

# Department of Veterans Affairs

# Memorandum

**Date:** March 6, 2017  
**From:** Assistant Inspector General for Audits and Evaluations (52)  
**Subj:** FY 2016 Risk Assessment of VA's Charge Card Programs  
**To:** Inspector General (50)

## **1. Background**

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) was enacted to prevent fraud, waste, and abuse that may exist in Federal charge card programs. Office of Management and Budget Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, requires Inspectors General to conduct annual risk assessments of illegal, improper, or erroneous purchases within charge card programs. Inspectors General are required to use risk assessments to determine the scope and frequency of audits or reviews of charge card programs.

The Department of Veterans Affairs (VA) reported that its cardholders used purchase, travel, and fleet charge cards to make about 7.5 million transactions totaling approximately \$4.1 billion during FY 2015. Our FY 2015 risk assessment of VA's charge card programs included these risk areas:

1. Duplicate payments and split purchases
2. Exceeded purchase card limits
3. Excess number of cardholders
4. Inadequate recording or reporting of financial information
5. Improper year-end spending
6. Questionable purchases based on merchant category code (for example, purchases made from sporting goods stores)
7. Inadequate approving official reviews

In FY 2016, the Office of Inspector General (OIG) conducted five audits or reviews evaluating VA's charge card programs.

## **2. Scope and Methodology**

We conducted our risk assessment from February to November 2016. The objective was to assess the risk of illegal, improper, and erroneous purchases within VA's Purchase, Travel, and Fleet Charge Card Programs. We used previous OIG reviews and audits to assess the potential risk associated with using VA charge cards. The risk assessment was not an audit and therefore not conducted in accordance with generally accepted government auditing standards or Council of the Inspectors General on Integrity and Efficiency (CIGIE) standards.

To conduct our risk assessment, we reviewed VA's policies, procedures, and other controls applicable to VA's Purchase, Travel, and Fleet Charge Card Programs. We evaluated VA's Charge Card Management Plans and Office of Internal Controls (OIC) reviews of VA's charge card programs. We also performed data mining of reported charge card data using a set of criteria we designed to identify transactions or patterns of activity that may represent potential illegal, improper, or erroneous charge card purchases. Furthermore, we considered the results of previous OIG reports and investigations that evaluated aspects of these programs. Table 1 describes the criteria we developed to assess risk levels.

**Table 1. Risk Assessment Criteria**

<b>Risk Level</b>	<b>Criteria</b>
Low	VA OIG national reviews or audits found less than 5 percent of charge card transactions reviewed were illegal, improper, or erroneous.
Medium	VA OIG national reviews or audits found 5 to 20 percent of charge card transactions reviewed were illegal, improper, or erroneous.
High	VA OIG national reviews or audits found more than 20 percent of charge card transactions reviewed were illegal, improper, or erroneous.

*Source: OIG analysis of VA OIG national reviews or audits*

### **3. Summary**

VA controls included annual Charge Card Management Plans and OIC reviews designed to identify and help mitigate misuse of charge cards. Despite these controls, our reports, investigations, and data mining identified several charge card risks. Considering these risks and the dollar amount of FY 2015 charge card purchases, we concluded that VA's charge card programs have the risk levels shown in Table 2.

**Table 2. Risk Assessments for VA's Charge Card Programs**

<b>Charge Card Program</b>	<b>Risk Level</b>
Purchase	Medium
Travel	Low
Fleet	Low

*Source: OIG analysis of VA OIG national reviews or audits*

The assessment of a low risk for VA's Travel and Fleet Charge Card Programs does not necessarily mean those programs are free of illegal, improper, or erroneous charges or internal control deficiencies. Conversely, the assessment of a medium risk for VA's Purchase Charge Card Program may not necessarily signify illegal, improper, or erroneous charges but does

indicate conditions that are more conducive to these types of transactions. Regardless of the risk assessment results, an audit may identify illegal, improper, or erroneous charges through a review of charge card transactions.

We designed the risk assessment to provide the OIG Office of Audits and Evaluations sufficient information to determine the necessary scope and frequency of reviews and audits of VA's charge card programs. Generally, the OIG will perform audits of high- and medium-risk programs. For low-risk programs, the OIG will perform audits or reviews as staffing resources permit. Sections 4-6 of this memo describe our risk assessment of VA's Purchase, Travel, and Fleet charge card programs.

#### **4. Purchase Charge Card Program**

The General Services Administration's SmartPay Program provides purchase cards to Federal agencies through contracts negotiated with banks. Purchase cards give agencies a payment tool that helps implement simplified acquisition procedures. Purchase cards also streamline Federal acquisition processes by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors.<sup>1</sup> VA has established policies and procedures regarding VA's Purchase Charge Card Program.<sup>2</sup>

VA reported that from FY 2011 through FY 2015, the value of VA's purchase card transactions increased by about 120 percent from approximately \$1.8 billion to about \$3.9 billion. During the same period, the number of VA's purchase card transactions increased by about 130 percent from roughly 2.7 million to about 6.4 million. VA also reported that during FY 2015, about 30,000 (9 percent) of VA's approximately 335,000 employees had purchase cards. The increase in the value and number of purchase card transactions makes it extremely important to have strong controls over these purchases. Such controls over the use of purchase cards are critical to ensuring VA uses taxpayer funds effectively and efficiently to serve our nation's veterans.

##### **A. Assessed Risk of Purchase Charge Card Program**

We determined sufficient evidence exists to assess a medium risk of illegal, improper, or erroneous purchases within VA's Purchase Charge Card Program. Key evidence included:

- A VA OIG national review of VA's purchase card transactions found 13 percent to be unauthorized commitments.<sup>3</sup>
- Data mining of VA's FY 2015 purchase card data identified patterns of potentially illegal, improper, or erroneous purchase card transactions. For example, we identified about 3.4 million potential duplicate payments totaling approximately \$993 million.
- The OIG Office of Investigations continues to identify misuse of purchase cards.

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<sup>1</sup>Account holders may also use convenience checks when merchants do not accept purchase cards or electronic funds transfers.

<sup>2</sup>VA Financial Policies and Procedures, Volume XVI, Chapter 1, *Government Purchase Card Program*, July 2016

<sup>3</sup>*Review of Alleged VA Unauthorized Commitments*, Report No. 2013-00991-154, May 21, 2014

To evaluate the effectiveness of VA's efforts to mitigate these program risks, in this fiscal year, the OIG will perform audits of the Purchase Charge Card Program.

**FY 2015 Assessment.** In May 2015, during a hearing before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, U.S. House of Representatives, *Waste, Fraud, and Abuse in VA's Purchase Card Program*, the Assistant Inspector General for Audits and Evaluations testified about OIG's work related to VA's Purchase Charge Card Program. The testimony included this statement:

*The number of purchase card transactions is voluminous and the value represents significant financial expenditures. Overall, we consider VA's Purchase Card Program at medium risk for waste, fraud, and abuse. However, within the Program we have identified seven areas of high-risk practices that we will continue to target for oversight. Effective and efficient purchase card use can only be ensured by implementing and maintaining stringent internal controls that prevent mismanagement and improper actions resulting in unauthorized commitments, improper payments, and other violations of fiscal laws and regulations.*

*Any misuse of purchase cards is unacceptable and contributes to an erosion of public trust that Federal taxpayer dollars are being spent wisely and effectively. VA must significantly strengthen Purchase Card Program internal controls to prevent further misuse of taxpayer dollars intended to serve veterans and their families.*

Thus, at the time of the hearing, the OIG considered VA's Purchase Charge Card Program to be at medium risk for waste, fraud, and abuse.

## **B. OIG Purchase Card Data Mining**

We performed data mining of VA's reported FY 2015 purchase card transactions using a set of criteria we designed to identify transactions or patterns of activity that may represent potential illegal, improper, or erroneous purchases. Our data mining identified these risk areas:

1. Duplicate payments and split purchases
2. Exceeded purchase card limits
3. Excessive number of cardholders
4. Inadequate recording or reporting of financial information
5. Improper year-end spending
6. Questionable purchases based on merchant category code (for example, purchases made from sporting goods stores)
7. Inadequate approving official reviews

**Duplicate Payments and Split Purchases.** VA may lack sufficient controls to prevent duplicate payments or split purchases. Duplicate payments pose a risk of financial loss to VA regardless of whether the transactions were inadvertent (processing errors or inaccurate recordkeeping) or fraudulent. Split purchases occur when cardholders make multiple charges to

the same vendor for one purchase to avoid micro-purchase limits. Generally, the Federal Acquisition Regulation establishes the micro-purchase limit at \$3,500.<sup>4</sup>

When cardholders split purchases, they circumvent Federal competition requirements designed to ensure fair and reasonable prices.<sup>5</sup> Our data mining of VA's reported FY 2015 purchase card data identified about 3.4 million potential duplicate payments totaling approximately \$993 million and about 1.6 million potential split purchases totaling approximately \$361 million.

**Exceeded Purchase Card Limits.** VA may not provide sufficient oversight of purchase card user credit limits, as evidenced by purchase card transactions exceeding individual single-purchase limits and aggregate credit card limits. Control weaknesses regarding credit limits may result in violations of acquisition laws and regulations, as purchases may exceed micro-purchase thresholds or the simplified acquisition threshold and circumvent competition requirements.

Our data mining of VA's reported FY 2015 purchase card data identified about 406,000 purchase card transactions totaling approximately \$289.8 million that exceeded single-purchase limits.<sup>6</sup> In addition, we identified about 40,600 transactions totaling approximately \$22.8 million and that were above aggregate credit card limits.

**Excessive Number of Cardholders.** VA may lack sufficient controls to prevent an excessive number of staff from being purchase cardholders. An excessive number of cardholders increases the potential for fraud, abusive purchases, and improper procurements. It also creates a greater risk of significant monetary loss to the agency. Our data mining of VA's reported FY 2015 purchase card data found the average number of purchase cards used each month was approximately 225,000, and about 79,100 of those (35 percent) were used an average of three times or less per month. VA may need to evaluate whether cardholders have a legitimate need for cards and determine the feasibility of reducing the number of cardholders.

**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, 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.

Our data mining of VA's reported FY 2015 purchase card data identified about 50,100 transactions totaling approximately \$45.1 million in which VA's financial records did not include a cost center description, as well as 3,730 transactions totaling approximately \$2.2 million in which VA's financial records did not include a budget object code.

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<sup>4</sup>Federal Acquisition Regulation Part 2, Subpart 2.1: The micro-purchase threshold increased from \$3,000 to \$3,500 effective FY 2016.

<sup>5</sup>Federal Acquisition Regulation § 15.402

<sup>6</sup>Single-purchase limits represent dollar thresholds assigned to each card account holder for individual purchase card transactions, according to VA financial policy.

**Improper Year-End Spending.** VA may not provide sufficient oversight of year-end spending. Increases in purchase card transactions near the end of the fiscal year may be an indicator of abusive procurement practices, such as purchasing goods or services that do not meet legitimate Government needs, fraud, or other improper activities. Our data mining of VA's reported FY 2015 purchase card data found that for the months of August and September 2015 (the last two months of the fiscal year), the average number and value of transactions were, respectively, about 6,400 and \$14.2 million more than the average for the preceding 10 months of the fiscal year.

**Questionable Convenience Checks Purchases.** VA controls over convenience checks may not prevent questionable purchases. Convenience checks are a payment or procurement tool intended only for use with merchants who do not accept purchase cards or electronic funds transfers. Convenience checks are written against purchase card accounts. *VA Financial Policies and Procedures, Volume XVI, Chapter 1* requires convenience checks to be used only as a payment method of last resort and only when no reasonable alternative merchant who accepts the purchase card or electronic funds transfers is available.

Our mining of VA's reported FY 2015 purchase card data found that 3,206 convenience checks with a total value of approximately \$1.9 million may be questionable. These convenience checks represented about 99.6 percent of the total 3,219 convenience checks cashed during FY 2015. These checks may include higher-risk purchases from non-financial institutions for stored-value cards, foreign currency, money orders, and travelers checks.

**Inadequate Approving Official Reviews.** VA may lack sufficient approving official reviews of purchase card transactions. *VA Financial Policies and Procedures, Volume XVI, Chapter 1* states that approving officials serve as the initial internal control to prevent or identify fraud, abuse, or misuse of purchase cards. The data mining results previously discussed, including potential duplicate payments, split purchases, purchases in excess of spending limits, and year-end spending, indicate that approving official reviews may be inconsistent and inadequate.

### **C. OIG Reports**

Recent OIG reports, which identified split purchases, unauthorized commitments, improper payments, and purchases lacking appropriate supporting documentation, found VA lacked reasonable assurance it had paid reasonable prices and, in some instances, support to show it had received the right goods and services.

**Reports Find VA Medical Facilities Split Purchases or Did Not Maintain Supporting Documentation.** An April 2016 OIG review found that 19 cardholders, who worked in six different services at the VA New Jersey Health Care System, split 64 of 76 sampled purchase card transactions (84 percent), totaling \$125,270.<sup>7</sup> We estimated the cardholders inappropriately made about 4,750 split purchases totaling approximately \$8.9 million, from December 2012 through May 2014.

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<sup>7</sup>*Review of Potential Inappropriate Split Purchasing at VA New Jersey Health Care System*, Report No. 11-00826-261, April 26, 2016

In addition, during an audit of the VA Medical Center, Charleston, SC, the OIG substantiated an allegation that employees split purchases to circumvent micro-purchase limits and made improper purchase card payments.<sup>8</sup> Of 139 sampled purchases made by Engineering Service cardholders, 40 (29 percent) were unauthorized commitments totaling \$83,100 and that avoided competition requirements. The 40 unauthorized commitments included 35 purchases valued at about \$69,300 that cardholders split and five purchases valued at about \$13,800 that exceeded the micro-purchase limit for services. Engineering Service employees also made 33 purchases for which we could not determine whether payment was proper because of insufficient documentation. The value of these potential improper payments was about \$55,000.

These two reports identified several control areas that needed strengthening, such as oversight and training:

- **Oversight.** VA New Jersey Health Care System management failed to require cardholders to establish service contracts through competitive bidding for recurring services and to hold cardholders, supervisors, and approving officials accountable for purchase card policy violations. In addition, Charleston, SC, VA medical center approving officials did not use the Veterans Health Administration's required checklist to monitor cardholders' use of purchase cards. The checklist provides a systematic procedure for approving officials to review purchases for inappropriate practices, such as split purchases.
- **Training.** At the Charleston, SC, VA medical center, six of 14 Engineering Service cardholders and three of five approving officials had not completed refresher training required every two years. Adequate training is essential for cardholders and approving officials to perform their duties effectively.

Our national review of VA's purchase card use substantiated allegations that purchase cardholders made unauthorized commitments and that VA violated the law by not performing ratification actions on identified unauthorized commitments.<sup>9</sup> Specifically, we found that 14 (13 percent) of 106 statistically sampled purchase card transactions were unauthorized commitments. By projecting the sample results, we estimated that VA made about 15,600 potential unauthorized commitments valued at about \$85.6 million. We also identified three control areas that needed strengthening:

- **Inadequate Warrant Information.** VA lacked a complete and accurate database of contracting officers' warrant information that could be used to verify warrant status for cardholders with spending limits above micro-purchase thresholds. Instead, VA relied on a database compiled using warrant information extracted from VA's Electronic Contract Management System, a system that previous OIG audits repeatedly found to be inaccurate because facility staff did not enter required information in the system.
- **Insufficient Verification of Warrant Authority.** VA facility approving officials did not verify cardholders had valid warrants before approving purchase cards with spending limits

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<sup>8</sup>*Audit of Engineering Service Purchase Card Practices at the Ralph H. Johnson VA Medical Center, Charleston, South Carolina*, Report No. 13-02267-124, April 17, 2014

<sup>9</sup>*Review of Alleged VA Unauthorized Commitments*, Report No. 2013-00991-154, May 21, 2014

above the micro-purchase threshold. Approving officials and Program coordinators are responsible for ensuring cardholders who make purchases exceeding micro-purchase limits have a valid warrant and that their purchase cards' single and monthly purchase limits do not exceed their warrant authority.

- **Insufficient Unauthorized Commitment Training.** Purchase cardholders and approving officials did not receive sufficient training on unauthorized commitments. VA's mandatory training for purchase cardholders did not adequately explain what constitutes an unauthorized commitment and the resulting consequences for the cardholder. The training also did not clearly explain that unauthorized commitments include purchases above the micro-purchase financial thresholds made by cardholders without a warrant. Furthermore, the training did not explain that purchases made by cardholders outside the limits of their warrant authority are unauthorized commitments and that cardholders can be held liable for exceeding their warrant authority.

#### **D. OIG Investigations**

OIG's Office of Investigations continues to identify patterns of misuse of purchase cards. During FYs 2014, 2015, and 2016 (through June 2016), criminal investigators opened 50 cases regarding the misuse of purchase cards. OIG investigations found that cardholders misused purchase cards to:

- Procure gift cards used to pay for personal items.
- Order medical supplies using fraudulent invoices for supplies that were never delivered to VA. The fraudulent invoices were paid using a former employee's Government-issued purchase card.
- Allow other people to purchase personal items from online and local merchants.

During the one-year period from July 2015 through June 2016, the OIG Office of Investigations reported closing nine purchase card fraud cases that resulted in six arrests, five indictments and convictions, and four employee terminations. These examples of fraudulent and abusive purchase card use are indicative of risks within VA's Purchase Charge Card Program:

- **Items Purchased for Personal Use.** A VA OIG investigation revealed that a purchasing agent at the Asheville, NC, VA medical facility used a Government purchase card to buy items for personal use, including a truck. After pleading guilty to theft of Government funds, the VA employee was sentenced to 13 months' incarceration and three years' supervised release, and was ordered to pay \$43,816 in restitution.
- **Payments Made to a Fictitious Company.** An investigation by the OIG, VA Police Service, and Department of Justice revealed that a Memphis, TN, VA medical facility employee and co-conspirator created a fictitious medical supply company. Over a six-year period, the defendants created fraudulent purchase orders from the fictitious company for medical supplies that were never delivered to VA. The employee used a Government purchase card to pay the fraudulent invoices. Each defendant was sentenced to 30 months' incarceration and three years' supervised release, and was ordered to pay restitution of



\$1,137,694 after pleading guilty to conspiracy, theft of Government funds, wire fraud, and engaging in transactions for property derived from unlawful activity.

#### **E. VA's Charge Card Management Plan**

VA's Charge Card Management Plan outlines VA policies and procedures established to mitigate purchase card misuse and abuse. The Office of Management and Budget requires each agency to maintain and annually submit Charge Card Management Plans by no later than January 31 of each calendar year.<sup>10</sup> VA's FY 2016 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 each risk
- Reports available to officials to manage the purchase charge card program
- Disciplinary procedures for cardholders who misuse purchase cards

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

#### **F. VA's Office of Internal Controls Reviews of Purchase Card Transactions**

According to a presentation by the Director, Office of Business Oversight, the OIC is responsible for coordinating VA's Internal Controls Program through collaboration with organizations involved in internal control assessment activities. The OIC develops policies for internal controls assessment and reporting activities, tools and templates to improve standardization of internal control activities, and training on internal controls policy. The OIC also performs charge card monitoring by conducting data mining and statistical sampling reviews of VA's purchase card transactions. The OIC issues *Notification of Purchase Card Policy Violation* memos to VA facilities that detail noncompliance with Federal law and VA policy and makes recommendations to help improve compliance. As appropriate, recommendations include requiring the Facility Director to complete *Report on Disciplinary Actions for Charge Card Violations* forms and notifying VA's Office of Internal Controls of disciplinary or corrective actions taken. Examples of purchase card noncompliance areas discussed in *Notification of Purchase Card Policy Violation* memos issued by the OIC during FY 2016 include split purchases, unauthorized commitments, and inadequate oversight by cardholder approving officials.

### **5. Travel Charge Card Program**

Congress has mandated that Federal employees use the Government travel charge card for

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<sup>10</sup>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*

payments of expenses related to official Government travel.<sup>11</sup> 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.<sup>12</sup> VA reported that during FY 2015, about 26,000 (8 percent) of VA's approximately 335,000 employees used travel cards to make about 760,000 transactions totaling approximately \$92 million.

### **A. Assessed Risk of Travel Charge Card Program**

We assessed a low risk of illegal, improper, or erroneous purchases within VA's Travel Charge Card Program.<sup>13</sup> We assigned a low-risk level because VA reported about \$92 million of travel card transactions that only represented about 2 percent of the approximately \$4.1 billion total VA's charge card transactions during FY 2015. Our data mining of reported travel card data identified two risk areas: duplicate payments and excessive travel card use. We identified about 32,000 reported transactions (4 percent) of VA's 760,000 total travel card transactions as possible duplicate payments. The 32,000 transactions totaled approximately \$17.3 million. We also identified 620 cardholders who used their cards an average of 100 to 999 times per month during FY 2015. However, we did not consider this as possible excessive use of travel cards because VA creates accounts for facility employees who use the cards extensively for patient or beneficiary travels programs. In addition, VA policy requires approving officials and cardholders to reconcile all charges on Travel Card billing statements monthly.

### **B. VA's Charge Card Management Plan**

VA's FY 2016 Charge Card Management Plan, which outlines VA policies and procedures established to mitigate travel card misuse and abuse, 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 each risk
- 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 will reduce the risk of illegal, improper, or erroneous use of travel cards.

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<sup>11</sup>Public Law 105-264, 105<sup>th</sup> Congress, *Travel and Transportation Reform Act of 1998*

<sup>12</sup>VA Financial Policies and Procedures, Volume XVI, Chapter 2, *Government Travel Charge Card Program*

<sup>13</sup>Because we (VA OIG) have not performed a recent national review or audit of VA's Travel Charge Card Program, we did not use the criteria described in Table 1 to assess the risk level of this program.

### **C. OIG Travel Card Data Mining**

We performed data mining of VA's reported FY 2015 travel card transactions to identify transactions or patterns of activity that may represent potential illegal, improper, or erroneous purchases. Our data mining identified duplicate payments as a risk area.

**Duplicate Payments.** VA may lack sufficient controls to prevent duplicate payments for individually billed account travel card purchases. Duplicate payments pose a risk of financial loss to VA whether the transactions were inadvertent (processing errors, cardholder errors, or inaccurate recordkeeping) or fraudulent. Our mining of VA's reported FY 2015 travel card data for individually billed accounts identified about 32,000 potential duplicate payments totaling approximately \$17.3 million.

## **6. Fleet Charge Card Program**

VA issues fleet cards for all VA-owned and VA-leased vehicles, as well as for small engine vehicles (golf carts and riding lawn mowers), onsite generators, and other ground equipment. Individual cardholders are not identified within the Fleet Charge Card Program. Fleet cards are issued under the name of the vehicle tag (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 VA's Fleet Charge Card Program.<sup>14</sup> During FY 2015, VA reported that cardholders used fleet cards to make about 239,000 transactions totaling approximately \$16 million.

### **A. Assessed Risk of Fleet Charge Card Program**

We determined that there is a low risk of significant illegal, improper, or erroneous purchases within VA's Fleet Charge Card Program.<sup>15</sup> We made this assessment because the reported fleet card transactions total of \$16 million represented only 0.4 percent of the VA's charge card transactions total of \$4.1 billion. Although we assessed a low-risk level, our data mining of FY 2015 fleet card transactions identified purchases from questionable merchants. In addition, VA's OIC reviews have found that VA facilities did not consistently maintain supporting documentation for fleet card transactions.

We will initiate audits or reviews of VA's Fleet Charge Card Program as staffing resources permit.

### **B. OIG Fleet Card Data Mining**

We performed data mining of VA's reported FY 2015 fleet card transactions to identify patterns of activity that may represent potential illegal, improper, or erroneous purchases. Our data mining showed VA may lack sufficient controls to prevent purchases from questionable merchants. The review identified approximately 1,700 fleet card transactions totaling about

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<sup>14</sup>VA Financial Policies and Procedures, Volume XVI, Chapter 3, *Government Fleet Charge Card*

<sup>15</sup>Because we have not performed a recent national review or audit of VA's Fleet Charge Card Program, we did not use the criteria described in Table 1 to assess the risk level of this program.

\$334,000 from vendors with merchant category codes not normally associated with fleet cards, such as glassware, groceries, home furnishings, and medical services. However, the \$334,000 amount represents only 2 percent of the \$16 million total for VA's FY 2015 fleet card transactions.

### **C. VA's Charge Card Management Plan**

VA's FY 2016 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 charge card program
- Disciplinary procedures for cardholders who misuse fleet cards

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

### **D. VA's Office of Internal Controls**

VA's OIC conducts data mining and statistical sampling reviews of VA's reported fleet card transactions. The OIC issues Notification of Fleet Card Policy Violation memos to facilities detailing noncompliance with Federal law and VA, and making recommendations to help improve compliance. As appropriate, recommendations include completing *Report on Disciplinary Actions for Charge Card Violations* forms and notifying VA's OIC of disciplinary or corrective actions taken. Notification of Fleet Card Policy Violation memos issued by the OIC during FY 2016 found that VA facilities did not maintain supporting documentation for selected fleet card transactions.

## **7. Conclusion**

VA's Purchase Card Program remains at medium risk of illegal, improper, or erroneous purchases. Our 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 Federal acquisition regulations and VA policies and procedures. VA's Travel and Fleet Card Programs have a low-risk level of illegal, improper, or erroneous purchases. We assigned a low-risk level for these programs because travel and fleet card transactions only represented about 2 percent and 0.4 percent, respectively of the approximately \$4.1 billion total VA's charge card transactions during FY 2015.

VA OIG continues to plan audits of VA's charge card expenditures. Generally, the OIG will

perform audits of high and medium-risk programs. For low-risk programs, the OIG will perform audits or reviews as staffing resources permit. The OIG Office of Investigations also continues to perform work on individual cases of purchase card abuse.

A handwritten signature in cursive script, reading "Larry M. Reinkemeyer".

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Assistant Inspector General  
for Audits and Evaluations