

Audit Report

AUDIT OF GSA'S
PURCHASE CARD PROGRAM
REPORT NUMBER: A080090/B/F/F09006
MAY 11, 2009

**Office of Inspector General
General Services Administration**



Office of Audits

GENERAL SERVICES ADMINISTRATION
OFFICE OF INSPECTOR GENERAL

**AUDIT OF GSA'S
PURCHASE CARD PROGRAM
REPORT NUMBER: A080090/B/F/F09006
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EXECUTIVE SUMMARY

Purpose

The objectives of the audit were to determine: (1) if satisfactory management controls exist for the ordering and accepting of goods and services by credit cardholders, and (2) if supervisors of credit cardholders are doing enough to protect the integrity of the government purchase function. The scope of our audit work included all General Services Administration (GSA) regions.

Background

The GSA SmartPay® program provides travel, purchase, fleet, and integrated charge cards to U.S. government agencies through master contracts with major national banks. The SmartPay® program allows participating agencies to streamline their procurement and payment processes, and provides significant administrative savings through the use of charge cards. In November 1998, GSA awarded Citibank its purchase card contract, and GSA cardholders began using the bank's purchase card to procure micro-purchases for needed supplies and services. The Office of the Chief Financial Officer (OCFO) is responsible for administering the program for the Agency.

GSA's policy regarding use of the purchase card is contained in CFO Order 4200.1, *Guidance on Use of the Credit Card for Purchases*. This policy allows authorized employees to use the purchase card whenever possible to make micro-purchases (i.e., small procurements up to \$3,000 for supplies and services¹ or \$2,000 for building services and alterations) on behalf of the Agency. Contracting officers are also encouraged to use the card as a payment vehicle when placing orders valued over \$2,500 against established contracts that authorize use of the card, and for other contracts when contractors agree to accept payment by credit card.

Results in Brief

Our audit found instances where administrative duties to be followed by cardholders, Approving Officials (AOs) and program coordinators outlined in CFO Order 4200.1, were not adhered to in the procurement and acquisition of supplies and services. Specifically, our audit noted the following:

- Inadequate controls over the purchase card application, maintenance, and account closure process;

¹ Prior to the Office of the Chief Financial Officer's Memo dated 2/13/2007, the amount of the micro-purchase threshold for procurements of supplies and services was \$2,500.

- An absence of policy to ensure the reasonableness of the span of control of AOs and cardholders;
- Use of the GSA purchase card for fleet related transactions; and
- Instances in which the Office of Inspector General (OIG) was not notified of possible card misuse and/or abuse, as required.

Recommendations

We recommend that the OCFO ensures that current purchase card policies are followed and consistently applied Agency-wide. Additionally, we recommend that an audit trail be maintained by cardholders, AOs, and purchase card coordinators for all aspects of the account application, maintenance, and closure process. We further recommend that the OCFO revise its current guidance to include the following: an established timeframe for the cancellation of cardholder accounts upon an employee's separation from the agency; and guidance on the span of control delegated to AOs (i.e., cardholder to AO ratios).

AUDIT OF GSA'S
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INTRODUCTION

Background

The General Services Administration's (GSA) SmartPay® program provides travel, purchase, fleet, and integrated charge cards to U.S. government agencies through master contracts with major national banks. The SmartPay® program allows participating agencies to streamline their procurement and payment processes, and provides significant administrative savings through the use of charge cards. In November 1998, GSA awarded Citibank its purchase card contract, and GSA cardholders began using the bank's purchase card to procure micro-purchases for needed supplies and services.

The Office of the Chief Financial Officer (OCFO) is responsible for administering the program for the Agency. Specifically, the Agency-wide purchase card program coordinator is the liaison between GSA and Citibank, who oversees the purchase card program; establishes policy and administrative procedures for use of the purchase card in GSA; monitors resolution of disputed purchases, credits, or billing errors; and provides administrative support and training to regional program coordinators. Additionally, the Agency-wide purchase card program coordinator approves changes to authorization limits and authorized merchant codes; provides training for Central Office cardholders and Approving Officials (AOs); coordinates the applications for setup, maintenance and cancellation of purchase card accounts for Central Office organizations; and conducts reviews of purchase card use. Regional purchase card program coordinators' responsibilities are similar to that of the Agency-wide purchase card program coordinator except for the fact that they are only responsible for their respective region.

GSA's policy regarding use of the purchase card is contained in CFO Order 4200.1, *Guidance on Use of the Credit Card for Purchases*. This policy allows authorized employees to use the purchase card whenever possible to make micro-purchases (i.e., small procurements up to \$3,000 for supplies and services² or \$2,000 for building services and alterations) on behalf of the Agency. Contracting officers are also encouraged to use the card as a payment vehicle when placing orders valued over \$2,500 against established contracts that authorize use of the card, and for other contracts when contractors agree to accept payment by credit card. During fiscal year (FY) 2007, GSA purchase cardholders made approximately 116,000 purchase card charges totaling \$81.7 million under the SmartPay® program.

² Prior to the Office of the Chief Financial Officer's Memo dated 2/13/2007, the amount of the micro-purchase threshold for procurements of supplies and services was \$2,500.

While our audit period covered FY 2007 purchase card transactions, which were regulated under the initial GSA SmartPay® contract, effective November 30, 2008, GSA SmartPay 2® (SP2) was implemented to provide agencies with needed improvements in key areas such as enhanced customer service; systems and data security; enhanced data capture; and tax reclamation. Banking institutions such as Citibank, JP Morgan Chase, and U.S. Bank have been contracted to provide new and improved purchase, travel, fleet and integrated charge card products to over 350 Federal agencies and organizations participating in the SP2 program. The new SmartPay® contract has a four-year base period, with one four-year option period, and one three-year option period.

Objectives, Scope, and Methodology

The objectives of the audit were to determine: (1) if satisfactory management controls exist for the ordering and accepting of goods and services by credit cardholders and (2) if supervisors of credit cardholders are doing enough to protect the integrity of the government purchase function. The scope of our audit work included all GSA regions.

To accomplish our objectives, we obtained the universe of purchase card transactions processed by GSA cardholders during fiscal year 2007 (October 1, 2006 through September 30, 2007) from Citibank. We then utilized the Office of Inspector General (OIG) Statisticians to generate the following samples:

| Audit Procedure | Sample Size | Confidence Level | Margin of Error |
|------------------------------------|------------------------|-------------------------|------------------------|
| Test of Active Cardholders | 53 Cardholders | 90% | 8 |
| Test of Closed Accounts | 48 Cardholders | 90% | 8 |
| Test of Approving Officials | 48 Approving Officials | 90% | 8 |
| Test of Purchase Card Transactions | 138 Transactions | 90% | 5 |
| Test of Questionable Transactions | 54 Transactions | Judgmentally Selected | |

We obtained and reviewed supporting documentation relating to the test items from program coordinators, cardholders, and AOs to determine whether purchases were appropriate, legitimate, and in compliance with stated purchase card guidance as well as CFO Order 4200.1. In addition, we inquired with the Agency Purchase Card Coordinator and OIG personnel regarding actions taken upon being made aware of unauthorized or fraudulent transactions.

The audit field work, including site visits, Regional correspondence, research, analysis, and summarization was conducted during the period of December 2007 to November 2008 and was conducted in accordance with Generally Accepted Government Auditing

Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS OF AUDIT

Results in Brief

Our audit found instances where administrative duties to be followed by cardholders, AOs, and program coordinators outlined in CFO Order 4200.1, were not adhered to in the procurement and acquisition of supplies and services.

Audit Findings

Finding 1: Inadequate Compliance with Policies Over the Purchase Card Application, Maintenance and Account Closure Process

Our FY 2007 audit of the GSA Purchase Card Program noted current practices employed by program coordinators for the application, maintenance, and closure of cardholder accounts are not in compliance with the established guidelines provided in CFO Order 4200.1. Details of our findings related to the account application, maintenance, and closure process are provided below.

Account Application and Maintenance Process

We noted that 13 of 53 purchase cardholders and/or designated AOs selected for testing did not have a completed GSA Form 3661 – *Purchase Card Application and Maintenance* – or lacked documentation verifying that the required purchase card training (initial and/or refresher) was completed. Per CFO Order 4200.1, cardholders must submit a completed GSA Form 3661 to the appropriate regional purchase card program coordinator with sections I-III completed by the cardholder and section IV signed by the appropriate Division Director/equivalent or higher level official and funds manager.

Account Closure Process

We noted that 31 of 48 account closures tested did not submit a GSA Form 3661 to the appropriate Regional coordinator to cancel the account as outlined in CFO Order 4200.1; moreover, three of the accounts tested were closed between 39 and 58 days after employee separation. One of the three accounts had charges totaling approximately \$3,800 that were made subsequent to the employee leaving GSA. Upon further investigation, we were able to determine that the post-separation charges were either the result of timing delays or pre-established auto-billings set up on the

employee's account. We obtained supporting documentation and/or reasonable explanations for the transactions and concluded that the employees' purchase cards were not used by another GSA employee.

CFO Order 4200.1 requires that cardholders submit a GSA Form 3661 to the appropriate regional coordinator to request cancellation or closure. As a result of inconsistent enforcement and adherence of current purchase card application and maintenance policies, as well as insufficient guidance over the account closure process set forth in, CFO Order 4200.1, a risk exists for cardholder account abuse or fraud.

Finding 2: Reasonableness of Cardholder to Approving Official Ratios

During our FY 2007 audit of the GSA Purchase Card Program, we noted the Agency does not have a policy to ensure that the span of control (i.e., review responsibilities and ratio of cardholders to AOs) is reasonable. While the Agency reported to OMB a cardholder to AO ratio of 2.9:1 for the program (in FY 2007), our review found several instances where that ratio was exceeded, noting an inequitable delegation of review responsibilities for AOs across the Agency.

Although CFO Order 4200.1 does not provide specific guidance for cardholder to AO ratios, OMB Circular A-123, Appendix B requires that the Agency maintain for their own use a ratio of AOs to purchase cardholders (span of control) and an average number of monthly purchase card transactions approved per AO. Over-extended AOs may not consistently perform their review responsibilities, which may result in potential cardholder abuse or fraud.

Finding 3: Unallowable Use of the GSA Purchase Card for Fleet Related Transactions

During our test of FY 2007 purchase card transactions, we noted four instances where cardholders used their purchase card to make fleet related purchases. Specifically, supporting documentation provided for the purchases showed that approximately \$3,000 was charged for oil and/or maintenance related services for fleet purposes. Furthermore, two of the four transactions in question did not have evidence of any written supervisory approval of the purchase.

According to CFO Order 4200.1, "purchases for GSA Fleet vehicles must be made using the fleet services card (part of the SmartPay® program) in order that... expenses are recorded to the proper vehicles. Any exceptions to use of the fleet services card for GSA vehicles must be approved by the Director, Fleet Management Division (FFF)."

Improper use of the GSA purchase card for prohibited purchases weakens the purpose of the Agency's policy and other governing regulations.

Finding 4: Notification of Fraudulent Charges to the Office of Inspector General (OIG)

Our sample for testing included three transactions, totaling approximately \$8,790, which were identified by the cardholders and reported to Citibank and the Agency as fraudulent in nature. Specifically, the three transactions were coded in the Citibank Reporting System with an account status code of "stolen / unauthorized". Upon further investigation, we learned that the charges were reported by the cardholders to Citibank as a result of their card(s) being stolen, lost, and/or misused. The transactions varied in disposition, from casino hotel charges, to airplane tickets, and food. We determined that these fraudulent transactions were resolved, and related expenditures were recouped by the Agency. However, we found no evidence that these three transactions were properly communicated to the OIG, as required per CFO Order 4200.1.

Per CFO Order 4200.1, "GSA would be liable for any use of the card by authorized cardholders. Therefore, the approving official must notify the Office of the Inspector General and the purchase card program coordinator immediately upon becoming aware of the occurrence of any unauthorized purchases, negligence, or misuse of the purchase card."

As a result of inconsistent enforcement and lack of adherence to the Agency's purchase card policies – particularly pertaining to unauthorized purchases – negligence or misuse of the purchase card, as well as controls designed for the safeguarding and monitoring of the purchase card program are weakened.

CONCLUSION

Our FY 2007 audit of the GSA Purchase Card Program noted instances where administrative duties to be followed by cardholders, AOs, and program coordinators were not always adhered to, as outlined in CFO Order 4200.1. Specifically, we noted inadequate controls over the purchase card application, maintenance and account closure process; an absence of policy regarding the span of control of AOs; instances of insufficient documentation of supervisory approval of purchase card transactions; and use of the GSA purchase card for fleet related transactions, without documented exception. Also, there was no evidence of whether the OIG was notified of possible card misuse and/or abuse, as required per purchase card guidance.

In brief, we recommend that the OCFO ensures that current purchase card policies are followed and consistently applied Agency-wide. We also recommend that current guidance be revised to emphasize the importance of maintaining a complete audit trail; enforcing the timeliness of account closures; and performing thorough supervisory reviews and oversight for all purchase card purchases. By addressing these areas of concern, management can further ensure a more efficient and effective purchase card program. This is particularly important as the Agency could potentially experience increased purchase card activity during the implementation of the American Recovery

and Reinvestment Act of 2009; therefore, management should be cognizant and proactive in mitigating potential waste, fraud, and abuse of purchase card transactions relating to the economic stimulus package.

RECOMMENDATIONS

We recommend that the Office of the Chief Financial Officer take steps to ensure a more efficient and effective purchase card program by:

1. Ensuring that current purchase card policies are followed and consistently applied Agency-wide. Additionally, we recommend that an audit trail be maintained by cardholders, AOs and purchase card coordinators for all aspects of the account application, maintenance, and closure processes. We further recommend that the OCFO revise its guidance on the account closure process to establish a timeframe for the cancellation of cardholder accounts.
2. Revising CFO Order 4200.1 to include guidance on the span of control and oversight responsibilities delegated to AOs; specifically, as it pertains to the ratio of cardholders to AOs, as required by OMB Circular A-123, Appendix B.
3. Ensuring that all guidelines are followed when using government funds to purchase goods and services, avoiding contradiction with the Agency's guidance and other regulations. We further recommend that management ensures that in cases of exceptions to the policy, that the necessary approvals needed to authorize the purchases are documented and maintained in the cardholder account file (i.e., in an audit trail).
4. Ensuring guidance pertaining to the proper notification of all parties, in accordance with CFO Order 4200.1, of any unauthorized purchases, negligence, or misuse of the purchase card is followed.

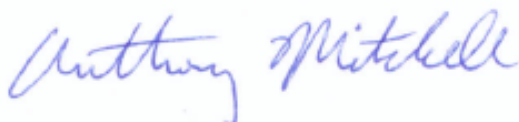
MANAGEMENT'S RESPONSE

Management's response dated April 22, 2009 states they concur in part with the audit findings and recommendations noted in the audit report. This final audit report reflects changes that were made based on our review and analysis of additional audit documentation and in response to management's response of the draft audit report issued February 25, 2009. A copy of management's comments is provided in its entirety in Appendix A.

MANAGEMENT CONTROLS

The objective of our audit was to determine if satisfactory management controls exist for the procurement of goods and services by GSA purchase card holders during fiscal year 2007; and if supervisors of cardholders were doing enough to protect the integrity of the government procurement function. As part of the audit, we reviewed the controls over the purchase card application and maintenance process, as well as the purchase card procurement process. During our audit, we noted concerns with regard to the completeness and the maintenance of an audit trail of the forms required to establish a purchase card account. In addition, we identified instances where the GSA purchase card was used for fleet related transactions. We have included recommendations in this report to address these issues.

We would like to thank the Office of the Chief Financial Officer for the courtesies extended to us during our review. If you have any questions regarding this report, please do not hesitate to call Anthony Mitchell, Audit Manager, at 202-501-0006.



Anthony Mitchell
Audit Manager
Finance and Administrative Audit Office (JA-F)

APPENDIX A

**AUDIT OF GSA'S PURCHASE CARD PROGRAM
REPORT NUMBER: A080090/B/F/F09006**

**GSA OFFICE OF THE CHIEF FINANCIAL OFFICER'S RESPONSE TO THE DRAFT
REPORT OF THE AUDIT OF GSA'S PURCHASE CARD PROGRAM**



GSA Office of the Chief Financial Officer

May 6, 2009

MEMORANDUM FOR JEFFREY C. WOMACK, CPA
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR FINANCE AND ADMINISTRATIVE AUDITS

FROM:

KATHLEEN M. TURCO 
CHIEF FINANCIAL OFFICER (B)

SUBJECT:

Audit of GSA's Purchase Card Program,
Report Number: A080090/B/F/

Thank you for providing me with the opportunity to review the Office of the Inspector General (OIG) audit results on the U.S. General Services Administration (GSA) purchase card program. The Office of the Chief Financial Officer (OCFO) is committed to continually assess and improve the internal controls and reduce the risk of fraud, waste, and abuse in the GSA charge card program. The attachment provides relevant feedback to address the OIG findings.

As in the past, GSA management has been responsive in implementing appropriate OIG recommendations. GSA recognizes that the OIG can provide invaluable assistance in the management of its programs. I look forward to continuing to work with the OIG to promote government efficiency and effectiveness.

Attachment

GSA OFFICE OF THE CHIEF FINANCIAL OFFICER RESPONSE
AUDIT OF GSA'S PURCHASE CARD PROGRAM
REPORT NUMBER: A080090/B/F/
DATED APRIL 22, 2009

The Office of the Chief Financial Officer (OCFO) would like to thank the Office of the Inspector General (OIG) for reviewing GSA's purchase card program and providing important feedback in order to improve the effectiveness of the program. The OCFO is committed to prescribing policies and procedures to maintain internal controls that reduce the risk of fraud, waste, and abuse in GSA's government charge card program.

A. General

GSA has management controls, policies and procedures, and review processes to ensure proper use of the purchase card and monitor its use. The following reports, processes and reviews are in place to strengthen the oversight and management of the program:

- In most cases, the approving officials (AOs) at GSA are front line managers supervising the cardholder. At month end, the Pegasys (GSA's financial system of record) charge card module automatically emails AOs a consolidated report of all their cardholders' charge card transactions. An AO can also elect to receive daily emails of new charge activity, as it occurs, and also assess a variety of reports on their cardholders at anytime from the Pegasys reports module. All AOs are required to review their monthly reports and take action on all unauthorized charges. In addition, the Office of the Chief Financial Officer monitors AO reviews to ensure completion.
- An Impending Suspensions Report contains the names of AOs who failed to review three or more monthly statements. Approving Officials have 10 days to certify their review of transactions or the spending authority for their cardholders will be suspended.
- A Questionable Charges Report is sent to Heads of Services and Staff offices (HSSOs), Regional Administrators (RAs), and the OIG for review and action.
- The OCFO conducts a 100 percent monthly reconciliation of active purchase card accounts with the issuing bank, Citibank, to active personnel on the payroll records. A comparison is made between the two reports. The Citibank cardholders' accounts are cancelled for any active cardholders who are not listed on the payroll records.

- On all cards, GSA has set the expiration date at two years from issuance. This provides some measure of protection against accounts remaining open indefinitely.
- Random sampling and review of purchase card transactions and documentation is performed by the Kansas City Financial Services Division.
- A review of inactive cardholder accounts is performed semi-annually. The OCFO submits a report to regional coordinators who work with their approving officials to ascertain whether the accounts are still needed. Accounts that are no longer needed are cancelled with Citibank.
- During the annual internal control assessment under OMB Circular A-123, Appendix A, *Internal Control over Financial Reporting*, the OCFO performs tests of internal controls in the charge card program. Upon identification of internal control deficiencies, corrective action plans are developed for remediation.

B. Comments on Findings

Audit Finding 1: Inadequate Compliance with Policies Over the Purchase Card Application, Maintenance and Account Closure Process

Account Application and Maintenance Process

OIG Finding: We noted that 13 of 53 purchase cardholders and/or designated AOs selected for testing did not have a completed GSA Form 3661 – *Purchase Card Application and Maintenance* – or lacked documentation verifying that the required purchase card training (initial and/or refresher) was completed. Per CFO Order 4200.1, cardholders must submit a completed GSA Form 3661 to the appropriate regional purchase card program coordinator with sections I-III completed by the cardholder and section IV signed by the appropriate Division Director/equivalent or higher level official and funds manager.

OIG Recommendation: Ensure that current purchase card policies are followed and consistently applied Agency-wide. Additionally, we recommend that an audit trail be maintained by cardholders, AOs and purchase card coordinators for all aspects of the account application, maintenance, and closure processes.

Management Response: As a practice, some coordinators verify the completion of cardholder and AO training through GSA Online University (OLU) and annotate this information on the GSA Form 3661. Therefore, the coordinator may not have maintained a certificate of training for each cardholder and/or approving official.

There are two signatures on the GSA Form 3661 – Requesting Official and Funds Manager. The Funds Manager signature denotes approval of the monthly spending limits (30 Day Purchase Limit on the form) and is only needed for new cardholder accounts and changes to the monthly spending limits.

Regarding the lack of AO training or supervisory approvals on the GSA Form 3661, we were unable to determine whether there was an issue with the AO training or with supervisory approval. In the majority of cases, we are confident that the supporting documentation existed and could have been provided if the name of the AO and the specific issue was identified.

Account Closure Process

OIG Finding: We noted that 31 of 48 account closures tested did not submit a GSA Form 3661 to the appropriate Regional coordinator to cancel the account as outlined in CFO Order 4200.1; moreover, three of the accounts tested were closed between 39 and 58 days after employee separation. One of the three accounts had charges totaling approximately \$3,800 that were made subsequent to the employee leaving GSA. Upon further investigation, we were able to determine that the post-separation charges were either the result of timing delays or pre-established auto-billings set up on the employee's account. We obtained supporting documentation and/or reasonable explanations for the transactions and concluded that the employees' purchase cards were not used by another GSA employee.

OIG Recommendation: We recommend that the OCFO revise its guidance on the account closure process to establish a timeframe for the cancellation of cardholder accounts.

Management Response: The OCFO agrees with the recommendation to establish a timeframe for cancellation of cardholder accounts and will revise the current policy. Although the CFO Order 4200.1, *Guidance on Use of the Credit Card for Purchases*, requires a GSA Form 3661 for account cancellation, the current practice has been to accept other forms of written documentation in lieu of the form. The OCFO will modify its policy to reflect these practices.

In addition, the OCFO instituted a process to ensure that accounts are closed with the issuing bank for cardholders who have separated from GSA. In this process, a monthly file of active cardholders from the issuing bank is matched with a current GSA payroll file. Any cardholder account that does not tie to the GSA payroll file is cancelled directly with the issuing bank by the OCFO. The purchase card program operates on monthly cycles. Therefore, if an employee separates from the agency at the beginning of a cycle, this process of report generation, review, and account closure can take approximately 60 days.

We do not concur with the final section, “Two of the six accounts had charges...” Due to the nature of charge card business, purchases may be made during the time that a purchase cardholder is a GSA employee; however, the merchant may process those transactions and the issuing bank post those transactions after a cardholder leaves the agency. The OIG found all of the post-separation charges to be of this nature. Therefore, the OIG finding section beginning with “Two of the six accounts ...” to the end should be deleted as it is not a finding. It is also not reflected in the recommendation.

Audit Finding 2: Reasonableness of Cardholder to Approving Official Ratios

OIG Finding: The Agency does not have a policy to ensure that the span of control (i.e., review responsibilities and ratio of cardholders to AOs) is reasonable. While the Agency reported to OMB a cardholder to AO ratio of 2.9:1 for the program (in FY 2007), our review found several instances where that ratio was exceeded, noting an inequitable delegation of review responsibilities for AOs across the Agency.

OIG Recommendation: Revise the CFO Order 4200.1 to include guidance on the span of control and oversight responsibilities delegated to AOs; specifically, as it pertains to the ratio of cardholders to AOs, as required by OMB Circular A-123, Appendix B.

Management Response: The OCFO concurs with the recommendation to provide additional policy guidance on the span of control to include a reasonable ratio of cardholders to an AO. In addition, reports will be periodically generated to monitor this span of control. As required by OMB, GSA reported an actual cardholder to AO ratio of 2.9:1 during FY 2007. This number was an average of all cardholders to AOs and does not reflect a ratio established by GSA or OMB.

Audit Finding 3: Unallowable Use of the GSA Purchase Card for Fleet Related Transactions

OIG Finding: We noted four instances where cardholders used their purchase card to make fleet related purchases. Specifically, supporting documentation provided for the purchases showed that approximately \$3,000 was charged for oil and/or maintenance related services for fleet purposes. Furthermore, two of the four transactions in question did not have evidence of any written supervisory approval of the purchase.

OIG Recommendation: Ensure that all guidelines are followed when using government funds to purchase goods and services, avoiding contradiction with the Agency’s guidance and other regulations. We further recommend that management ensures that in cases of exceptions to the policy, that the

necessary approvals needed to authorize the purchase are documented and maintained in the cardholder account file (i.e., in an audit trail).

Management Response: The OCFO sends a monthly Questionable Charges Report to HSSOs and RAs. One of the items captured on this report is fleet-related purchases. According to OCFO policy, the AO is responsible for investigating and resolving these purchases to determine whether appropriate action was taken, i.e., investigating the circumstances of the purchases and taking appropriate disciplinary action as necessary. Some cardholders have purchase, fleet and/or travel cards and have mistakenly used the wrong card on occasion. We recommend that the OIG follow-up with the appropriate purchase card coordinator to verify that these transactions were reflected on the monthly Questionable Charges report and whether officials took the appropriate action to resolve the matter. In addition, the OCFO regularly tests samples of questionable charges during A-123 reviews to determine whether management is following up and resolving these charges as appropriate.

Audit Finding 4: Notification of Fraudulent Charges to the Office of Inspector General

OIG Finding: Our sample for testing included three transactions, totaling approximately \$8,790, which were identified by the cardholders and reported to Citibank and the Agency as fraudulent in nature. Specifically, the three transactions were coded in the Citibank Reporting System with an account status code of “stolen / unauthorized”. Upon further investigation, we learned that the charges were reported by the cardholders to Citibank as a result of their card(s) being stolen, lost, and/or misused. The transactions varied in disposition, from casino hotel charges, to airplane tickets, and food. We determined that these fraudulent transactions were resolved, and related expenditures were recouped by the Agency. However, we found no evidence that these three transactions were properly communicated to the OIG, as required per CFO Order 4200.1.

OIG Recommendation: Ensure guidance pertaining to the proper notification of all parties, in accordance with CFO Order 4200.1, of any unauthorized purchases, negligence, or misuse of the purchase card is followed.

Management Response: The OCFO concurs with this finding. Although the intent of the OCFO policy requires notification to the OIG upon cardholder misuse, it is not explicitly stated. The OCFO will modify its policy to provide clarification on when matters should be reported to the OIG.

The audit report states that cardholders reported transactions to Citibank and the Agency that were fraudulent in nature. Those charges were reported to Citibank as a result of their card(s) being stolen, lost, and/or misused. The report stated that there was no evidence that those transactions were properly communicated to the OIG. However, the intent of the policy is to notify the OIG upon fraud or

misuse of the card by an authorized cardholder, not for each incidence of lost or stolen cards, or disputed transactions. It is the cardholder's responsibility to immediately report lost or stolen cards directly to the bank in accordance with the cardholder agreement. In addition, non-recognized charges are reported to the bank through the dispute process. It is the bank's responsibility to initiate an investigation of those charges.

In addition, the OCFO sends OIG monthly reports of detailed transaction data for each cardholder, monthly Questionable Charges reports, and provides them access to Citibank's electronic reporting system for review purposes.

APPENDIX B

AUDIT OF GSA'S PURCHASE CARD PROGRAM
REPORT NUMBER: A080090/B/F/F09006

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