



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

September 24, 2024

TO: ROBIN CARNAHAN
ADMINISTRATOR (A)

FROM: ROBERT C. ERICKSON
DEPUTY INSPECTOR GENERAL (J)

SUBJECT: GSA Office of Inspector General's Fiscal Year 2023 Risk Assessment of
GSA's Charge Card Program
Audit Memorandum Number A240027

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 testing of purchase card transactions and our *Audit of GSA's Fiscal Year 2023 Travel Card Program* (travel card audit).¹

We assessed the risk for GSA's purchase card program as moderate. Our limited testing of transactions processed in Fiscal Year (FY) 2023 showed one instance of a cardholder failing to upload the required supporting receipt for a purchase in Pegasys. We suggest that the Office of Administrative Services (OAS) continue to improve its purchase card controls to ensure that cardholders upload supporting receipts into GSA's system of record.

Additionally, we noted that OAS resolved all high-risk transactions that it had deemed questionable. The system identifies for resolution purchases that contain certain words, such as casino, gift, or party.

We assessed the risk for GSA's travel card program as low. In our travel card audit, we found that OAS could improve its procedures to prevent, track, and stop some erroneous charges. However, since 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 on the next page presents our FY 2023 assessment ratings for GSA's purchase and travel card programs. Our ratings are consistent with our FY 2022 charge card risk assessment.²

¹ *Audit of GSA's Fiscal Year 2023 Travel Card Program* (Report Number A240031/H/5/F24005).

² *GSA Office of Inspector General's Fiscal Year 2022 Risk Assessment of GSA's Charge Card Program* (Audit Memorandum Number A230044-2, September 8, 2023).

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 Office of Management and Budget (OMB) Revised Circular No. A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, requires Inspectors General to periodically 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 2023, GSA used its purchase cards to buy goods and services totaling \$35.9 million. GSA purchase cards are centrally billed accounts, and liability for all purchases rests with GSA. Travel card spending for FY 2023 totaled \$10.3 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 2023 purchase and travel card transactions. 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 2023 purchase card transactions. Specifically, we:

- Examined relevant criteria, including public laws; Appendix B to OMB Revised Circular No. A-123; and GSA directives, purchase card policies, and procedures;
- Reviewed our FY 2020, FY 2021, and FY 2022 charge card risk assessments;
- Analyzed FY 2023 purchase card transactions by GSA service;
- Reviewed the FY 2023 purchase card questionable charges report to determine whether there was adequate resolution of questionable charges;

- We conducted testing of the following:
 - A random sample of 32 processed and accepted transactions to determine whether purchase card transactions were fully supported, and if controls were operating effectively; and
 - A random sample of 20 system-identified questionable charges to determine whether the transactions were appropriate and fully supported, and if controls were operating effectively;
- Determined whether purchase cardholders complied with the 2-year training coverage as required by GSA policy; and
- Verified that OAS is testing split transactions, which are transactions that result from separating a single purchase into multiple transactions to avoid procurement requirements.

During our testing , we found one instance of a cardholder failing to upload the required supporting receipt for a purchase in Pegasys, the purchase card system of record. OAS implemented internal controls in FY 2016 to ensure cardholders upload supporting documentation in Pegasys. However, these controls are not working. We found missing supporting documentation in our FY 2020, FY 2021, FY 2022, and FY 2023 risk assessments, showing that this is a recurring issue. We suggest that OAS improve its control environment by:

- Emphasizing the requirement to upload receipts during purchase card program training; and
- Creating a programming routine to identify transactions without required receipts and notify the corresponding individual.

We found that 100 percent of the purchase cardholders in our sample were compliant with the 2-year training coverage requirement. Based on our review, OAS has implemented effective controls to ensure that employees have taken the required purchase cardholder refresher training.

Our testing of the FY 2023 transactions found that OAS complied with the *Charge Card Management Plan for the General Services Administration Purchase and Travel Card Programs* and followed up on 100 percent of questionable charges. This is consistent with our FY 2022 charge card risk assessment. Additionally, our FY 2023 testing found that OAS has proper controls in place to identify and respond to potentially split transactions.

Based on the findings from our limited purchase card testing and the centrally billed nature of purchase card accounts, we assessed the risk for GSA’s purchase card program as moderate. OAS should continue to improve controls to ensure that purchase cardholders upload supporting receipts into GSA’s purchase card system of record. OAS officials agreed with the suggestions we described above.

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 examined GSA travel card transactions that were processed and approved during FY 2023. Specifically, we:

- Examined relevant criteria, including public laws; executive orders; OMB memorandums; and GSA directives, travel card policies, and procedures;
- Reviewed our prior audit reports related to GSA's travel card program;
- Evaluated controls over GSA's travel card program;
- Reviewed a random sample of 60 out of approximately 9,900 GSA travel cardholders to determine if they completed required training;
- Evaluated 20 out of 222 ATM withdrawals to determine if there are controls in place to identify withdrawals obtained outside the date range of official travel, and analyzed ATM withdrawals by each cardholder in each billing cycle to determine whether the controls are effective in preventing withdrawals that exceeded Agency-established limits;
- Evaluated merchant category codes to determine whether they are effective in flagging questionable charges;
- Evaluated OAS's processes related to the detection, resolution, and prevention of questionable charges and delinquent payments;
- Reviewed a judgmental sample of 54 out of 1,172 questionable travel card transactions and a judgmental sample of 10 out of 1,005 delinquent payments to evaluate related processes and determine if there was a resolution;
- Reviewed supervisory responses to the samples of questionable charges and delinquencies mentioned above;
- Evaluated the timeliness of OAS notifications to the travelers' supervisors, and the associated responses, for the samples of questionable charges and delinquencies mentioned above;
- Reviewed a judgmental sample of 10 transactions that appeared to be questionable, but were not included in the questionable charges report, to determine if the questionable charges report was complete;
- Reviewed a judgmental sample of 10 trips in five tax-exempt states that had the highest transaction amounts to determine if the travelers improperly paid lodging taxes;
- Reviewed a judgmental sample of 21 transactions that were not included in the questionable charges report to identify if the trips were properly authorized, reported, and supported;
- Reviewed a random sample of 10 employee separations to determine if GSA travel cards were deactivated; and
- Interviewed and corresponded with OAS staff via email and regular status update meetings.

Our travel card audit identified opportunities to improve and strengthen controls over the GSA travel card program to ensure compliance with GSA, OMB, and federal guidelines. Specifically, we found that travel cardholders used their travel cards to pay for personal rideshare app charges and to pay for state taxes when they were tax-exempt. We also found that OAS does not screen most of GSA travel card charges for potential misuse or fraud. Finally, we found that OAS's resolution process for questionable charges and delinquencies does not ensure that misuse and delinquencies are addressed and resolved, and that OAS did not ensure the questionable charges report contained adequate information.

While the audit identified issues with the GSA travel card program, the risk to GSA is inherently less because the travel card accounts are individually billed, and the cardholder is responsible for paying the charges against their travel card rather than GSA. Therefore, 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

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