



**REPORT ON
IMPROVING THE CONTROLS OVER
GPO'S SMARTPAY PROGRAM
AT THE CENTRAL OFFICE**

September 2002

02-09



Office of Audits



UNITED STATES GOVERNMENT PRINTING OFFICE
OFFICE OF THE INSPECTOR GENERAL

Memorandum

DATE: September 9, 2002

REPLY TO:

ATTN OF: Inspector General

SUBJECT: Report on Improving the Controls over GPO's Smartpay Program at the Central Office

To: Director, Materials Management Service
Director, Engineering Service
Director, Personnel
Comptroller

The Office of Inspector General (OIG) has completed a performance audit on management controls over GPO's Smartpay Program at the Central Office, as defined in GPO Instructions 805.27 and 825.18A. The audit was conducted from November 2001 through April 2002. We found that overall, adequate management controls were maintained on the use of the credit cards by six of the seven departments in Central Office.

Opportunities, however, exist to improve the internal controls by the Central Office departments in the following five areas: (1) the reconciling of disputed items; (2) procuring small purchases economically; (3) splitting purchases; (4) authorizing payments; and (5) exceeding annual credit card limitations.

The OIG made eight recommendations to improve management controls over the GPO SmartPay Program at the Central Office. Five recommendations were made and agreed to by the Director, Materials Management Service. Two recommendations were made and agreed to by the Chief, Engineering's Facilities Division. However, the Director, Personnel, did not concur with the one recommendation that was made to implement a management control over the authorization of over hundreds of thousands of dollars that was paid on training courses that may not have been attended by GPO employees.

02-09
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These eight recommendations should improve the current policies and procedures to provide reasonable assurance and safeguards against fraud, waste and abuse in GPO SmartPay Program.

Mr. Joseph Verch, Supervisory Auditor, and Ms. Laurel Luckey, Auditor, conducted this audit.

I appreciate the cooperation and courtesies extended during the audit by the officials and staff of the Materials Management Service, Engineering Service, Personnel, Comptroller, Customer Services, Equal Employment Opportunity, and Occupational Health & Environmental Services.


ROBERT G. ANDARY

**REPORT ON IMPROVING THE CONTROLS OVER
GPO'S SMARTPAY PROGRAM AT THE CENTRAL OFFICE**

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**U.S. Government Printing Office
Office of the Inspector General
Office of Audits**

**REPORT ON IMPROVING THE CONTROLS OVER
GPO'S SMARTPAY PROGRAM AT THE CENTRAL OFFICE**

RESULTS IN BRIEF

The Office of Inspector General (OIG) audit of GPO's Smartpay Program at the Central Office found that adequate management controls were maintained on the use of the credit cards by six of the seven departments¹ in Central Office in accordance with GPO Instruction 805.27 *Obtaining, Using, and Safeguarding Commercial Credit Cards* and GPO Instruction 825.18A *Internal Control Program* from November 2001 through April 2002.

Opportunities exist, however, to improve the internal controls by the Central Office departments over reconciling disputed items, procuring small purchases economically and timely, splitting purchases, authorizing training course payments, and exceeding annual dollar limitations. The OIG identified the following five internal control weaknesses:

1. Disputed items were not immediately reconciled with receiving tickets which resulted in over \$.5 million discrepancy with the Bank of America;
2. Seventy-one percent of MMS credit card holders' purchases for other offices at the Central Office actually cost less than the \$500 to procure small purchases through MMPCS II;
3. A vendor split purchases for one department to be under the \$500 transaction limit;
4. Over \$238,000 was authorized for 157 training courses in a 6-month period without a certification that the training was attended by GPO employees; and
5. Five of 30 credit card holders at the Central Office had exceeded their annual dollar limitations for credit card purchases in 6 months during the audit.

The OIG made eight recommendations to improve the controls over the GPO SmartPay Program. For five of the eight recommendations, the Director, Materials Management

¹ The Chief, Training and Career Development Branch, continues to authorize credit card charges on training courses without any assurances that GPO employees attended the training. (See Audit Finding 4.)

Service, should ensure that the Chief, General Procurement Division: (1) reconciles the receiving tickets to the disputed items; (2) develops a new policy on reconciling future disputed items; (3) reduces the number of future small purchases under \$500 procured by MMS credit card holders by issuing more credit cards to supervisors of departments in the Central Office; (4) monitors the annual dollar limitations of the credit card holders at the Central Office; and (5) takes appropriate and timely action when violations occur.

In addition, two recommendations were made to the Director, Engineering Service, to ensure that the Chief, Facilities Division: (1) monitors future credit card purchases by the Supervisor, Pipe and Sheet Metal Branch; and (2) submits a request to Materials Management Service to increase the \$500 transaction limit to facilitate the future needs of Pipe and Sheet Metal Branch.

And a recommendation was made to the Director, Personnel, to ensure that the Chief, Training and Career Development Branch, receives Copy 9 of the *Request, Authorization, Agreement and Certification of Training* form or an alternate means of certification that training was attended before authorizing payment on future training courses.

BACKGROUND

In November 1998, the General Services Administration implemented the SmartPay Program for Federal agencies to make small purchases of goods and services with the use of a credit card, not to exceed \$500 per transaction. The credit card can also be used for macro-purchases (higher-dollar items, authorized for GPO's Materials Management Service). The Federal Acquisition Regulation 13.301 encourages larger purchases in greater dollar amounts. GPO's Materials Management Service's General Procurement Division administers the Commercial Credit Card Program in accordance with GPO Instruction 805.27 *Obtaining, Using, and Safeguarding Commercial Credit Cards*.

At the Central Office, seven departments that have 30 credit cards made 1,084 small purchases that totaled over \$798,000 under GPO's SmartPay Program during July through December 2001:

No.	Departments	No. of Credit Cards	Purchases	Amount
1	Customer Services' Typography Section	3	9	\$1,127
2	Equal Employment Opportunity	1	7	1,534
3	Office of Inspector General	1	3	344
4	Occupational Health & Environmental Services	2	5	1,438
5	Personnel's Training and Career Development Branch	1	157	238,304
6	Materials Management Service	11	730	522,565
7	Engineering Service's Facilities Division	11	173	33,273
	Totals	30	1,084	\$798,585

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this performance audit was to ensure that adequate management controls were maintained over GPO's SmartPay Program at the Central Office, as defined in GPO Instruction 805.27 *Obtaining, Using, and Safeguarding Commercial Credit Cards* in accordance with GPO Instruction 825.18A *Internal Control Program*. Specific objectives included the review of GPO's SmartPay Program systems' internal control procedures to ensure that Central Office personnel: (1) provide safeguards in maintaining the credit cards; (2) separate the responsibilities of reconciling and approving purchases among individuals; (3) properly record and classify all transactions timely and promptly make all payments; and (4) comply with applicable policies and procedures.

We conducted the audit during the months of November 2001 through April 2002 in accordance with generally accepted Government auditing standards. As part of our audit approach we made observations, verified records, and performed a limited sample due to time restraints and audit resources available:

- Observed the recording of credit card purchases and the reconciling of the purchases with the monthly credit card statements of the seven departments;
- Obtained copies of the monthly statements from July – December 2001 for the seven departments and selected a sample judgmentally of 102 of 1,084 purchases or 9 percent and totaling \$106,082 that represented 13 percent of the total amount of purchases to verify that purchases were made and received;
- Verified each credit card holder's credit card limit to the monthly statements;
- Verified monthly statements to check payments by the Comptroller's General Exam and Support Section.

We also reviewed:

- GPO Instruction 805.27 *Obtaining, Using, and Safeguarding Commercial Credit Cards* to identify the established guidelines and procedures for credit card purchases;
- GPO Instruction 805.27A DRAFT *Obtaining, Using, and Safeguarding Commercial Credit Cards* to identify the established guidelines and procedures for credit card purchases; and
- GPO Instruction 825.18A, *Internal Control Program*, to identify policies, standards, and responsibilities for conducting internal control reviews of GPO Programs.

FINDINGS AND RECOMMENDATIONS

1. DISPUTED ITEMS

FINDING

Materials Management Service (MMS) credit card holders were not reconciling the receiving tickets with the disputed items from the previous months when purchased items were received, contrary to Standard 7 of GPO Instruction 825.18A.

“Transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports.”

This has occurred since the early part of 1999 and may have existed since the inception of the Smartpay Program in 1998. As a result, as of December 31, 2001, senior MMS officials and Comptroller officials were not aware that the Bank of America claimed that GPO owed \$463,000 for unpaid purchased items. According to the Comptroller’s records, the Bank of America owed GPO \$48,000, which included overpayments of over \$39,000 for training courses in March 2000.

During the audit, OIG auditors found MMS credit card holders did not always follow the procedures for disputed merchandise that had been billed, but had not yet been received by GPO. MMS credit card holders did not always forward the receiving tickets to the MMS Procurement Analyst responsible for authorizing payment for disputed merchandise. This resulted in the Comptroller’s General Examination and Support Section not issuing payments for the merchandise.

On March 7, 2002, OIG auditors informed the Comptroller and MMS officials about the \$.5 million discrepancy (\$463,000 + \$48,000) between the Bank of America and GPO. It was subsequently determined that the disputed items had occurred only when MMS used its credit cards to make purchases for other offices. MMS has a built-in management control in MMPCS II that allows payment only after a receiving ticket has been generated when a purchased item has been received. MMS credit card holders were not following up on the disputed items when the merchandise eventually was received with the MMS Procurement Analyst. As a result, the MMS Procurement Analyst did not authorize any disputed items to the Comptroller for payment and the cumulative totals of unpaid purchase items continued to grow.

This was not the case for the card holders in: (1) other departments in Central Office; (2) Bookstores; and (3) Regional Printing Procurement Offices, because their internal controls allowed the individual supervisors of those offices to authorize the Comptroller to make

payments without generating a receiving ticket from MMPCS II. As a result, MMS and Comptroller officials agreed to meet with the Bank of America officials to resolve the \$.5 million matter.

On June 4, 2002, GPO officials met with Bank of America officials on the disputed items and resolved many questions on the existence of the \$.5 discrepancy. MMS officials agreed to: (1) revise the procedures involving the receiving tickets authorizing payments; and (2) go back 4 years and reconcile the receiving tickets to the disputed items. The overpayments would be credited on the following month's bill.

RECOMMENDATIONS

The Director, Materials Management Service, should ensure that the Chief, General Procurement Division:

- Reconciles the receiving tickets to the disputed items as far back as to the inception of the Smartpay Program in 1998 (0209-01); and
- Develops and implements a new written policy on reconciling disputed items by MMS credit card holders (0209-02).

MANAGEMENT COMMENTS

The Director, Materials Management Service, agreed with the finding and the two recommendations. The Director anticipates that as of October 1, 2002, all disputes will have been resolved in Recommendation 0209-01. For Recommendation 0209-02, a new written policy has been developed and implemented. (See Appendix II.)

2. SMALL PURCHASES PROCURED

FINDING

During the scope of our audit (July – December 2001), OIG auditors found that the 11 MMS credit card holders made 730 purchases for other departments at the Central Office that totaled \$522,565 under GPO's SmartPay Program. Each of the 730 purchases had a formal purchase order that the Chief, General Procurement Division, stated costs about \$500 each to procure in MMPCS II. However, the merchandise costs on 515 of the 730 purchases or 71 percent were less than \$500 and less than the costs to procure, contrary to Standard 2 of GPO Instruction 825.18A:

“Management controls must provide reasonable assurance and safeguards to protect assets against waste, loss, unauthorized use, and misappropriation. Management controls developed for agency programs should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives.”

An OIG review of the purchases made by an MMS credit card holder from July 1 – August 6, 2001, found that 23 of the 51 purchases were under \$500 and that 10 were less than \$75. With a purchase order costing about \$500 to process, it would cost \$5,000 to process the following 10 purchase orders, even though the total costs were less than \$500:

No.	Date	Merchant	Amount
1	07/02/01	Dell Catalog Sales, L.	\$42.90
2	07/03/01	Interquest	69.95
3	07/03/01	Staples National #471	56.00
4	07/06/01	AWL Prentice Hall	19.49
5	07/25/01	National Journal Group	62.65
6	07/25/01	Abstract Inc	66.75
7	07/26/01	WWW Office World.Com	13.49
8	07/31/01	MWI Micro Warehouse	60.47
9	08/01/01	Chesapeake Distributin	74.20
10	08/06/02	Print Magazine/Print B	29.00
	Totals		\$494.90

Presently, MMS is requiring a purchase request, a purchase order, and a receiving ticket before small purchases can be paid. However, the intent of the credit card was to obtain supplies and services economically and timely instead of using the standard Small Purchase procedures, as stated in GPO Instruction 805.27. Instead of MMS using the credit card to make purchases under \$500 for other departments at the Central Office, department supervisors should have credit cards to make small purchases economically

and timely. This action would greatly reduce the number of purchases made by MMS credit card holders annually, but also reduce the processing costs of future small purchases of \$500 or less at the Central Office.

RECOMMENDATION

The Director, Materials Management Service, should ensure that the Chief, General Procurement Division, reduces the number of future small purchases under \$500 procured by MMS credit card holders and issues more credit cards to supervisors of departments at the Central Office in order to procure future small purchases economically and timely (0209-03).

MANAGEMENT COMMENTS

The Director, Materials Management Service, agreed with the finding and the recommendation. GPO Instruction 805.27 *Obtaining, Using, and Safeguarding Commercial Credit Cards* has been revised and provides Central Office managers to obtain future small purchases economically and timely. The GPO Instruction will also reduce the number of small purchases procured under \$500. (See Appendix II.)

3. SPLIT PURCHASES

FINDING

Engineering Service's Pipe and Sheet Metal Department Supervisor exceeded the \$500 transaction limit imposed on the Department on August 21, 2001, by purchasing three pipes for \$1,405, contrary to GPO Instructions 805.27 and 825.18A. The individual pipe items were listed on the August 21, 2001, receipt in the amounts of \$466, \$438, \$499, and \$2 for diesel fuel surcharge (\$1,405). However, the vendor, knowing about the \$500 transaction limit, reported this to the credit card company as three charges on different days. The following month, GPO received separate charges on the monthly credit card statement for September 10, 12, and 13, 2001, in the amounts of \$500, \$500, and \$405 respectively.

Section 6.a. of GPO Instruction 805.27 states, "The total of a single purchase to be paid for using the card may be comprised of multiple items; the purchase limit cannot exceed \$500; and purchases may not be split to stay within this limit."

Standard 7 of GPO Instruction 825.18A states, "Transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports."

The \$500 transaction limit control was in place to prevent fraud, waste, and abuse. Splitting purchases in order to stay within the transaction limit puts GPO at risk for this type of activity.²

RECOMMENDATIONS

The Director, Engineering Service, should ensure that the Chief, Facilities Division:

- Monitors future credit card purchases by the Supervisor, Pipe and Sheet Metal Branch (0209-04); and
- Submits a request to Materials Management Service to increase the \$500 transaction limit to facilitate the future needs of Pipe and Sheet Metal Branch (0209-05).

² The auditors found 2 other instances after the audit period, where the vendor split the charges to avoid the \$500 transaction limit: (1) on February 5, 2002, two items for \$459.16 and \$400 were reported to the credit card company even though Engineering had an invoice for \$859.16; and (2) on February 7, 2002, four items for \$425 each were reported to the credit card company even though Engineering had an invoice for \$1,700.

MANAGEMENT COMMENTS

The Director, Engineering Service, agreed with the finding and has implemented the two recommendations. (See Appendix IV.)

4. PAYMENTS AUTHORIZED

FINDING

From July through December 2001, OIG auditors found that Personnel's Training and Career Development Branch secretary had authorized over \$238,000 for 157 training courses without certifying that the courses were attended by GPO employees and contrary to Section 5.d. (2) of GPO Instruction 805.27:

"Approving Official Statement. At the end of each billing cycle, the approving official will also receive a statement which will be composed of a copy of each card holder statement. This must be reviewed and verified to show that the purchases were made in the best interest of the Government. The approving official must then forward all certified statements to the finance office within 15 working days."

The Training and Career Development Branch processes the *Request, Authorization, Agreement and Certification of Training* form requests for GPO employees' training. The training form goes through a comprehensive approval process before the Chief, Training and Career Development Branch, signs it. The Training and Career Development Branch Secretary registers the employee for the training course requested using a GPO credit card. At the conclusion of the training course, the trainee completes Copy 9 - Section C of the training form evaluating the course. The trainee's supervisor then completes Copy 9 - Section D of the training form and forwards it to the Training Department. At the end of the month, the secretary matches the training forms to the monthly statements and has until the 17th of every month to forward the monthly statements back with her approval for payment to the Comptroller.

The auditors found that the Secretary was matching the original approved copy of the training form to the monthly statements and not Copy 9 that ensured that the trainee attended the training course. This process defeated the purpose of internal controls that MMS officials placed to ensure that the training was attended before payment was made.

The auditors judgmentally selected 11 expensive training courses that the Secretary approved for payment that ranged from \$1,487 - \$5,640. From telephone discussions with supervisors, we found that GPO employees did attend the 11 training courses.

RECOMMENDATION

The Director, Personnel, should ensure that the Chief, Training and Career Development Branch, receives Copy 9 of the *Request, Authorization, Agreement and Certification of Training* form before authorizing payment on future training courses or uses other alternate means of certification of training, such as making telephone calls to the employees' supervisors (0209-06).

MANAGEMENT COMMENTS

The Director, Personnel, disagreed with the recommendation. The Director does not feel that refusing to abide by GPO Instruction 805.27 and the internal controls in place by Materials Management Service will have any effect on the moneys lost because of non-attendance. The Director continues by stating that most training vendors charge a cancellation fee or will not pay a refund. The Director concluded that a memorandum would be sent to all supervisors to require that they document their employee's training with Copy 9. (See Appendix III.)

INSPECTOR GENERAL'S RESPONSE

The Director's failure to follow established internal control practices before authorizing hundreds of thousands of dollars every year for training identifies a weakness in providing reasonable assurances and safeguards against fraud, waste, and abuse. While the Director makes a valid point that some vendors charge a cancellation fee or will not pay a refund, there are other vendors that will compensate the trainee. The automatic payment of training whether or not the training was attended, without even trying to receive compensation, is not in the best interests of GPO and can lead to fraud, waste, and abuse.

During a recent review of government purchase cards, the Chairman of the House Energy and Commerce Subcommittee on Oversight and Investigations underscored the importance of good internal controls when he asked, "Why aren't the internal management controls set up to oversee the purchase card programs detecting fraud?"

At GPO, MMS has set up internal management controls to oversee the purchase card program, however, the Director, Personnel, declines to follow these controls and instead passes the control over to the supervisor. An alternative solution would be for the Director, MMS, to give more supervisors a government purchase card to pay for actual training attended by their employees and terminate the credit card used by the Training and Career Development Branch.

5. ANNUAL DOLLAR LIMITATIONS

FINDING

During the 6-month scope of the audit (July – December 2001), OIG auditors found that 5 of 30 credit card holders of the 7 departments at Central Office had exceeded their annual dollar limitations³ for credit card purchases that were established by MMS (See Appendix I.), contrary to paragraph 6.e. of GPO Instruction 805.27:

“The card holder may not exceed the monthly or annual limitations established for credit card purchases.”

The annual dollar limitations were placed as an internal control developed by MMS to protect against fraud, waste, and abuse. A review of the five credit card holders showed that two holders* from MMS General Procurement Division had doubled their annual dollar limitations:

<u>Title/Department</u>	<u>Annual \$ Limit</u>	<u>6-Month Purchase</u>
1. Purchasing Agent – MMS GPD	\$75,000	\$170,930*
2. Purchasing Agent – MMS GPD	50,000	66,875
3. Contract Specialist – MMS GPD	100,000	116,981
4. Purchasing Agent – MMS GPD	25,000	57,150*
5. Electrician - Engineering	5,000	5,351

RECOMMENDATIONS

The Director, Materials Management Service, should ensure that the Chief, General Procurement Division:

- Periodically reviews the annual dollar limitations of the credit card holders to ensure the holders do not exceed the established annual dollar limitations (0209-07); and
- Considers either raising the annual dollar limitations for the two credit card holders (purchasing agents) or decreasing their workload (0209-08).

³ While the 6-month audit scope covered 3 months of Fiscal Year 2001 and 3 months of Fiscal Year 2002, the total purchases should alert MMS officials that the established annual dollar limitations might need to be reviewed.

MANAGEMENT COMMENTS

The Director, Materials Management Service, agreed with the finding and the two recommendations and has taken corrective action. (See Appendix II.)

LISTING OF CENTRAL OFFICE CARD HOLDERS
BY DEPARTMENTS AT CENTRAL OFFICE
(JULY – DECEMBER 2001)

NO.	DEPARTMENT	TITLE	NO.	ANNUAL DOLLAR LIMIT	6 MONTHS PURCHASES
1	Customer Services' Typography Section	Chief, Visual Section	1	\$5,000	\$1,076
		Chief, Visual Section	2	5,000	31
		Chief, Typography	3	5,000	20
2	Equal Employment Office	EEO Specialist	4	5,000	1,534
3	Office of Inspector General	Sr. Computer Specialist	5	5,000	344
4	Occupational Health & Environmental Services	Supervisory Nurse Occupational Health	6	8,000	770
		Chief Medical Officer	7	8,000	668
5	Personnel's Training and Career Development Branch	Secretary	8	300,000	238,000
6	Materials Management Service General Procurement Division	Contract Specialist	9	100,000	17,186
		Purchasing Assistant	10	50,000	34,004
		Procurement Tech	11	25,000	1,534
		Purchasing Agent	12	75,000	170,930*
		Purchasing Agent	13	25,000	22,542
		Supervisory Purchasing Agent	14	50,000	8,496
		Purchasing Agent	15	50,000	66,875*
		Contract Specialist	16	100,000	116,981*
		Contract Specialist	17	100,000	7,413
		Contract Specialist	18	100,000	19,453
		Purchasing Agent	19	25,000	57,150*
7	Engineering Service's Facilities Division	Foreperson, Bldg Svc	20	5,000	3,031
		Leader, Electrical Br	21	5,000	1,480
		Electrician	22	5,000	5,351*
		Leader, Pipe Fitter	23	5,000	711
		Leader, Machine Sec	24	40,000	10,414
		Leader, Machine Sec	25	25,000	3,386
		Assistant Foreperson	26	5,000	2,348
		Leader, Pipe & SM	27	5,000	0
		Leader, Pipe & SM	28	25,000	5,561
		Foreperson, Power Br	29	5000	844
		Assistant Foreperson	30	5000	149

* Five of 30 credit card holders of the 7 departments at Central Office had exceeded their annual dollar limitations for credit card purchases that were established by MMS.

DIRECTOR, MATERIALS MANAGEMENT SERVICE, COMMENTS
UNITED STATES GOVERNMENT

memorandum

DATE: August 16, 2002

REPLY TO
ATTN OF: Director, Materials Management

SUBJECT: Response to Draft Report on Improving the Controls Over GPO's Smartpay Program at the Central Office

TO: Inspector General

Your draft report of performance audit of management controls over GPO's Smartpay Program at the Central Office provides constructive recommendations to improve management controls and will be implemented. Discussed below are the actions, either taken or planned for each of the five recommendations addressed to Materials Management Service:

1. Recommendation number one is to ensure that the Chief, General Procurement Division reconciles the receiving tickets to the disputed items as far back as to the inception of the Smartpay Program in 1998.

Response - The Chief, General Procurement Division had a total of 624 individual bills that needed to be reviewed for dispute. As of August 1st, General Procurement Division had reconciled approximately 312 statements and reduced the amount of disputes from approximately \$463,000 to \$92,000. It is anticipated that as of October 1st all disputes will have been resolved.

2. Recommendation number two is to ensure that the Chief, General Procurement develops and implements a new written policy on reconciling disputed items by MMS credit card holders.

Response - This has been done and a copy of the attached procedure for reconciling disputed items has been inserted into the guidebook for all General Procurement Division personnel to follow.

3. Recommendation number three is to ensure that the Chief, General Procurement Division reduces the number of future small purchases under \$500 procured by MMS credit card holders and issues more credit cards to supervisors and departments at the Central Office in order to procure future small purchases economically and timely.

Response - GPO Instruction 805.27, titled Obtaining, Using, and Safeguarding Commercial Credit Cards, has been revised and is being circulated for review. The revision provides for greater use of credit cards by managers in the Central Office so that they can obtain future small purchases economically and timely. This will also reduce the number of small purchases under \$500 procured by MMS credit card holders.

OPTIONAL FORM NO. 10
GSA
(REV. 1-94)
5010-118
NSN 7540-00-656-0924
FPI-SST

Page 2.

4. Recommendation number seven is to ensure that the Chief, General Procurement Division periodically reviews the annual dollar limitations of the credit card holders to ensure that the holders do not exceed the established annual dollar limitations.

Response - It will be the policy of the General Procurement Division that the Procurement Analyst will review, quarterly, cumulative expenditures against the established budgeted annual dollar limitations shown on the annual purchase request authorizing each credit card. In those instances in which the limit is being approached, a memorandum will be sent to the manager responsible for the credit card advising of the dollar limit and the amount spent and recommending that they either obtain additional funds to increase the limit or discontinue usage of the card.

5. Recommendation number eight is to ensure that the Chief, General Procurement Division considers increasing the annual dollar limitation of the two credit cardholders (purchasing agents) or decrease their workload.

Response - The limitation has been reviewed and as of October 1, 2002, to ensure better oversight and control, the dollar limit for all purchasing agents will be the same and will be a monthly limit of \$50,000 with a single purchase limit of \$25,000.

I appreciate you bringing these matters to my attention so that we can make every effort to ensure credit cards are used in a responsible manner.



J. KENNETH MEHAN

Attachment

ATTACHMENT

The following procedure has been inserted into the guide book for all MMG personnel to follow:

Reconciling disputed items

When the credit card statement is received, the Contracting Officer (CO) shall verify that the amount billed matches the amount entered into MMPCS and displayed on the purchase order (PB) screen. If these amounts do not match, or there are not ample funds to cover the items billed, the CO must decide if the discrepancy warrants a change order in the system. If so, this must be done prior to forwarding the bill for payment. If not, they must contact the vendor and resolve the dispute. If the vendor is wrong, the CO must write "dispute" by the item and the purchase request number. The vendor must issue a credit, which will appear on the bank statement within two months. When the credit appears, the CO must write the purchase request number that it pertains to on the statement. The CO is given 60 days by Bank of America to resolve any disputes, after 60 days they will be debited back the amount of the dispute. If this occurs, the CO shall notify the supervisor of the problem. Until resolved, the CO will keep the disputed requests in a pending folder.

UNITED STATES GOVERNMENT PRINTING OFFICE
DIRECTOR, PERSONNEL, COMMENTS

memorandum

DATE: AUG 26 2002

REPLY TO
ATTN OF: Director of Personnel

SUBJECT: Report on Controls over GPO's Smartpay Program

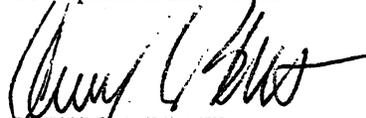
TO: Inspector General

This is in response to your draft memorandum on the Smartpay Controls. We discussed the credit card procedures in the Training and Career Development Branch with a member of your staff and do not concur with your recommendation.

We do not feel that following up on copy #9 of the Request, Authorization, Agreement and Certification of Training, SF-182, will have any effect on the moneys lost because of non-attendance. Most training vendors charge a cancellation fee or will not pay refunds for no-shows after a certain date. A typical example of this language can be found in the catalog from ESI: "Cancellations are subject to a \$150 processing fee, if cancelled within 30 days of the class start date. However, you may send a substitute or transfer to another ESI class without penalty prior to the start date of the class. No-shows cannot transfer payments to another ESI class and will not receive a refund." Therefore, since we have contracted for a space in the class, payment would be required even if the employee is unable to attend.

We continue to be concerned with the wasted training monies and will send a memo to remind all supervisors of the requirement to document their employee's training with copy #9.

If you have additional questions, please contact Steve Hayleck, Chief, Training and Career Development Branch on 512-1144.



EDWARD A. BLATT

IGA
8/27/02

DIRECTOR, ENGINEERING SERVICE, COMMENTS

UNITED STATES GOVERNMENT

memorandum

DATE: September 4, 2002

REPLY TO
ATTN OF: Chief, Facilities Division

SUBJECT: Authorization to sign Purchase Request

TO: Inspector General
Through: Director, Engineering Service *D/c 9/4/02*

These comments are in response to the draft recommendations for Improving the Controls over GPO's Smartpay Program.

We do not have a dispute with the two recommendations listed on page nine of the draft IG Report.

The recommendation to Monitor the Supervisor, Pipe and Sheet Metal Branch has already been implemented.

The recommendation to increase the \$500 transaction limit has been increased to \$1000 and will shortly be increased to \$2500.

Gerald Boock
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