

# Fraud Reduction Report

**(Pub. L. 114-186, 31 USC 3321)**

In FY 2016, GSA worked to strengthen management practices and internal controls to insure the integrity of its programs, operations, business and financial management systems. This effort increased focus on risk management and risk analysis of all its programs including 4th quarter FY 2016 programs. GSA established an enterprise risk management working group. In the 4th quarter of FY 2016 GSA completed an initial fraud risk assessment, and added an assessment of fraud from GSA's Senior Assessment Team, the Management Control and Oversight Council (MCOC) as part of the analysis to support the Administrator's FY 2016 Assurance Statement.

In FY 2017, the MCOC meetings included briefings on the 5 Components and 17 Principles of Internal Control as required by the GAO Green Book. These meetings also included discussions on the status of corrective actions for outstanding findings from the annual external financial statement audit, the annual internal control plan for financial management and financial systems, updates on plan execution, and the strategy to address enterprise risk management.

GSA continued its proactive approach to addressing fraud risk. Fraud risk was addressed as part of the work to support the Administrator's Annual Assurance Statement. The internal control evaluation tool used this year addressed the 5 Components and 17 Principles of Internal Control. Fraud risk requirements are established in the Risk Assessment Component as Principle 8. The tool was completed by 16 Heads of Services and Support Offices. Fraud was also addressed at the program level. GSA conducts internal program reviews annually. One hundred and thirteen reviews were completed in

FY 2017. Each review included an assessment of risk. In addition to this analysis, OCFO sponsored a class focused on identifying fraud. Forty members of the OCFO staff completed the training. At the conclusion of the fiscal year the final fraud risk activity was completed by GSA's Senior Assessment Team, the MCOC. The MCOC members completed a survey to identify internal control and fraud issues not previously reported. GSA also addresses risk as part of the work completed by the ERM working group. GSA completed an initial risk profile, reviewed it with GSA leadership, considered it as part of the FY 2018 to 2022 strategic plan, and included it with the guidance for developing the FY 2019 budget.

GSA also tests Purchase Cards, Rental of Space, and Hurricane Sandy payments as part of the monitoring and reporting process for improper payments. GSA has consistently achieved purchase card improper payment targets, but has missed our aggressive targets for rental of space payments in both FY 2016 and FY 2017. Our target for proper payments for rental of space in FY 2016 was 99.881% and 99.975% in FY 2017, both well above the governmentwide performance of 95.33% for high priority programs. GSA is working with the Office of Management and Budget to set a reasonable and attainable target rate for rental of space in FY 2018.

The GSA OIG has direct access to all purchase and travel card data and performs monthly data mining on purchase card transactions. In addition, the program office contacts the OIG if inappropriate use of the card is discovered. The GSA OCFO, A-123 Review Team conducts a quarterly review of internal controls in accordance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA).

Upon identification of internal control deficiencies, corrective action plans (CAPs) are developed for remediating deficiencies. The OIG also conducts an annual risk assessment of the purchase card program as required by OMB M-13-21, Implementation of the Charge Card Abuse Prevention Act of 2012.

GSA utilizes the following reports to detect possible charge card misuse:

- **Pegasys Daily Charges Report** - This report is used by cardholders to review daily transactions. The report is generated by downloading a daily transaction file from the charge card contractor into Pegasys. The Pegasys charge card module creates a daily email notification for all cardholders with new transactions for review.
- **Pegasys Monthly Charge Card Transaction Report** - This report is used by approving officials (AO) to review their cardholder's monthly transactions. The Pegasys charge card module automatically sends an email to the AOs including a consolidated report of all their cardholders' monthly charge card transactions. AOs can also elect to receive daily emails of new charge activity as it occurs, and they can access a variety of reports on their cardholders' accounts at any time from the Pegasys reports module. All AOs are required to review and certify their monthly reports within 10 days of receipt and take action on all unauthorized and questionable charges. In addition, the Office of Administrative Services (OAS) monitors AOs' monthly reviews to ensure completion.
- **Questionable Charges Report** - This report utilizes the MasterCard Expert Monitoring System (EMS) to assess questionable transactions. On a monthly basis, OAS uses data mining techniques to identify questionable charges using attributes such as:
  - Merchant description;
  - Merchant Category Code (MCC);

- Merchant names; and
- Weekend and holiday transactions.

The data is reviewed and compiled into the Questionable Charges Report and sent to the AOs for review and comments.

- **Impending Suspensions Report** – OAS notifies regional coordinators to follow up with AOs that have not reviewed and certified their Pegasys monthly transactions. Upon notification, the AOs have ten days to review and certify the Pegasys reports to prevent the suspension of their cardholders' accounts.
- **Transaction File** - This monthly nationwide file of all purchase card transactions is provided to the GSA OIG and the federal shared service provider for financial services for review and audit sampling.
- **Potential Split Transactions** – This report notifies the Heads of Service and Staff Offices (HSSOs) and Regional Commissioners (RCs) of potential split transactions by cardholders. Management officials review the transactions and report to OAS on whether inappropriate use is discovered or whether charges comply with policy. Management officials are advised to counsel the employee and/or take disciplinary action in consultation with their servicing human resources office, if inappropriate use of the purchase card is discovered. Management officials must also conduct a procurement review to determine if any corrective action is needed.

**Travel Card**

The Questionable Charges Report described above is also utilized for travel cards. In addition, OAS uses data mining attributes such as:

- ATM transactions > \$250 in 1 Week;
- Merchant description;
- Merchant Category Code (MCC);

- Merchant names;
- Returned checks; and
- Travel card transactions that are not supported by an approved travel authorization in the Electronic Travel System (ETS).

To monitor delinquencies associated with the travel card, GSA established a Centrally Billed Account (CBA) with the contracted ETS vendor for travel transportation expenses. The ETS vendor performs an automated reconciliation of travel transportation billings and provides GSA with a list of reconciled charges. There are no delinquencies on this account since it is paid on a bi-weekly basis. For individually billed accounts, a monthly Delinquency Report is provided to senior management with a listing of aged delinquent accounts. Approving Officials conduct counseling and/or discipline employees as necessary in consultation with OHRM. GSA also initiates salary offset for collecting undisputed delinquent travel charge card debt. To further reduce the potential for delinquent accounts, GSA has incorporated the split disbursement feature into ETS for payment directly to the charge card contractor. There are no delinquencies for the purchase card program since payment to the charge card contractor is made on a daily basis.

To mitigate the risk associated with employees who separate from GSA and fail to properly turn in their cards, GSA uses a daily Employee Separation List and verifies the names on the list in Citibank's Citidirect Card Management System (CCMS). These accounts are then immediately cancelled in Citibank. As an additional control, GSA uses a monthly employee separation list from the Comprehensive Human Resources Integrated System (CHRIS) to close separating employee accounts in CCMS that may have been missing from the daily list. GSA also reconciles the list of active charge card participants from Citibank to Human Resources (HR) files on a periodic basis (minimum of once per year).

**Additional Travel/Purchase Card Controls:**

- GSA program offices receive a semi-annual report of inactive purchase cardholders (accounts with no activity in the preceding 12 months) for review. The program offices initiate closure for accounts that are no longer needed.
- GSA utilizes retail blocks on questionable/ high risk Merchant Category Codes (MCC) for purchases and travel. GSA reviews and updates the use of these codes periodically.
- Travel card applicants complete their travel card application online in lieu of completing a paper application. The online application increases sustainability by reducing the number of paper applications processed and increases security of an applicant's personally identifiable information (PII).
- GSA requires all charge card participants, regardless of level or responsibilities, to complete training prior to appointment or issuance of a charge card (purchase or travel).
- GSA requires all approving officials, charge card holders, Agency/ Organization Program Coordinators, and Charge Card Coordinators to complete charge card refresher training every two years for travel, and every three years for purchase.