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**AUDIT
REPORT
07-04**

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

March 30, 2007

OFFICE OF INSPECTOR GENERAL



U.S. GOVERNMENT
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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.

Handwritten signature of Kevin J. Carson in cursive script.

Kevin J. Carson
Assistant Inspector General for Audits

cc:

Deputy Public Printer
Chief Financial Officer
Deputy Chief of Staff

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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,¹ provides the GPO with commercial charge cards (purchase cards) for employees to make purchases under the single purchase threshold of \$2,500² 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,³ 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

¹ 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.

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

³ 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

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

Unauthorized⁴ 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)

⁴ 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 recommendations⁵ 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.

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

B. Purchases for Departments other than the Cardholder's

Cardholders were making purchases of goods and services that were neither required by, nor applicable to the needs of the cardholder's branch, division, or department. This occurred because cardholders were being directed by other GPO organizations to make these purchases. In addition, the cardholders and their AOs were not complying with GPO policy with respect to affirmatively stating that charges were for items and/or services required to meet the office's needs. Using purchase cards in this manner impacts the accuracy of budgeted expenses for various GPO cost centers, places risk for payment on the individual cardholder, and potentially increases the risk of fraud, waste and abuse.

Purchase Cards Should be used in a Prudent Manner

GPO Instruction 805.27A, Section 5, part e (2), "Approving Bank Statement," states that the cognizant supervisors/managers [now referred to as Approving Officials (AO)] are responsible for reviewing, approving, and signing the bank statement for charges made by their employees, and as such must affirmatively state that the charges made by their employees were for items and/or services required to meet the needs of the office. At the end of the billing cycle, the cognizant official will also receive a statement, which will be comprised of a copy of each cardholder statement. This must be reviewed and verified by the cognizant official to show that the purchases were made in the best interest of the Government.

Further guidance related to the proper use of purchase cards is contained in the GSA on-line purchase card training, which is required of all GPO cardholders. Part I of the training module, "Creating a Blue Print, Getting Started," states that the most important player on the purchase card team is the cardholder and that the role of the cardholder is to use the purchase card to buy goods and services for Government use. The cardholder has the primary responsibility for the proper use of the purchase card including:

- Secure the card
- Maintain a purchase log
- Use the card only to make informed buys of approved goods and services
- Reconcile and document transactions
- Use the card ethically

The training module also states that the cardholder "...is the Government's legal agent for each purchase made with the purchase card. You are legally responsible and accountable for each transaction. You must comply with all applicable regulations and procedures of your agency."

With respect to the AO, the GSA training module states that the primary purpose of the AO is to assure proper use of the purchase card. The AO makes sure that your purchases are necessary for accomplishing the mission of your agency.

Purchases Potentially not in the Government's Best Interest

We identified several purchases by cardholders that appeared to be neither required by, nor applicable to, the mission or needs of the cardholder's GPO branch, division, or office. Although this practice was not widespread, that fact that it was occurring was indicative of a potential control weakness that should be promptly addressed.

Among the questionable purchases we identified included a charge of \$1,000 in October 2004 to "Friends of the National Zoo" by a cardholder in GPO's Human Capital Office. When questioned about this particular charge, the cardholder stated that the \$1,000 charge was the down payment for a tent rental for the annual GPO employee picnic. The cardholder provided an invoice supporting the explanation and stated that he was instructed by an official in the Public Printer's Office to make the charge using the purchase card. When asked about the explanation, the cardholder stated that when instructed by the Public Printer's Office to make such a charge, cardholders don't question the need for the requested item. The purchase was not required by or applicable to the cardholder's GPO office.

In another instance, a cardholder in GPO's Engineering Services made numerous charges at a variety of merchants between October 2004 and January 2006. A summary of this cardholder's charges during the period in question included the following:

- 16 charges to Home Depot, totaling \$2,792.18
- 4 charges to Party Cloths Inc., totaling \$1,523.32
- 2 charges to Capital Party Rental, totaling \$1,012.80
- 3 charges to The Sports Authority, totaling \$189.93
- 1 charge to Lanham Cycle & Turf, totaling \$1,859.00
- 1 charge to Allied Rentals, totaling \$2,199.60
- 1 charge to A&A Wholesale, totaling \$90.00
- 1 charge to The Tablecloth Co., totaling \$7.60

When questioned about these various charges, the cardholder stated that the majority of the purchases were directed by officials in the Public Printer's Office. The cardholder stated that the large number of charges at Home Depot were to obtain flowers, plants and other similar items for the planter fixtures outside several GPO entrances. An official in the Public Printer's Office acknowledged that the cardholder was directed to make these purchases and justified the purchases because Engineering Services personnel were responsible for maintaining the planter fixtures, therefore, the charges were considered to be capital improvements.

Several of the other charges which the cardholder in Engineering Services was directed to make were for items to support various GPO social events. The justification provided as to why these purchases were made was that the cardholder in the Public Printer's Office who would normally make these types of purchases was on extended leave, therefore necessitating that the purchases be made by a cardholder in Engineering Services. When we asked the cardholder for documentation supporting the directed purchases, he

provided e-mail messages supporting two purchases (one of which was for a related charge, but subsequent to the audit's sampling period). The cardholder claimed that there were other e-mails, but could not produce them because they had been deleted. Officials in the Public Printer's Office who directed the purchases were also unable to provide any documentation justifying the purchases.

GPO Instruction 805.27A states that purchases must be for items and/or services required for meeting the needs of the office and that the cardholder's supervisor/manager must verify that the purchases were made in the best interest of the Government. Recently issued (October 2006) GPO Directive 805 contains similar language concerning authorized users of the purchase card.

Impact of Questionable Purchases on GPO Budget

Using purchase cards in the manner depicted in the above examples not only potentially impacts the accuracy of budgeted expenses for various GPO cost centers, but also places risk for payment on the individual cardholder, and increases the risk of fraud, waste and abuse. Charges made by one cardholder for the benefit of, or at the direction of, another section or department may impact the accuracy of budgeted expenses for various GPO cost codes. Further, the cardholder who accepts the directive of another office to make charges with their assigned purchase card assumes all risk for the legitimacy of the purchase. GPO management should take prompt action to strengthen controls in this area.

Recommendations

1. The Chief, Acquisition Services, should direct the A/OPC to formally notify all cardholders and AOs of the requirement in GPO Directive 805 that purchase cards are to be used only for items and/or services required to meet the needs of the office of the cardholder and that the cardholder's AO must verify, through the review and approval of each cardholder's monthly billing statement, that each purchase made using the purchase card was in the best interest of the Government.

Management's Response. Concur. Cardholders and authorizing officials have been reminded of GPO Instruction 805.27A. The complete text of management's response is in Appendix C.

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. However, as noted in the discussion portion of the finding, the new guidance related to purchase cards is contained in GPO Directive 805. As such, cardholders should be advised of the requirements in the new directive. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.

C. Supporting Documentation for Purchase Card Transactions not Always Maintained

Cardholders were not always maintaining required records to support purchases being made. Specifically, required supporting records such as invoices, receipts, and purchase logs were not being maintained by all cardholders. This situation is occurring because cardholders and AOs were not familiar with the record-keeping requirements of GPO Instruction 805.27A. The lack of consistent documentation supporting purchase card transactions is indicative of an internal control weakness, which if not adequately addressed, could potentially lead to unnecessary or even fraudulent purchases.

Purchase Card Documentation Requirements

GPO Instruction 805.27A, Section 5, part d, “Supporting Documents,” states that:

A log, or record of purchase, will be maintained listing the date the item or service was ordered, from whom, description, price, date delivered, and billing amount. This document along with copies of itemized sales and/or delivery receipts and monthly bank statements, shall be retained for 3 years after final payment. The original receipts and statements shall be forwarded to the cognizant official [the AO].

Part e, “Billing and Reconciliation,” states that “Cognizant Officials (AOs) must ensure that required documentation supports the data on the billing statements.”

Further guidance on documentation is contained in the GSA’s on-line purchase card training required of all cardholders. Part III of the training, “Laying the Foundation,” subpart 2, “Ensure Availability of Funds,” states in part that “cardholders must track purchases during the month to ensure that there are sufficient funds available to make all required purchases. Cardholders must use a log system to record purchases and the dollar amounts committed.”

The U.S. Government Accountability Office’s “Standards for Internal Control in the Federal Government,” November 1999, provides the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse and mismanagement. Among the five standards for internal control is “Control Activities,” which help ensure that management’s directives are carried out. Examples of control activities include (among others) appropriate documentation of transactions and internal control, which is defined as:

Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.

Purchase Card Documentation not Maintained or Readily Available

We identified several cardholders who either did not maintain or were unable to readily produce records and documentation such as invoices, receipts, and purchase logs to support transactions made with purchase cards. Despite the reinforcement of this requirement by Acquisition Services requiring current proof of GSA's online training to emphasize this point, many cardholders had little or no documentation to support their individual transactions.

We identified 16 cardholders (out of 63 sampled) who did not consistently maintain invoices, receipts, and/or other supporting documents to verify that items they purchased were (a) appropriate for government use; (b) benefiting from government discounts; (c) not being charged sales tax or other taxes; or (d) actually received (i.e. showing proof that the quantity/type(s) of items ordered matched the quantity/type(s) of items received).

Our sampling of one purchase card during the period of October 2004 through January 2006 showed that the card had been used for a significant number of purchases made to vendors not usually associated with providing supplies and services to the government. A sampling of the cardholder's purchases during this period included the following items:

- 4 charges to Michael's (arts & crafts store), totaling \$193.80
- 3 charges to Party City of Fairfax, totaling \$272.60
- 7 charges to Deer Park Water, totaling \$257.09
- 2 charges to Oriental Trading Co., totaling \$215.62
- 2 charges to Target (variety/drug store), totaling \$131.33
- 4 charges to Splash Car Wash, totaling \$68.60

When asked to provide documentation supporting each of the above purchases, the cardholder was not able to readily provide invoices, receipts, written justifications, evidence of AO approvals, or any other type of support for the purchases made. The cardholder's supervisor, a representative for the cardholder's AO, when asked about the purchases and lack of support stated that many of the charges were for decorations, kitchenware, and sundries for various GPO social and business functions. This supervisor also stated that they were not aware of the requirement to maintain supporting documentation or a purchase log. Despite the lack of documentation, the AO had reviewed and signed off for payment on the cardholder's monthly statements. The AO's representative was able to show us the various decorations, kitchen items and sundries that were purchased.

A similar lack or incompleteness of supporting documentation was also identified for the other cardholders' sampled. In addition to the lack of supporting documentation, we also noted that the 16 cardholders either did not prepare, or incompletely prepared, purchase logs to record purchase card transactions each month. In those instances where we did identify a purchase log, the logs did not contain the information required by either GPO Instruction 805.27A or GSA's on-line purchase card training.

Cardholders not Familiar with Documentation Requirements

Given the number of cardholders with incomplete or nonexistent documentation, it would appear that a majority of cardholders are unfamiliar with the requirements of GPO Instruction 805.27A. In addition, many AOs are equally unfamiliar with the requirement for maintaining and reviewing the cardholder's purchase log. Regardless, there appeared to be confusion among both cardholders and AOs with respect to requirements for maintaining supporting documentation. For example, several cardholders whose cards were used only a few times per month informed us that they typically forwarded their monthly bank statement along with any applicable supporting documentation to their AO each month. The AO would then forward the information to the GPO Chief Financial Officer's (CFO) office for payment.

Despite the requirement of GPO Instruction 805.27A to maintain copies of supporting documentation, we noted inconsistencies between cardholders and AOs. Although there generally was supporting documentation maintained in the CFO's office for purchase card transactions prior to FY 2005, we were informed that procedures were changed in 2005 and that supporting documentation was no longer required by the CFO's office to support payment. The Chief, Acquisition Services, informed us that he had revised this requirement and wanted all cardholders to send bank statements and copies of supporting documentation to Acquisition Services. We found, however, that many cardholders were either not aware or not in compliance with this change.

Maintaining documentation to support purchase card transactions not only establishes an appropriate audit trail, but also is an effective internal control to protect GPO against unnecessary, wasteful or fraudulent purchases. Management should take appropriate action to ensure that all cardholders are clearly reminded of and adhere to the documentation retention requirements of GPO Instruction 805.27A (GPO Directive 805 contains similar guidance). This action should help strengthen internal controls over this potentially vulnerable area.

Recommendations

2. The Chief, Acquisition Services, should direct the A/OPC to formally notify all cardholders and AOs that all charges made with the cards must be supported with the documentation required by GPO Directive 805 to include invoices, receipts, and shipping and receiving documents. In addition, cardholders should be reminded of the requirement in GPO Directive 805 for the cardholder to maintain purchase logs.

Management's Response. Concur. Cardholders have been reminded of the necessity of supporting documentation. The complete text of management's response is in Appendix C.

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.

Finding D. Sales Taxes Incurred on Tax-Exempt Purchases

GPO employees incurred state and local sales taxes on purchases made with purchase cards that were otherwise tax-exempt. Specifically, for a 16-month period, 31 of 63 (49 percent) sampled cardholders made 99 purchases without providing the vendor either GPO's tax-exempt identification number or otherwise informing the vendor of GPO's tax-free status as a U.S. Government Agency. Cardholders and AOs indicated that they were not aware of the requirement to notify vendors of GPO's tax-exempt status or were unaware of the Agency's tax-exempt identification number. As a result, GPO paid taxes of approximately \$1,800 on the sampled items. Instituting proper procedures for claiming tax-exempt status could potentially result in additional savings to the Agency.

Federal Government Purchases Generally Exempt from State and Local Sales Taxes

GPO Publication 805.33, "Materials Management Acquisition Regulation," May 15, 2003, provides the policies and procedures necessary to efficiently and effectively conduct GPO procurements. Subpart 29.3, "State and Local Taxes," prescribes the policies and procedures regarding the exemption or immunity of Federal Government purchases and property from State and local taxation. Part 29.302(a) states that generally, purchases and leases made by the Federal Government are immune from State and local taxation. Part 29.302 (b) states that when it is economically feasible to do so, maximum advantage shall be taken of all exemptions from State and local taxation that may be available.

GPO Instruction 805.27A, makes no mention of procedures for tax-exempt purchases but procedures have been addressed in GPO Directive 805, which was issued subsequent to completion of audit field work.⁶

Payment of State and Local Sales Taxes

Some cardholders were paying state and local sales taxes on purchases that should have been tax-exempt. Specifically, during the 16-month period of October 2004 to January 2006, we reviewed a sample of 63 GPO cardholders. We identified that during the period reviewed, 31 of the 63 (49 percent) cardholders had made a total of 99 purchases that included state or local sales taxes for which GPO should have been exempt. For example, one cardholder incurred over \$1,100 in sales taxes on 33 transactions made with the purchase card. Although the amount of the tax paid on individual purchases was sometimes insignificant, the total dollar amount of all 99 transactions was over \$1,800. This practice results in GPO using funds for taxes that could be better utilized for other agency operations.

⁶ GPO Directive 805, Section 31, "Tax Exempt Purchases," states: "Items bought for official Government use are not subject to state or local sales tax. U.S. Government Tax Exempt will be printed on the credit card to clarify this. Cardholders making purchases via telephone, internet, or over the counter should inform the merchant of the tax exemption."

Cardholder Awareness of Tax-Free Identification is Varied

Cardholders provided several reasons when questioned about why sales taxes were being included on purchase card transactions. Several cardholders in our sample stated that they were aware that GPO purchases were exempt from sales tax; however, they neglected to inform the vendors. Other cardholders and some AOs were not aware of the requirement to notify vendors of GPO tax-exempt status nor were some aware of the Agency's tax-exempt identification number.

The most common reason provided by those cardholders unaware of GPO's tax-exempt status was that they had not been formally trained in care and maintenance of the purchase card. One cardholder stated that on one occasion, they purchased several items from a store and were asked for a tax-exempt number. This individual did not know the number and was therefore unable to provide it. We recommended and management agreed in our previous report on purchase cards⁷ that all cardholders and AOs complete required training. Training of all Agency cardholders and AO's should improve the situation discussed here with respect to sales taxes. Further improvements in this area can be accomplished by formally notifying cardholders and AOs of the requirements with respect to the Agency's tax-exempt status. GPO Directive 805, Section 31, "Tax-Exempt Purchases," contains guidance for cardholders related to GPO's tax-exempt status. The directive also contains GPO's tax-exempt number and states that a Tax-Exempt Identification Card will be provided to each cardholder.

Recommendations

3. The Chief, Acquisition Services, should direct the A/OPC to formally notify all cardholders of the requirement in GPO Directive 805 to inform all merchants and vendors when making a purchase that the purchase is for official U.S. Government purposes and is not subject to state or local sales taxes. In addition, the A/OPC should ensure that all cardholders have been provided with a Tax-Exempt Identification Card.

Management's Response. Concur. Cardholders have been advised of the requirements of GPO Instruction 805.27A. The complete text of management's response is in Appendix C.

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. However, as noted in the discussion portion of the finding, the new guidance related to purchase cards is contained in GPO Directive 805. As such, cardholders should be advised of the requirements in the new directive. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.

⁷ OIG Audit Report Number 06-01, "GPO Purchase Card Program Management Controls," dated January 9, 2006.

E. Approvals for Recurring Purchases from Same Vendors

GPO purchase cards were used for making recurring (sometimes more than one charge to the same vendor on the same day), large-dollar charges to the same vendors, potentially circumventing established procedures for Congressional review and approval. This situation occurred because the purchase cards in question had no restrictions on monthly purchase limits and had annual limits of \$300,000. Further, individual cardholders were not always familiar with either Single Purchase Limits (SPL) or congressional approval thresholds. Without sufficient review and approval of large-dollar amount charges to the same vendors at the appropriate GPO management levels, cardholders risk circumventing both GPO and Congressional oversight.

Purchases over \$50,000 Require Congressional Approval

GPO Instruction 110.5D, “Acquisition Authority, Policies, and Responsibilities,” March 19, 2004, Section 5, “Purchases Requiring Approval by the Joint Committee on Printing,” states in part:

Be it further resolved, that the Public Printer shall submit annually, an annual plan, consisting of a capital equipment budget, together with a detailed description and justification of all proposed purchases, leases, rentals, or contracts for services,...After approval of such plan by the Joint Committee on Printing, the Public Printer shall not enter into any purchase, contract, lease, or rental where the cost exceeds \$50,000...which are not included in the annual plan, without advance written approval by the Joint Committee on Printing.

GPO Instruction 110.5D, Section 4, “Contractual Responsibilities as Delegated,” states that the Chief Acquisition Officer shall be responsible for assuring that:

- a. All contracts...are made in accordance with all applicable laws, regulations, and directives.
- b. All acquisition requests requiring approval of the Public Printer...are routed (with any necessary justification) through the proper channels prior to submission to the Chief Acquisition Officer...
- e. Purchase requests or requisitions are not accepted when, in the opinion of the Chief Acquisition Officer, there has been an attempt to circumvent the rules and regulations governing competitive negotiation and bidding, or where there has been an obvious attempt to avoid the necessity of referring the purchase to the Joint Committee on Printing.

Purchase Cards used for Recurring Purchases

As part of the audit, we reviewed a sample of high-dollar charges on all GPO purchase cards and noted several unusual patterns. We identified instances where a cardholder placed multiple charges to the same vendor within the same day or within a relatively short time period. These charges, when taken as a whole, approached or exceeded established procurement limits for GPO regarding review and approval by the Joint

Committee on Printing (JCP). For example, one vendor (Agility Consulting) received a total of \$253,900 in FY 2005 from 14 charges placed on the purchase cards of five different cardholders. The amounts of these charges ranged from a low of \$1,200 to a high of \$41,600. One cardholder in Acquisition Services accumulated a total of \$103,000 in charges for this vendor alone in a six-month period. Details on each of the 14 charges are in the following chart.

<u>Cardholder</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
X	11/22/04	Agility Consulting	\$10,000.00
	12/28/04	""	\$29,000.00
	3/29/05	""	\$ 1,200.00
Y	2/14/05	""	\$21,000.00
Z	3/11/05	""	\$ 5,700.00
	3/11/05	""	\$ 8,600.00
	3/11/05	""	\$ 8,600.00
	3/21/05	""	\$ 5,700.00
	3/21/05	""	\$ 8,600.00
	4/18/05	""	\$28,600.00
	8/23/05	""	\$37,200.00
AA	6/02/05	""	\$41,600.00
BB	7/19/05	""	\$28,600.00
	8/11/05	""	<u>\$19,500.00</u>
Total			<u>\$253,900.00</u>

There were several other instances where large-dollar charges were placed by the same cardholder on the same day to the same vendor during FYs 2005 and 2006 that were cumulatively in excess of \$50,000. Each of these occurrences involved cardholders in Acquisition Services. All of these cardholders had no SPL and an annual purchase limit of \$300,000. A summary of these examples are in the following chart:

<u>Cardholder</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
A	7/21/05	Learn Quest	\$ 3,856.17
	7/21/05	""	\$10,475.98
	7/21/05	""	\$30,714.87
	7/21/05	""	<u>\$33,807.07</u>
Total			<u>\$78,854.09</u>

<u>Cardholder</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
B	10/18/05	Learn Quest	\$10,620.48
	10/18/05	""	\$10,756.30
	11/14/05	""	\$10,644.88
	11/14/05	""	\$10,769.88
	11/14/05	""	<u>\$11,146.99</u>
Total			\$53,938.53

Managers were Unfamiliar with Purchase and Approval Limits

Although the charges mentioned above were typically on the same or closely related dates and with the same vendors, treating each as a separate charge negated the requirement to obtain JCP approval for transactions in excess of \$50,000. When asked about this situation, the Chief, Acquisition Services, noted that each of the charges was for vendors supporting training of GPO employees. He explained that when GPO's Workforce Development, Education and Training (WDET) Department received their approved FY 2005 budget for GPO training, the entire budgeted amount of \$1.5 million was placed on (and authorized for) the department's one purchase card. The Chief, Acquisition Services, further explained that there had been a misconception regarding purchasing authority with the funds placed on the purchase card in that WDET had presumed that virtually any amount charged to the card, as long as it was within the \$1.5 million FY 2005 budgeted amount, was to be approved regardless of how much was being paid to a particular vendor.

The Chief of WDET was also not familiar with either SPLs or the cumulative Agency purchase thresholds established by the JCP. Also, although several large-dollar charges were recorded on the same day, they represented invoices for different training groups, modules, etc. for different periods, and they were authorized by separate purchase requests supported by different Requests for Training. We reviewed this documentation and verified these claims.

The Chief, Acquisition Services, and the WDET Chief both recalled a meeting conducted in December 2004 wherein they agreed that all training requests in excess of the \$2,500 SPL would be handled via purchase requests through Acquisition Services. In a subsequent (February 2006) meeting with the Deputy Chief of Staff and the Director, Office of Congressional Relations, it was agreed that going forward, whenever there are large-dollar charges that can be anticipated to exceed \$50,000 in the fiscal year for a given vendor, a request will be sent to the JCP requesting approval of such expenditures. Since raising this issue with management during the audit, no other large-dollar charges or sequences of charges have been noted.

The pattern of several high-dollar charges placed on the same day by the same cardholder and to the same vendor for amounts individually less than \$50,000, but collectively more, could be considered split purchases in order to avoid JCP authorization. Sufficient

management review and approval of large-dollar charges would help prevent splitting of like requirements to possibly circumvent JCP approval.

Recommendations

4. The Chief, Acquisition Services, should direct the A/OPC to ensure that all cardholders are notified of the requirements in GPO Instruction 110.5D pertaining to obtaining advance written approval of the JCP prior to entering into any purchase, contract, lease, or rental where the cost exceeds \$50,000. This should include any recurring purchases with the same vendor that in aggregate, are expected to exceed \$50,000.

Management's Response. Concur. Cardholders have been reminded of the requirements of JCP approval for purchases over \$50,000. Steps have been taken to ensure that JCP approvals are obtained before purchase requests are submitted. The complete text of management's response is in Appendix C.

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.

F. Monthly Bank Statement Review Procedures Need Improvement

Procedures intended to provide controls over the use of purchase cards by GPO employees need improvement. Specifically, procedures related to the review and approval of monthly bank statements detailing the charges made by cardholders were not always being followed. This situation is occurring because the A/OPC, the agency focal point for issuing purchase cards, and establishing and maintaining accounts, is not ensuring the compliance of cardholders and AOs with established procedures for reviewing and approving monthly bank statements of cardholder activity. Without proper review and approval of individual cardholders' charges, GPO risks paying for numerous goods and services that may not be in the best interest of the Government.

Guidance for Review and Approval of Purchase Card Monthly Statements

Agency guidance related to the review and approval of monthly purchase card bank statements is included in GPO Instruction 805.27A.⁸ Section 5, part e (2), "Approving Bank Statement," states in part:

The cognizant supervisors/managers [now referred to as Approving Officials (AO)] are responsible for reviewing, approving, and signing the bank statement for charges made by their employees, and as such must affirmatively state that the charges made by their employees were for items and/or services required to meet the needs of the office. At the end of the billing cycle, the cognizant official (AO) will also receive a statement, which will be comprised of a copy of each cardholder statement. This must be reviewed and verified to show that the purchases were made in the best interest of the Government. The cognizant official (AO) must reconcile itemized receipts with the purchase card statement. The cognizant official (AO) must then forward all verified statements to the finance office within 15 working days and/or no later than the 20th of the month."

Cardholders also have a fundamental responsibility to review their monthly bank statement and promptly forward the statement to the appropriate AO for review and approval. Further guidance for cardholder statement review is contained in GSA's online purchase card training, which is required of all cardholders at GPO. Part VI of the training module states "...You [the cardholder] must review and reconcile your statement within the timeframes required by your agency (usually 3 to 5 days). **This is one of your primary jobs as a cardholder.**" (Emphasis added)

Review and Approval Procedures not Being Followed

We identified several situations where cardholders were not properly following purchase card review and approval procedures. For example, our sampling revealed instances

⁸ GPO Directive 805, "Obtaining, Using, and Safeguarding Commercial Credit Cards," was issued in October 2006, or subsequent to completion of audit field work for this assignment. Directive 805 contains similar procedures to those in GPO Instruction 805.27A for the review and approval of monthly statements.

where a cardholder had performed some or all of the following in noncompliance with established review and approval procedures including: (a) signing off as having reviewed the charges on their monthly bank statement, but with no corresponding AO review or approval; (b) not having anyone (including themselves) document the review of their monthly bank statement; and, (c) having their bank statement reviewed and approved much later than the prescribed time limitations allow.

In another example, we identified that during one 12-month period, the same cardholder: (a) on four different occasions, signed off on their monthly bank statement (without corroborating AO review and approval); (b) signed off anywhere from a week to six months late on two other monthly bank statements; and (c) on the same day, had the AO review and approve two monthly bank statements (one was timely, but the previous month's statement was a month late).

Another cardholder, with a credit limit of \$1.5 million,⁹ did not have any of their monthly statements reviewed or approved until August 2005, despite accumulating over \$400,000 in purchase card charges in FY 2005 up to that time.

A/OPC did not Ensure Compliance with Review and Approval Procedures

This situation is occurring because the A/OPC is not ensuring the compliance of cardholders and AOs with established procedures for reviewing and approving monthly bank statements of cardholder activity. Further, some cardholders and their AOs either misunderstood or simply did not implement the requirement for adequate review and approval of monthly bank statements. These cardholders acknowledged that they did not maintain invoices, receipts, or any documentation to support their individual charges. Many cardholders claimed to be unaware of the GPO requirement to maintain a log of their purchases, or to maintain supporting documentation for three years, even though they had recently taken purchase card training.

Other cardholders explained that they had been reviewing their own bank statements and then forwarding all of their information (including bank statements and supporting documents) to a designated person in the CFO's office (a voucher examiner in the General Examination & Support Section). We discussed the process with this examiner, who acknowledged that this process had been the accepted practice for several years. The examiner would compare monthly totals of purchases per cardholder to the monthly "total activity" amounts provided on BoA's master monthly statement. However, the examiner did not question or dispute the individual charges on a statement, a duty that was presumed to be performed by individual AOs.

Without adequate review and approval of cardholders' individual charges, GPO risks paying for numerous goods and services that may be wasteful, unauthorized, or otherwise not in the best interest of the Government. In several of the examples described, the cardholder could not recall what some of the individual charges were for, nor could the

⁹ This is among the highest credit limit in GPO and is the highest credit limit outside of Acquisition Services.

AO. The audit identified that GPO's overall rate of disputed charges was very low and that many sampled cardholders that we interviewed claimed to have never disputed a charge. However, individual charges on purchase cards that are not properly and timely reviewed and approved for prolonged periods are more likely to be overlooked, significantly increasing the risks of purchase card waste, abuse, and even potential fraud.

Recommendations

5. The Chief, Acquisition Services, should direct the A/OPC to formally notify all GPO cardholders and their respective AOs of the requirement to comply with GPO Directive 805 regarding the timely and thorough review and approval of all individual monthly charges.

Management's Response. Concur. All cardholders and authorizing officials have been notified of the requirement to have all bank statements reviewed thoroughly and timely. The complete text of management's response is in Appendix C.

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.

6. The Chief, Acquisition Services, in coordination with the CFO, should develop procedures to ensure that prior to paying the Agency's total monthly purchase card charges, the voucher examiner in the General Examination and Support Section is provided documentation evidencing proper review and approval of the activity of all individual cardholders.

Management's Response. Concur. Acquisition Services has been working closely with the Chief Financial Officer's office to ensure that bank statements and documentation are received prior to payment. The complete text of management's response is in Appendix C.

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.

G. Bank Statement and Shipping Addresses

Two instances were identified where GPO cardholders were having monthly bank statements sent to home addresses. In addition, we also identified several transactions made using purchase cards where the purchased goods were delivered to home addresses. This situation has occurred because GPO does not have appropriate procedures in place to ensure that only official GPO business addresses are used by cardholders for bank statements and deliveries. Controls are weakened when documentation supporting purchasing and receiving as well as the goods themselves are not received at an official Government location.

Guidance Related to Addresses

GPO Instruction 805.27A does not contain any guidance related to billing and shipping addresses. GPO Directive 805,¹⁰ Section 32, “Shipments,” states that all shipments must be addressed to GPO’s Central Receiving Unit.

The U.S. Government Accountability Office’s “Standards for Internal Control in the Federal Government,” November 1999, “Appropriate Documentation of Transactions and Internal Control,” states:

Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation should be properly managed and maintained.

Further guidance related to purchase cards is contained in GSA’s online purchase card training, which is required of all GPO cardholders. Part VI of the training module, “Upkeep and Maintenance – Reconciling Your Statement,” states:

Make sure that you receive your cardholder statement. You will only receive a statement if you had account activity during the month. The statement is mailed directly to your business address...You must review and reconcile your statement within the timeframes required by your agency (usually 3 to 5 days). **This is one of your primary jobs as a cardholder.** (Emphasis added)

Business Addresses not Always used for Purchase Card Records or Deliveries

We identified two instances where cardholders at GPO were having either monthly bank statements or purchased goods sent to home addresses. The cardholders who had bank statements sent to home addresses were both employees of GPO regional offices during the period of our sampling.

¹⁰ GPO Directive 805 was issued in October 2006, or subsequent to the completion of audit field work.

With respect to goods being shipped to home addresses, we identified an instance where a cardholder had several charged items shipped to the cardholder's home address. This individual when questioned about the items being shipped to the home address stated that they had a separate GPO approved computer system at their home which needed some accessories and peripheral equipment. The cardholder's AO had reviewed and approved these transactions and confirmed that this cardholder did in fact, have a separate GPO computer system set up at home to enable telecommuting. The problem with home delivery of items such as these is that an element of control is lost because other than the shipping document, there is no documentation to verify receipt of the items and subsequent usage for only GPO business.

The same cardholder in this instance also submitted an invoice containing a non-GPO address that turned out to be the address of a non-cardholder's church. When asked about the address, the cardholder claimed that the non-cardholder had needed certain accessories specific to a different computer system for the non-cardholder's telecommuting that were not compatible with or immediately available from the GPO-prescribed vendor. The cardholder stated that they had experienced problems in the past with certain sensitive software and related computer items being damaged when they were shipped to GPO where they had to be scanned by irradiation equipment. The cardholder added that both he and his assistant (the non-cardholder), who is an officer of this church, knew that the church would be a reliable place to ship this item. They stated that they were sure to receive this item because someone was always at the church to sign for and safeguard incoming packages.

No Existing GPO Procedures Related to the use of Official Business Addresses

GPO does not have appropriate procedures in place to ensure that only official GPO business addresses are used by cardholders for monthly bank statements and delivery of purchased goods. Although the issues identified regarding addresses were not widespread, the lack of GPO procedures in this area represents a control weakness that if exploited, could lead to the misuse of GPO purchase cards. When controls over shipping and delivery of items are weakened and the destination points are overlooked or not carefully reviewed, a situation is created whereby the opportunities for waste, abuse and even fraud are magnified. When items are directly delivered to home or other non-business addresses, and the cardholders cannot provide sufficient documentary evidence to support the receipt of such items, the question arises whether any or all items charged were accurately received and appropriate for government purposes. The Agency should take prompt action to issue procedures to control addresses used for purchase card bank statements and deliveries.

Recommendations

7. The Chief, Acquisition Services, should direct the A/OPC to remind all cardholders of the GPO Directive 805 requirement that all shipments must be addressed to GPO's Central Receiving Unit. In addition, the A/OPC should

instruct BoA that all monthly purchase card statements should be mailed to the cardholder's official GPO address.

Management's Response. Concur. All cardholders have been reminded of the requirement that all shipments must be addressed to a GPO address. Bank statements have been changed with the bank to ensure that all bank statements are mailed to the cardholder's official GPO address. The complete text of management's response is in Appendix C.

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. The recommendation is resolved, but will remain undispositioned and open for reporting purposes until corrective actions are completed.

Appendix A. Objectives, Scope, and Methodology

Objectives

The overall audit objective was to evaluate the effectiveness of GPO's purchase card program. The specific audit 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.

Scope and Methodology

To accomplish our audit objectives, we judgmentally selected a sample of purchase cards held by 63 cardholders from throughout GPO Central Offices. We reviewed applicable BoA and GPO records and discussed through interviews and questionnaires, via in-person, telephone, or electronic mail issues related to each sampled cardholder's card usage. We also:

- obtained and reviewed Account Activity (Purchase) Reports from BoA on a monthly basis, through GPO's Customer Services Controller, for the period from October 2004 through January 2006;
- obtained and reviewed BoA billing summaries for GPO on a monthly basis, through GPO's A/OPC and Acquisition Services, for selected sample months in the 16-month testing period, including all billing summaries from July 2005 through January 2006;
- reviewed listings of all active GPO purchase cards for the period of October 2004 through January 2006;
- requested, reviewed and sample-tested available purchase logs, individual cardholder bank statements, and supporting documentation from individuals within the stated 16-month sample period;
- requested and reviewed listings of current cardholders, closed purchase card accounts, and training status of all cardholders, through Acquisition Services;
- met with managers and staff from GPO's purchase card program management personnel in Acquisition Services, as well as in the CFO's office.
- conducted interviews and requested information clarification from sampled cardholder personnel within GPO.

Management Controls Reviewed

We reviewed management controls related to the Purchase Card Program at GPO including those over the issuance and use of Government purchase cards. The significant management controls related to purchase cards are contained in GPO Instruction 805.27A, "Obtaining, Using and Safeguarding Commercial Credit Cards." In addition, to compare best practices of other Government organizations and entities related to purchase card management controls, we compared GPO practices to the guidance contained in Office of Management and Budget Circular A-123, Appendix B, "Improving the Management of Government Charge Card Programs," and the GSA's standard online training, required for GPO cardholders, entitled "GSA SmartPay Purchase Card – Your Blueprint for Success."

The audit identified management control weaknesses which are detailed in the findings and recommendations section of the report.

Prior Audit Coverage

"GPO Purchase Card Program Management Controls," Report Number 06-01, January 9, 2006. The audit found that management controls over access to and use of purchase cards need strengthening to ensure that purchase cards are used in an efficient and cost-effective manner and in compliance with applicable federal policies and procedures. The audit identified that: (1) the GPO office responsible for issuing cards and establishing and maintaining accounts did not have sufficient or accurate records and reports to appropriately monitor Agency purchase card activities; (2) the proper separation of duties between cardholders and AOs did not always exist; (3) controls to prevent unauthorized personnel from using purchase cards need strengthening; and (4) cardholders and AOs have not been adequately trained. The OIG made several recommendations to improve management controls over the Purchase Card Program and also ensure that purchase cards are used in compliance with applicable laws, regulations, policies, and procedures. GPO management concurred with each of the report's recommendations and took responsive corrective actions to further strengthen management controls to ensure that the GPO Purchase Card Program is carried out not only an efficient and cost-effective manner, but also in compliance with GPO and Federal laws, regulations, policies, and procedures.

Audit Field Work

We performed field work from January through September 2006 at the GPO Central Office Headquarters in Washington, D.C. We performed the audit in accordance with generally accepted government auditing standards.

Appendix B. Acronyms Used in the Report

AO	Approving Official
A/OPC	Agency/Organization Program Coordinator
BoA	Bank of America
CFO	Chief Financial Officer
FY	Fiscal Year
GAO	U.S. Government Accountability Office
GPO	Government Printing Office
GSA	General Services Administration
JCP	Joint Committee on Printing
OIG	Office of Inspector General
OMB	Office of Management and Budget
SPL	Single Purchase Limit
WDET	Workforce Development, Education & Training Department

Appendix C. Management's Response



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

Memorandum

DATE: March 22, 2007

REPLY TO
ATTN OF: Director, Acquisition Services

SUBJECT: Response to Draft Follow-on Report on GPO Purchase Card Program

TO: Assistant Inspector General for Audits and Inspections

I have reviewed the subject draft report and have discussed the recommendations with David Schaub and Allison Brown of your staff. The recommendations and my comments for each are listed below:

1. Use of Purchase Cards by Unauthorized Central Office Personnel

Response: Concur. Each cardholder and authorizing official have been reminded of procedures regarding use of credit cards. The GPO Instruction 805.27a has been revised and issued as of October, 2006.

2. Purchases for Departments other than the Cardholder's

Response: Concur. Cardholders and authorizing officials have been reminded of GPO Instruction 805.27a

3. Supporting Documentation for Purchase Card Transactions not Always Maintained

Response: Concur. Cardholders have been reminded of the necessity of supporting documentation.

4. Sales Taxes Incurred on Tax Exempt Purchases

Response: Concur. Cardholders have been advised of the requirements of GPO Instruction 805.27a

5. Approvals for Recurring Purchases from Same Vendors

Response: Concur. Cardholders have been reminded of the requirements of JCP approval for purchases over \$50,000. Steps have been taken to ensure that JCP approvals are obtained before purchase requests submitted.

Response to Draft Follow-On Report Purchase Card Program

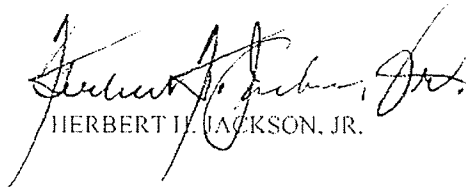
6. Monthly Bank Statement Review Procedures Need Improvement

Response: Concur. All cardholders and authorizing officials have been notified of the requirement to have all bank statements reviewed thoroughly and timely. Acquisition Services has been working closely with the CFO's office to ensure that bank statements and documentation are received prior to payment.

7. Bank Statement and Shipping Addresses

Response: Concur. All cardholders have been reminded of the requirement that all shipments must be addressed to a GPO address. Bank statements have been changed with the bank to ensure that all bank statements are mailed to the cardholder's official GPO address.

Should you require additional information, please contact me on 512-0916.


HERBERT H. JACKSON, JR.

Appendix D. Status of Recommendations

Recommendation No.	Resolved	Unresolved	Open/ECD*	Closed
1	X			
2	X			
3	X			
4	X			
5	X			
6	X			
7	X			

*Estimated Completion Date.

Appendix E. Report Distribution

Government Printing Office

Deputy Public Printer
Assistant Public Printer for Security and Intelligent Documents
Chief Financial Officer
Chief Human Capital Officer
Chief Information Officer
Chief Technical Officer
Chief of Staff
 Deputy Chief of Staff
Director, Congressional Relations
Director, Equal Employment Opportunity
Director, Library Services and Content Management
Director, Public Relations
Director, Publication and Information Sales
General Counsel
Managing Director, Customer Services
Managing Director, Plant Operations
Superintendent of Documents

Major Contributors to the Report

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