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**AUDIT  
REPORT  
07-04**

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**FOLLOW-ON REPORT ON GPO  
PURCHASE CARD PROGRAM**

March 30, 2007

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**OFFICE OF INSPECTOR GENERAL**



U.S. GOVERNMENT  
PRINTING OFFICE  
KEEPING AMERICA INFORMED  
WASHINGTON, DC 20401

# Memorandum

OFFICE OF THE INSPECTOR GENERAL

DATE: March 30, 2007

REPLY TO

ATTN OF: Assistant Inspector General for Audits

SUBJECT: Final Follow-on Report on GPO Purchase Card Program  
Report Number 07-04

TO: Chief, Acquisition Services

Enclosed please find the subject final report. Please refer to the Executive Summary for the overall audit results. Our evaluation of your response has been incorporated into the body of the report and is included in its entirety as Appendix C. We consider management's proposed actions responsive to each of the report recommendations. The recommendations will continue to be open for reporting purposes until corrective actions are complete. Please notify us when actions have been completed on the remaining recommendations. The final report distribution is in Appendix E.

We appreciate the courtesies extended to the audit staff. If you have any questions concerning the report, please contact Mr. Dave Schaub, Supervisory Auditor at (202) 512-0065, or myself at (202) 512-2009.

A handwritten signature in cursive script that reads 'Kevin J. Carson'.

Kevin J. Carson  
Assistant Inspector General for Audits

cc:

Deputy Public Printer  
Chief Financial Officer  
Deputy Chief of Staff

## *Contents*

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<b>Executive Summary</b> .....	i
<b>Introduction</b> .....	1
<b>Findings and Recommendations</b> .....	3
Finding A. Use of Purchase Cards by Unauthorized Central Office Personnel.....	3
Finding B. Purchases for Departments other than the Cardholder's.....	6
Finding C. Supporting Documentation for Purchase Card Transactions not Always Maintained.....	9
Finding D. Sales Taxes Incurred on Tax-Exempt Purchases.....	13
Finding E. Approvals for Recurring Purchases from Same Vendors.....	15
Finding F. Monthly Bank Statement Review Procedures Need Improvement.....	19
Finding G. Bank Statement and Shipping Addresses.....	22
<b>Appendix A – Objectives, Scope, and Methodology</b> .....	25
<b>Appendix B – Acronyms Used in the Report</b> .....	27
<b>Appendix C – Management's Response</b> .....	28
<b>Appendix D – Status of Recommendations</b> .....	30
<b>Appendix E – Report Distribution</b> .....	31
<b>Major Contributors to the Report</b> .....	32

# GPO Office of Inspector General

Report Number 07-04

March 30, 2007

## Follow-on Report on GPO Purchase Card Program

### Executive Summary

**Background.** The GPO Office of Inspector General (OIG) has completed an audit of GPO's Purchase Card Program. The General Services Administration (GSA), through a contract with the Bank of America (BoA), provides GPO with purchase cards for employees to make purchases for official government use. The purchase card program at GPO is administered by the Office of Acquisition Services.

The purchase card program is intended to provide the Government with financial and cash management control over low dollar, high volume value procurements. GPO employees use the purchase cards for various purposes including purchasing supplies and services, emergency requirements, or to support production and field activities. Usage of purchase cards by GPO has experienced steady growth, from a program with 47 cardholders charging a total of \$130,788 in Fiscal Year (FY)1997 to a total of 94 cardholders charging a total of \$1,322,758 during the first seven months of FY 2006 (as of April 30, 2006).

**Objectives.** The overall audit objective was to evaluate the effectiveness of GPO's purchase card program. On January 9, 2006, we issued our first report related to this audit. Audit Report 06-01, "GPO Purchase Card Program Management Controls," addressed the objectives to determine whether (1) GPO has implemented appropriate management controls over the use of purchase cards, and (2) purchase cards are being utilized in compliance with applicable laws, regulations, policies, and procedures. The specific objectives related to this report were to (1) determine whether purchase cards are being used efficiently and cost-effectively, and (2) evaluate the effectiveness of the examination and payment process for purchase card transactions. Appendix A contains further details on the audit objectives, scope, and methodology.

**Results of Audit.** Management and supervisory controls over GPO cardholders' use and reporting of purchase card activities need strengthening to ensure that purchase cards are used in an efficient and cost-effective manner, by only authorized users and for legitimate GPO needs. In addition, controls related to the examination and payment process need improvement to ensure that purchase card transactions are supported by documentation and are properly reviewed and approved for payment by the appropriate authorities. The audit specifically identified that:

- (1) Unauthorized personnel in GPO's Central Office have used purchase cards (Finding A);
- (2) Cardholders purchased goods and services that were neither required by nor applicable to the needs of the cardholder's branch, division, or office (Finding B);
- (3) Cardholders were not always maintaining required records such as invoices, receipts and purchase logs to support purchases being made (Finding C);
- (4) GPO employees were incurring state and local sales taxes on purchases made with purchase cards that were otherwise tax-exempt (Finding D);
- (5) GPO purchase cards were being used for making recurring, large-dollar charges to the same vendors, potentially circumventing established procedures for Congressional review and approval (Finding E);
- (6) Procedures related to the review and approval of monthly bank statements detailing the charges made by cardholders were not always being followed (Finding F); and
- (7) Two GPO cardholders were having monthly bank statements sent to home addresses, and in some instances purchased goods were delivered to home addresses (Finding G).

**Recommendations.** A total of seven recommendations are made to GPO management. These recommendations, if implemented, will help strengthen management and supervisory controls over GPO purchase card usage, and also ensure that cards are used efficiently, cost effectively, for only documented GPO needs, and in compliance with applicable laws, regulations, policies and procedures.

**Management's Response.** GPO Management concurred with each of the report's seven recommendations. Management has proposed corrective actions that if implemented, will further help strengthen management and supervisory controls over the GPO purchase cards, and ensure that the cards are used not only efficiently and effectively, but also in compliance with applicable laws, regulations, policies and procedures.

**Evaluation of Management's Response.** We consider management's actions responsive to each of the report's recommendations.

## Introduction

The GSA, through a contract with BoA,<sup>1</sup> provides the GPO with commercial charge cards (purchase cards) for employees to make purchases under the single purchase threshold of \$2,500<sup>2</sup> for official government use. GPO uses the purchase cards for various purposes including purchasing supplies and services, emergency requirements, or to support production and field activities. Use of the purchase card benefits the Government through (among others) administrative cost savings,<sup>3</sup> refunds paid to agencies based upon the dollar value of transactions, availability of electronic access to transaction data by agencies, and worldwide acceptance.

GPO Instruction 805.27A, "Obtaining, Using and Safeguarding Commercial Credit Cards," November 5, 2002, contains the Agency's guidelines and procedures for commercial credit card purchases for supplies or services. This instruction states that it is GPO policy that all purchases of materials or supplies shall be made in accordance with applicable laws, regulations, procedures, and guidelines. Several revisions to this Instruction have been drafted; however, at the time audit field work for this portion of the audit was performed, GPO Instruction 805.27A was the operative GPO Instruction agency-wide. Subsequent to completion of audit field work, the Agency issued GPO Directive 805, "Obtaining, Using, and Safeguarding Commercial Credit Cards," October 2, 2006. GPO Directive 805 contains all of the control procedures that were previously required by GPO Instruction 805.27A, plus it includes additional controls that should further strengthen GPO's purchase card program. The new Directive also establishes the position of Approving Official (AO).

The purchase card program at GPO is administered by the Office of Acquisition Services. Personnel with the primary responsibilities for implementing and administering the purchase card program include the individual cardholder, the AO, and the Agency/Organization Program Coordinator (A/OPC). The individual cardholders are responsible for securing the card, maintaining purchase logs to track and ensure availability of funds, comparing prices, and reconciling and documenting transactions. AOs are typically supervisors or managers, and are responsible for assuring proper use of the purchase card, including verifying that the cardholders' purchases are necessary for accomplishing the Agency mission. The A/OPC is the agency focal point for issuing purchase cards, and establishing and maintaining accounts. Any changes related to purchase limits, account limits, etc., must be submitted to BoA by the A/OPC.

In the course of this audit, we selected a sample of purchase cards held by 63 cardholders. We reviewed BoA and GPO records and discussed card usage and related topics with the

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<sup>1</sup> GSA SmartPay Purchase Charge Cards are issued through contracts with five different banks. The banks are: (1) Bank of America; (2) Bank One; (3) Citibank; (4) Mellon Bank; and (5) US Bank. GPO's contract is solely with Bank of America.

<sup>2</sup> According to GPO Instruction 805.27A, the single purchase limit of \$2,500 does not apply to purchase cards held by Acquisition Services personnel.

<sup>3</sup> GSA has reported that the U.S. Government saves approximately \$1.3 billion per year through administrative savings with the charge card instead of traditional purchase order type transactions.

above referenced individuals. We also interviewed other GPO employees with responsibility for the purchase card program, as well as BoA employees.

## Findings and Recommendations

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### Finding A. Use of Purchase Cards by Unauthorized Central Office Personnel

Unauthorized<sup>4</sup> personnel in GPO's Central Office have used purchase cards during Fiscal Years 2005 and 2006. This situation is occurring because some cardholders were either unaware of GPO policy on restrictions related to authorized use or had not attended required cardholder training. As a result, some cards have been used not only by unauthorized users, but also for purchases of a questionable nature. Further improvement of controls over purchase cards should ensure that cards are kept and used only by authorized users and that they make only authorized purchases.

#### *Name Embossed on Purchase Card is the Authorized User*

At GPO, purchase cards are issued by BoA to specific individuals with explicit instructions that the cards are to be used only by the individual whose name is embossed on the card.

Section 6 (Authorized Uses) of GPO Instruction 805.27A, "Obtaining, Using, and Safeguarding Commercial Credit Cards," states that:

The credit card will be sent to the card holder with his/her name embossed on it, and it can only be used by that person. When not in use, the card must be secured on GPO premises at all times.

In Section 6(d), the instruction states the following:

...In addition, the card is not for one's own personal use and is to be used in a prudent manner.

Further guidance related to purchase cards is contained in GSA's online purchase card training, which is required of all GPO cardholders. Part I of the training module states:

**Your Purchase Card is issued to you for official Government business only.** The purchase card can **never** be used for personal reasons. Your name is imprinted on the card. Only you are authorized to use the card. Do not lend it to anyone. No member of your family or your staff, including your supervisor, may use your purchase card. Safeguard your purchase card number as well as the purchase card itself. (Emphasis added)

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<sup>4</sup> Unauthorized personnel refers to someone other than the individual whose name is embossed on the purchase card as the authorized cardholder.

### *Unauthorized Card Use in GPO Central Office*

We found several instances where purchase cards were used by GPO personnel other than the authorized cardholder. For example, in one instance, a GPO AO who was also a cardholder (until February 2006) claimed that he had used his purchase card “only once or twice” since it was issued. However, purchase card records from BoA showed that the purchase card in this individual’s name accumulated \$15,068.44 in charges for FY 2005, and another \$11,583.42 in charges for the first three months of FY 2006. Personnel in this individual’s department acknowledged that they had used the card for charging numerous items.

Another cardholder was not able to provide supporting documentation to verify the validity of 4 of the 13 purchase card charges we sampled. Three of the four unsupported charges totaling \$2,898 were made to the same vendor on the same day, indicating that in addition to not being supported, it appears that the charges were split to avoid the \$2,500 single purchase limit. There were even discrepancies for charges that did contain some sort of documented support. For example, three of the supported charges were made at various hotels in Nashville, Tennessee; New Orleans, Louisiana; and Reno, Nevada. In each case, the cardholder made a handwritten entry on their monthly BoA statement that another employee in the department had incurred various exposition costs such as “supply expenses, a VCR/TV rental, and conference related expenses,” respectively. When asked further about these charges, we were informed that there was an understanding within the cardholder’s department that when employees were out of the office (such as on travel), they were allowed to provide the cardholder’s purchase card number to vendors in order to complete purchases of necessary items. This cardholder had provided the employees making the purchases with the card number as well as the card’s expiration date.

The Customer Services Controller informed us about numerous charges totaling over \$3,100 that were incurred in January 2006 on the purchase card of a Bindery employee who had transferred from that department. Follow-up on this issue revealed that although the employee transferred on November 13, 2005, this purchase card was not cancelled until January 12, 2006, or 60 days later. During the period in question, a vendor provided safety shoes to Bindery employees, with the charges incurred using the transferred employee’s purchase card. Specifically, the charges represented a total of 16 different charges to the same vendor on the same day. A Bindery manager acknowledged that these purchases should have been placed on a purchase request and not on the purchase card because they were in effect split to avoid the \$2,500 single purchase limit.

### *Lack of Training and Awareness by Cardholders*

The above examples of purchase card transactions made by unauthorized users occurred primarily because cardholders were unaware of the restrictions on cardholders and many had not been formally trained in the proper care, maintenance and use of the purchase card. For example, the cardholder in the above example who shared their purchase card

number with employees in the field had not completed the required on-line purchase card training until December 20, 2005, despite having been a cardholder since May 28, 2003.

Allowing unauthorized personnel to use the purchase card represents a breakdown in controls that can result in fraud or waste. Further, the lack of sufficient documentation supporting purchases made with the card prohibits AO's and others from determining conclusively that the charges were for government-related purposes.

## **Recommendations**

In Audit Report Number 06-01, "GPO Purchase Card Program Management Controls," January 9, 2006, the OIG made a series of recommendations to improve management controls over the purchase card program. Two of these recommendations<sup>5</sup> were made to address the issue of unauthorized use of purchase cards by GPO personnel in the Agency's Regional Printing Procurement Offices. The recommendations made to management were:

The Managing Director, Customer Services, should direct the Chief Acquisition Officer to ensure that (1) the A/OPC reaffirms with all purchase card cardholders the current policy in GPO Instruction 805.27A concerning authorized users of purchase cards, and (2) procedures similar to those spelled out by the GSA in the training module "A/OPC Responsibilities" are developed and implemented in the future revision to 805.27A, to ensure that when cardholders are transferred, retire, or otherwise leave GPO, the A/OPC is notified so that cards are returned and then appropriately cancelled.

Management concurred with each of the recommendations and planned corrective actions that we considered responsive. In October 2006, the Agency issued GPO Directive 805 which clearly addresses authorized purchase card users as well as the consequences of unauthorized use. This directive also contains procedures to address cardholders who separate or retire from GPO or transfer to another GPO office. Because of the corrective actions taken by management on these previous recommendations, we are not making any formal recommendations and no further action is required by management with respect to this finding.

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<sup>5</sup> The recommendations were numbers 7 and 8 in Audit Report Number 06-01.