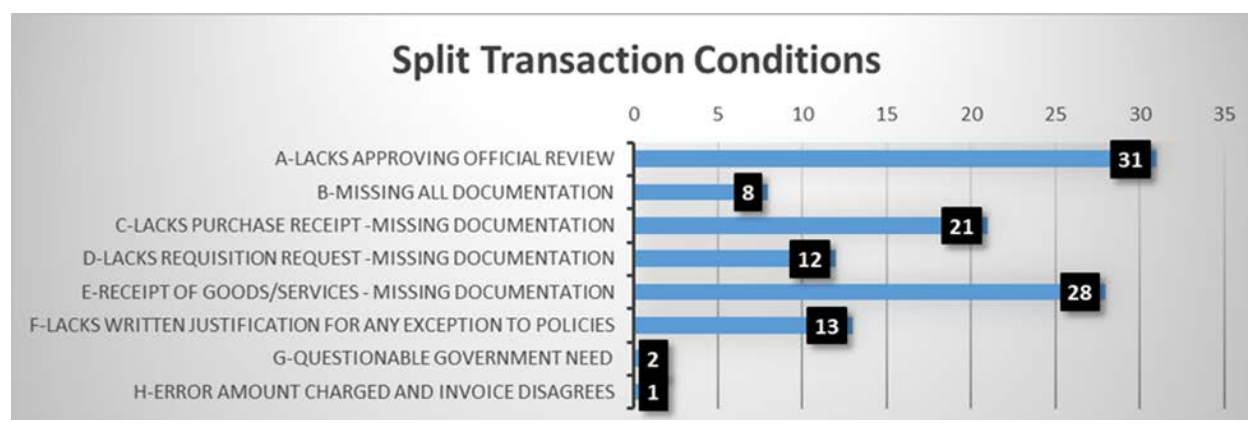

Split Transaction Conditions

Condition	Value
A-LACKS APPROVING OFFICIAL REVIEW	31
B-MISSING ALL DOCUMENTATION	8
C-LACKS PURCHASE RECEIPT - MISSING DOCUMENTATION	21
D-LACKS REQUISITION REQUEST - MISSING DOCUMENTATION	12
E-RECEIPT OF GOODS/SERVICES - MISSING DOCUMENTATION	28
F-LACKS WRITTEN JUSTIFICATION FOR ANY EXCEPTION TO POLICIES	13
G-QUESTIONABLE GOVERNMENT NEED	2
H-ERROR AMOUNT CHARGED AND INVOICE DISAGREES	1

Figure 1. OIGs reported one or more of these conditions for split transactions. See Exhibit C for definitions.

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[9] Each transaction is only part of a potential single purchase. Once a transaction was sampled, the OIGs reviewed any associated transactions of the 30,622 transactions identified as part of a potential split purchase. Any one-split transaction could be part of a larger purchase of two or more items; thus, of the 83 transactions, it is possible that one or more of those transactions are part of a larger purchase, as each transaction was randomly selected.

Employees using Government purchase cards may not split transactions to avoid the micro-purchase threshold, which the Federal Acquisition Regulation (FAR) sets for supply and service procurements at or below $3,500.[10] In addition, agencies may not "break down requirements aggregating more than … the micro-purchase threshold into several purchases that are less than the applicable threshold merely to ... [a]void any requirement that applies to purchases exceeding the micro-purchase threshold."[11] Therefore, a purchase made on the same day from the same vendor to circumvent cardholder single transaction limits is considered improper. OMB defines an improper purchase as any purchase that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally-applicable requirements such as exceeding the micro-purchase threshold.[12]

For purposes of this review, CIGIE defined split transactions as purchases by the same cardholder from the same vendor on the same day where the total amount exceeded the cardholder's single purchase threshold as established by the cardholder's agency. Reviewers from each OIG then determined from a review of split transactions whether they exceeded the agencies' micro-purchase threshold. As an example, one cardholder at an agency made two online purchases for executive chairs totaling about $4,493, including installation charges per chair. These purchases circumvented procurement requirements.

When the OIGs determined the causes of these split transactions, they found that agencies lacked policies necessary to identify split purchases, approving officials did not properly review split purchases in order to consistently identify such purchases, and cardholders needed to be trained not to make these types of purchases.

Federal Agencies Need to Strengthen Controls to Prevent Cardholders from Improperly Paying Sales Tax

Of the 1,255 transactions sampled, 13 OIGs identified 93 potential transactions as possibly paying sales tax. Of these 93 transactions, the OIGs found 67 transactions that did not follow policies prohibiting paying sales tax (or 5.3 percent of the total 1,255 transactions).[13] See Figure 2.
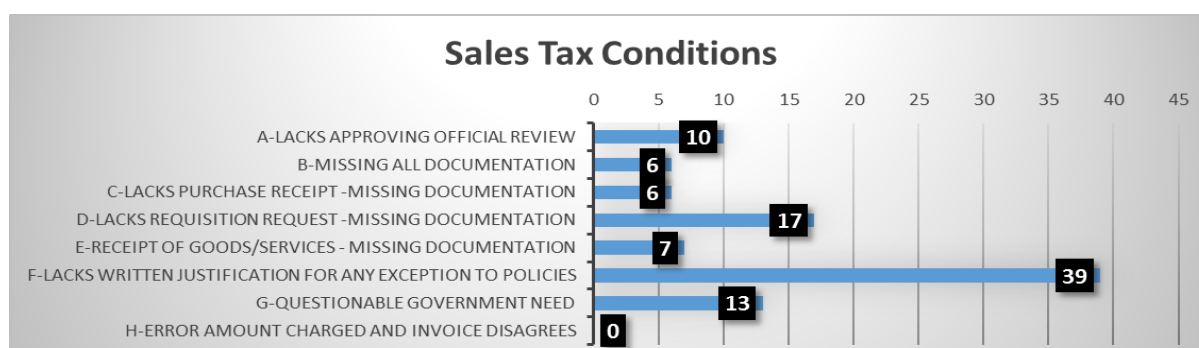

Sales Tax Conditions

Condition	Value
A-LACKS APPROVING OFFICIAL REVIEW	10
B-MISSING ALL DOCUMENTATION	6
C-LACKS PURCHASE RECEIPT -MISSING DOCUMENTATION	6
D-LACKS REQUISITION REQUEST -MISSING DOCUMENTATION	17
E-RECEIPT OF GOODS/SERVICES - MISSING DOCUMENTATION	7
F-LACKS WRITTEN JUSTIFICATION FOR ANY EXCEPTION TO POLICIES	39
G-QUESTIONABLE GOVERNMENT NEED	13
H-ERROR AMOUNT CHARGED AND INVOICE DISAGREES	0

Figure 2. OIGs reported one or more of these conditions for sales tax transactions. See Exhibit C for definitions.

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[10] The National Defense Authorization Act for Fiscal Year 2018 (Pub. L. No. 115-91, § 806(a)) increased the micro-purchase threshold to $10,000.

[11] 48 C.F.R. § 13.003(c)(2)(ii).

[12] OMB, *Improving the Management of Government Charge Card Programs*, Circular A-123, Appendix B Revised (Jan. 15, 2009).

[13] These 67 transactions are part of the 62,132 transactions identified as paying sales tax.

Federal Government charge card transactions are exempt from State and local taxes, and cardholders should not pay sales tax.[14] OMB's purchase card guidance states, "[the] Federal Government is not liable to pay taxes to State and local governments, and thus, any such taxes paid must be recovered."[15]

The OIGs reviewing these transactions found that cardholders paid sales tax on items such as internet purchases, cellular phone service, and meals at restaurants. Specifically, the OIGs reported that Federal agencies did not have procedures to identify when cardholders paid sales tax, and reviewers had not received effective training in order to identify when sales tax was paid. The OIGs also found that approving officials were not properly monitoring whether sales tax was paid and if cardholders attempted to recover the improperly paid sales tax.

Federal Agencies Need to Strengthen Controls to Prevent Cardholders from Avoiding Mandatory Sources When Making Internet Purchases

Of the 1,255 transactions sampled, 14 OIGs identified 531 potential transactions where cardholders may not have procured supplies or services through mandatory sources when they were available and instead acquired supplies or services from non-mandatory (unauthorized) third-party merchants (see Figure 3). The OIGs found 250 transactions that did not follow policies to use mandatory sources (or 19.9 percent of the total 1,255 transactions).[16]
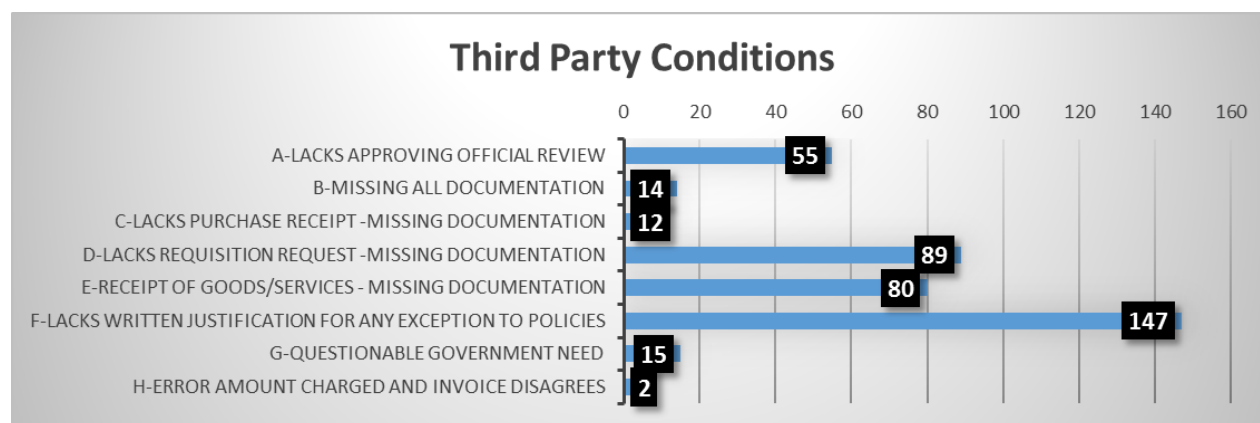

Figure 3. OIGs reported one or more of these conditions for third-party transactions. See Exhibit C for definitions.

The FAR Part 8 requires purchasers to acquire supplies and services from pre-established, mandatory sources first, where possible.[17] Sources without a Government contract are categorized as "open market sources" and are the last priority for supplies and services after the purchasers have explored all other sources. Additionally, when an item in the GSA Supply Catalog adequately serves the purpose, agencies are required to requisition items listed in the catalog in lieu of procuring similar items from other sources.[18]

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[14] 48 C.F.R. § 29.302(a).

[15] OMB, *Improving the Management of Government Charge Card Programs*, Circular A-123, Appendix B Revised (Jan. 15, 2009).

[16] These 250 transactions are part of the 86,126 transactions identified using non-mandatory (unauthorized) third-party merchants.

[17] 48 C.F.R. § 8.

[18] 41 C.F.R. § 101-26.301-1.

Purchasing from unauthorized third-party merchants means agencies may not be achieving cost savings from strategic sourcing.[19] For instance, one cardholder purchased a discontinued model global positioning system device from a third-party merchant for $295 when a newer model was available on a Government website for $252.06. Although Federal regulations preclude procuring similar items from other sources when GSA items will adequately serve the purpose, the cardholder searched only for the exact model and was unaware that the newer model, or several other acceptable models, were available. Another cardholder purchased batteries for $64.49 from a third-party merchant when the batteries were available from a Government source for $11.42. Additionally, cardholders purchased common supply items such as headsets, computer monitors, webcams, and office and cleaning supplies, without documenting whether these items were available from mandatory sources.

The OIGs found that agencies lacked procedures and training on the use of non-mandatory (unauthorized) third-party merchants. They also found that cardholders lacked documentation to support the use of an unauthorized third-party merchant, which made it difficult for approving officials to determine whether the cardholder explored mandatory sources before making a purchase. As a result, agencies may not be achieving cost savings or leveraging their purchasing power from using mandatory or strategic sourcing.

Federal Agencies Need to Strengthen Controls to Prevent Cardholders from Making Purchases from Prohibited Merchants

Of the 1,255 transactions sampled, 11 OIGs identified 277 potential transactions where cardholders made purchases from merchants the agencies had prohibited and did not justify why they used these merchants (see Figure 4). The OIGs found 72 transactions that did not follow policies for purchasing from prohibited merchants (or 5.7 percent of the total 1,255 transactions).[20]
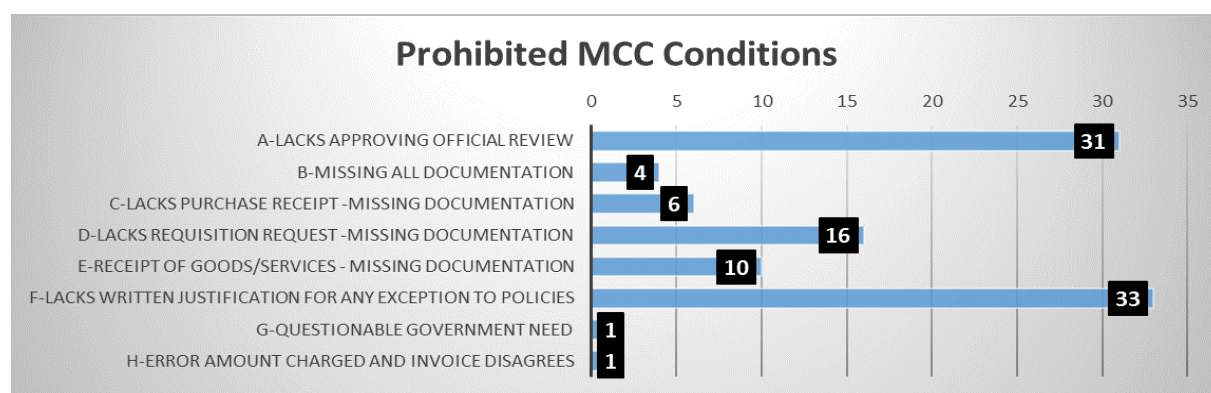

Prohibited MCC Conditions

Condition	Value
A-LACKS APPROVING OFFICIAL REVIEW	31
B-MISSING ALL DOCUMENTATION	4
C-LACKS PURCHASE RECEIPT -MISSING DOCUMENTATION	6
D-LACKS REQUISITION REQUEST -MISSING DOCUMENTATION	16
E-RECEIPT OF GOODS/SERVICES - MISSING DOCUMENTATION	10
F-LACKS WRITTEN JUSTIFICATION FOR ANY EXCEPTION TO POLICIES	33
G-QUESTIONABLE GOVERNMENT NEED	1
H-ERROR AMOUNT CHARGED AND INVOICE DISAGREES	1

Figure 4. OIGs reported one or more of these conditions for prohibited MCC transactions. See Exhibit C for definitions.

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[19] Strategic sourcing is the process of analyzing the way agencies spend funds through contracts, delivery orders, and the Government purchase card program to ensure agencies are seeking opportunities to achieve discounts on commonly purchased goods and services and applying discounts to all charge card transactions.
[20] These 72 transactions are part of more than 192,463 transactions identified as purchases from prohibited merchants.

OMB Circular A-123, Appendix B states that managers should "[k]eep current on new and innovative solutions to detect and prevent misuse and fraud, such as […] blocking card use for high risk merchant category codes."

Agencies may prohibit merchants by blocking card purchases by merchant category codes (MCCs). Bankcard associations or banks establish MCCs to identify different types of businesses, and merchants select the codes best describing their businesses. GSA and individual banks have established sample templates that may assist agencies in determining which MCCs they should block. Agencies often block MCCs belonging to airlines, bowling alleys, restaurants, and other businesses.

The OIGs found cardholders made purchases from merchants the agencies blocked or prohibited without justifying why they used these merchants. These purchases lacked approving officials' reviews. The OIGs also found that agencies lacked procedures to identify when cardholders charged prohibited MCCs. One OIG found that its agency had not blocked seven MCCs listed in its bank's system for items restricted or prohibited from Government purchase card transactions. Another OIG found a cardholder leased vehicles using the government credit card for over $5,700 and lacked documentation to determine if the transaction was accurate and compliant with the agency's purchase card policies.

Federal Agencies Need to Strengthen Controls to Prevent Cardholders from Making Purchases from Questionable Merchants

Of the 1,255 transactions sampled, 8 OIGs identified 159 potential transactions where cardholders made purchases from questionable merchants and lacked approving officials' review to determine if these purchases were legitimate (see Figure 5). The OIGs found 28 transactions that did not follow policies for purchasing from questionable merchants (or 2.2 percent of the total 1,255 transactions).[21]
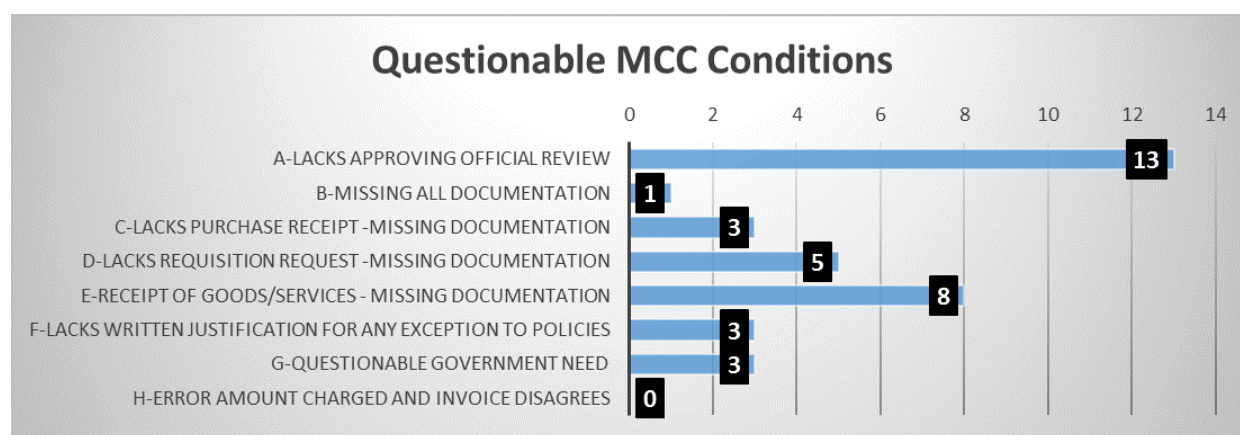

Figure 5. OIGs reported one or more of these conditions for questionable MCC transactions. See Exhibit C for definitions.

Federal agencies often highlight transactions with questionable MCCs for further review. While a transaction with a questionable MCC may initially raise concerns, further review may reveal

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[21] These 28 transactions are part of 16,735 transactions identified as purchases made to questionable merchants.

that the transaction was a legitimate purchase. Agencies often question MCCs belonging to caterers, florists, and other businesses. The OIGs found transactions where cardholders made purchases from questionable merchants without justifying why these merchants were used, and approving officials did not review these purchases. For instance, one cardholder spent over $1,200 at a restaurant for employee meals. Had the approving officials properly reviewed the transaction, they would have found that the cardholder paid sales tax and a tip that exceeded 35 percent.

In addition, the OIGs found transactions where cardholders approved their own purchases. Each purchase cardholder is assigned an approving official who has the authority to approve or disapprove purchases. Cardholders should not approve their own transactions, as OMB's purchase card guidance requires charge card managers to ensure a separation of duties among key functions such as making, authorizing, and reviewing purchases.[22]

Conclusion

The 20 participating OIGs concluded that Federal agencies need to strengthen controls in the areas of training, guidance, and oversight of purchase card transactions in order to mitigate the risks of split transactions, transactions where cardholders improperly paid sales tax, transactions where cardholders avoided mandatory sources by using unauthorized third-party merchants, transactions where cardholders paid prohibited merchants, and transactions from questionable merchants. Well-designed and well-implemented internal controls are essential to ensuring that agencies are effectively managing the Government's purchase card program.

Recommendation

To strengthen monitoring and oversight of purchase cards, OMB should remind agencies of their responsibilities over purchase card activities as detailed in OMB Circular No. A-123. Specifically, agencies should take steps to improve controls such as training, policies and procedures, separation of duties, and supervisory reviews to mitigate risks from potentially illegal, improper, or erroneous transactions.

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[22] OMB, *Improving the Management of Government Charge Card Programs*, Circular A-123, Appendix B Revised (Jan. 15, 2009).

SCOPE AND METHODOLOGY

This report is a consolidation of the results of a Government-wide review initiated by the CIGIE IT Committee and conducted by 20 OIGs (see Exhibit A). The objective was to determine the risks associated with purchase card transactions by conducting a Government-wide review of Federal agencies to analyze and review Government purchase card data. USDA OIG coordinated this effort on behalf of CIGIE.

The report was prepared to highlight crosscutting issues and lessons learned from the Government-wide review. As a result, CIGIE provided a recommendation for OMB's consideration. In compiling the results contained in this report, USDA OIG did not conduct or perform any additional work pertaining to the testing results received from the 20 OIGs.

The 20 agencies processed 1.8 million transactions totaling over $941 million from October 1, 2016 through March 31, 2017. The participating OIGs tested transactions using data analysis tools to identify purchase card transactions that were potentially illegal, improper, or erroneous, such as: transactions that were made with prohibited or questionable merchants, transactions with sales tax, transactions with unauthorized third-party merchants, and transactions indicating they were split transactions. The OIGs selected transactions by category, and then combined transactions to avoid duplicates. From this testing, the OIGs identified 562,521 transactions totaling over $588 million that were at risk as potentially illegal, improper or erroneous. These 562,521 transactions were then sorted high to low if the transaction was in multiple categories and then by dollar amount.[23] The top 25 percent of these transactions (approximately 138,057 totaling over $135 million) were determined to be "high-risk." From this high-risk population, the OIGs selected a random sample of transactions—some as low as 23 and others as high as 50 transactions per quarter—for a total of 1,255 transactions of over $1.3 million (see Figure 6).
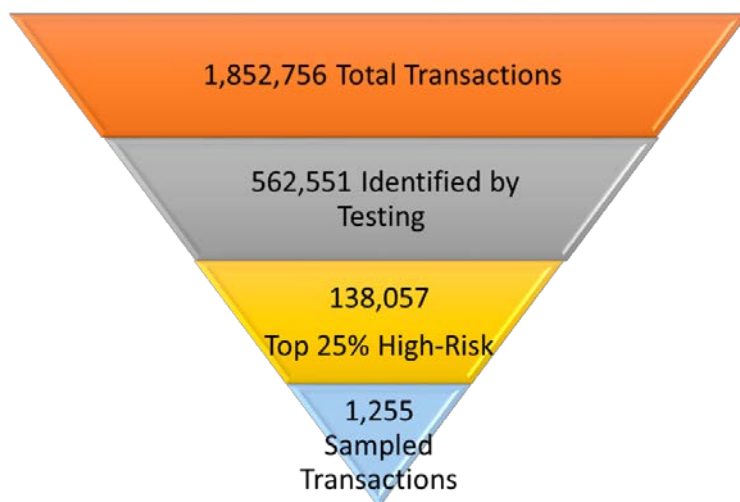

Figure 6. Universe of Transactions

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[23] Each transaction was identified and weighted by category: split transaction, prohibited or questionable MCCs, sales tax, unauthorized third-party merchants, etc. Each category was assigned a weight. If a transaction fell into more than one category, then the weights were combined and then sorted from high to low value.

The 20 participating OIGs analyzed these 1,255 high-risk purchase card transactions for their respective agencies, which were part of these categories (see Exhibit B for definitions):

1.   prohibited MCCs
2.   questionable MCCs
3.   cardholder exceeded single purchase limit
4.   split transaction
5.   sales tax
6.   holiday or weekend
7.   unauthorized third-party merchants
8.   closed account activity

The high-risk transactions may fall into one or more categories. For instance, a single transaction may fall into two categories if it was a split transaction occurring on a weekend. The categories with the most high-risk transactions were prohibited MCCs, questionable MCCs, split transactions, and unauthorized third-party merchants (see Figure 7).[24]
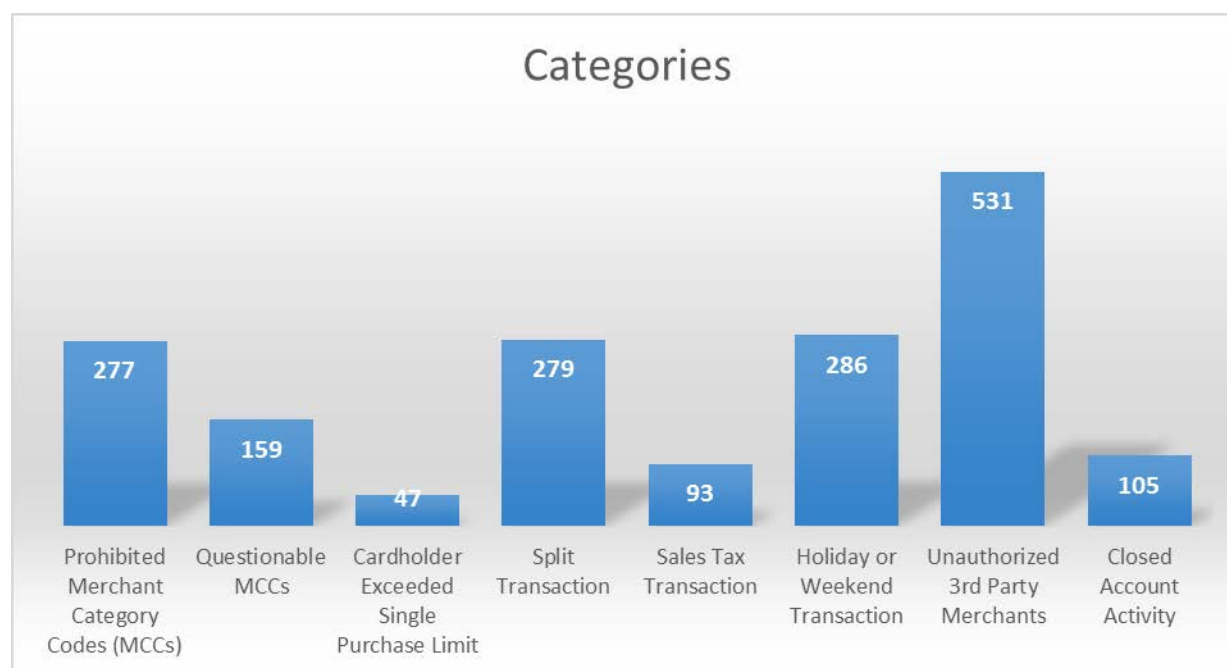

Figure 7. The 1,255 high-risk transactions fell into one or more categories for a total of 1,777 transactions.

The 20 OIGs reported that potential risks were most likely in the categories of split transactions (13 OIGs), unauthorized third-party merchants (14 OIGs), sales tax transactions (13 OIGs), prohibited MCCs (11 OIGs), and questionable MCCs (8 OIGs) (see Figure 8).[25]

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[24] Although the holiday or weekend transaction category is one with some of the most high-risk transactions, the OIGs did not identify significant risks related to this category as cardholders may make a purchase during the weekday but are billed when an item ships on a weekend or routinely works on weekends or holidays.
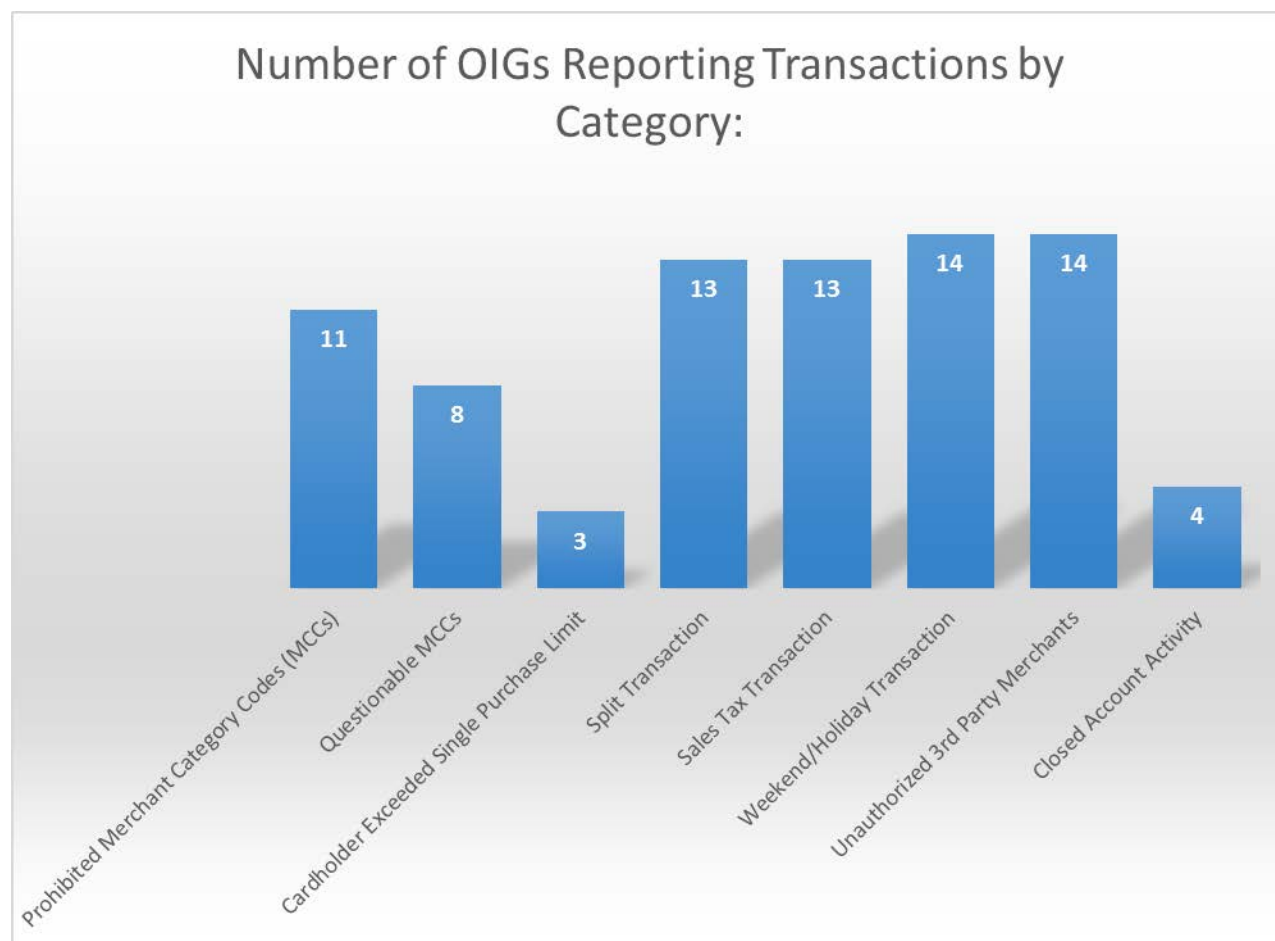[25] Ibid.

Figure 8. The categories in which OIGs reported risk.

To answer the objective of this coordinated review, all 20 participating OIGs were provided a standardized analytical spreadsheet tool to ensure each of the OIGs had a consistent foundation for developing its testing methodologies for its sample of purchase card transactions. For each transaction, the OIGs selected the category related to the transaction and noted whether there was a deviation from policy. For each deviation, the OIGs chose from a list of standardized conditions and causes developed by USDA OIG. To accomplish the initiative's objective, each participating OIG interviewed applicable personnel; identified key policies and procedures for detecting potentially illegal, improper, or erroneous purchase card transactions; and reviewed supporting documentation for a sample of "high-risk" purchase card transactions to determine compliance with applicable Federal and agency standards.

Each participating OIG independently conducted a review of its respective agency's and department's purchase card transactions using a combination of methodologies to obtain each agency's testing results, including 12 audits, 4 evaluations/reviews, 1 memorandum, 1 inspection, 1 special study, and 1 agreed-upon procedures.[26] Therefore, this consolidated report is not a generally accepted government auditing standards (GAGAS) compliant performance audit. Each participating OIG certified its results had been reviewed in accordance

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[26] See Exhibit D for a list of individual agency-level reports that some OIGs have completed and published as part of the work performed in conjunction with this CIGIE purchase card initiative as of May 2, 2018.

with the standards required for the type of review it conducted. Once an OIG validated its results, it transmitted those results to USDA OIG for consolidation. USDA OIG relied on each of the 20 participating OIG's internal quality control review processes and therefore did not perform any additional audit work, other than ensure the data provided by each OIG was complete and consistent, to validate the results received.

Personnel from each participating OIG conducted fieldwork between January 2017 and September 2017 at applicable agency locations throughout the United States.

EXHIBIT A: LIST OF PARTICIPATING OFFICES OF INSPECTOR GENERAL

The OIGs for the following Federal agencies participated in the CIGIE purchase card initiative, and this report reflects their results.

1. Department of Agriculture
2. Department of Education
3. Department of Health and Human Services
4. Department of Housing and Urban Development
5. Department of the Interior
6. Department of Labor
7. Department of State
8. Environmental Protection Agency
9. Federal Reserve Board
10. Federal Election Commission
11. General Services Administration
12. National Aeronautics and Space Administration
13. National Archives and Records Administration
14. National Labor Relations Board
15. National Security Agency
16. Office of Personnel Management
17. Small Business Administration
18. Social Security Administration
19. United States International Trade Commission
20. United States Postal Service

EXHIBIT B: CATEGORY DESCRIPTION

The following table describes the categories the 20 OIGs used to determine if transactions merited closer review.

Categories	Description
Prohibited MCCs	MCCs that are prohibited by individual agencies.
Questionable MCCs	MCCs that are questionable by individual agencies.
Cardholder Exceeded Single Purchase Limit	Cardholders who spend more than the set single purchase limit.
Split Transaction	Transactions by which cardholders may be trying to circumvent the micro-purchase threshold or avoid meeting bidding requirements.
Sales Tax Transaction	Sales tax charged to the Government.
Holiday or Weekend Transaction	Any transaction date that falls on a Federal holiday or a weekend.
Unauthorized Third-Party Merchants	Purchases through a third-party merchant such as an online retailer.
Closed Account Activity	Transactions occurring after the cardholder's account has closed.

EXHIBIT C: CONDITIONS AND CAUSES DEFINED

The participating OIGs used the following definitions when assessing transactions in their samples.

Condition	Definition
Lacks Approving Official Review	The Approving Official (AO) review was not performed. The AO (typically a supervisor) ensures that the purchase card is used properly. The AO also authorizes cardholder purchases (for official use only) and ensures that the statements are reconciled and submitted to the designated billing office in a timely manner. This feature is _normally automated_ with an AO having an "approval queue" of cardholder transactions. After review, the AO signs the account statement and maintains the documentation in accordance with agency procedures.
Missing All Documentation	There is no documentation to support the transaction.
Lacks Purchase Receipt - Missing Documentation	The purchase receipt that describes the merchant and item(s) purchased has not been maintained.
Lacks Requisition Request - Missing Documentation	The request for purchase, documented by email, letter, or requisition form that describes the item(s) and quantities needed, has not been maintained.
Lacks Receipt of Goods/Services - Missing Documentation	Documentation from either the requestor or other authorized recipient that the item(s) was/were actually received has not been maintained.
Lacks Written Justification for Any Exception to Policies	If a policy has been waived, there is no written documentation for the exception, such as purchasing from a prohibited MCC, exceeding a purchase limit, splitting a purchase, etc.
Questionable Government Need	Items purchased have no official agency use.
Error - Amount Charged and Invoice Disagree	The amount billed on the credit card and the purchase receipt amount are not the same.
Cause	**Definition**
Transaction not Reviewed/Monitored by Charge Card Manager	The transaction was not reviewed by a charge card manager. Charge card managers are those managers responsible for ensuring cardholders and AOs are following agency policy; they may suspend accounts. These managers should have tools and reports to show if cardholders and AOs are routinely reconciling and approving purchases. This responsibility may be the Agency Program Coordinator (APC) or the local APC in some agencies.

Cause	Definition
Cardholder same as Approving Official/No Separation of Duties	The cardholder is the AO. Cardholders and AOs should not be the same.
Cardholder same as Requisitioner/No Separation of Duties	The cardholder is the requisitioner. Those requiring the purchase should not be the same as the cardholder.
Lack of Documented Policy	The agency lacks policy.
Lack of Proper Training	Training has not covered policy or refresher training has not occurred in the last 3 years (OMB A-123, Appendix B, 3.4).
Lack of Agency Procedures	Policy may exist, but there is a lack of procedures to ensure compliance.
Cardholder or Approving Official No Longer Employed	Cardholders and AOs have not certified because they are no longer employed.

EXHIBIT D: INDIVIDUAL REPORTS ISSUED AS PART OF THE CIGIE PURCHASE CARD INITIATIVE

Some participating OIGs have completed and published agency-level reports as part of the work performed in conjunction with the CIGIE purchase card initiative. Some OIGs have work in process and will be issuing agency-level reports in the future. Reports may be viewed on Oversight.gov, which is a publicly accessible, searchable website containing the latest public reports from Federal Inspectors General who are members of CIGIE. If an OIG has released a report, the following table includes a link to its report.

AGENCY	REPORT LINK
DOL	DOL Audit and Other Reports (https://www.oig.dol.gov/public/reports/oa/viewpdf.php?r=17-18-002-07-001&y=2018)
ED	ED OIG Reports and Resources (https://www2.ed.gov/about/offices/list/oig/auditreports/fy2018/s19r0004.pdf)
HUD	HUD OIG Reports and Publications (https://www.hudoig.gov/reports-publications/memorandums/limited-review-of-hud-government-purchase-card-transactions-fiscal)
NASA	NASA OIG Issued Reports (https://oig.nasa.gov/docs/IG-18-014.pdf)
OPM	OPM OIG Audit and Other Reports (https://www.opm.gov/our-inspector-general/reports/2017/limited-scope-audit-of-the-us-office-of-personnel-management%E2%80%99s-purchase-card-transactions.pdf)
SBA	SBA OIG Reports (https://www.sba.gov/sites/default/files/oig/SBA-OIG_Report_17-17.2.pdf)
SSA	SSA OIG Audit Reports (https://oig.ssa.gov/audits-and-investigations/audit-reports/A-13-17-50266)
USDA	Most Recent OIG Audit Reports (https://www.usda.gov/oig/webdocs/50024-0001-22.pdf)
USPS	USPS Audit Reports (https://www.uspsoig.gov/sites/default/files/document-library-files/2017/FT-AR-18-001.pdf)