

August 11, 1998

The Honorable Marsha Pyle Martin  
Chairman of the Board and  
Chief Executive Officer  
Farm Credit Administration  
McLean, Virginia

Dear Ms. Martin:

The Office of Inspector General has completed an audit of the IMPAC (International Merchant Purchase Authorization Card) program at the Farm Credit Administration (FCA or Agency). The objective of this audit was to evaluate the effectiveness of the IMPAC program and review the policies and procedures for efficiency of operations.

The review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General for audits of Federal organizations, programs, activities, and functions. Fieldwork was conducted from May 15 through June 9, 1998. An entrance conference was held on May 15. An initial draft report was provided to management on June 26, 1998. An exit conference was held with management officials on July 22, 1998 and a final draft report was provided to management for comment on July 23, 1998.

FCA's IMPAC program has greatly streamlined the procurement process. Moreover, goods and services are now acquired more quickly. Agency employees have generally received the program enthusiastically. We have five recommendations that we feel will make the process more efficient and decrease some of the administrative burden on Office of Resources Management staff.

We thank the Director of the Office of Resources Management and his staff, as well as the other participants in the IMPAC program we interviewed, for their input. If you or your staff have any questions regarding this audit, we would be pleased to meet with you at your convenience.

Respectfully,

Eldon W. Stoehr  
Inspector General

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## **BACKGROUND**

The Farm Credit Administration (FCA or Agency) is an independent Federal financial regulatory agency of the United States government with regulatory, examination and supervisory responsibilities for the Farm Credit System (banks, associations, and related institutions chartered under the Farm Credit Act of 1971, as amended).

In 1989, the General Services Administration (GSA) contracted for the use of a commercial credit card service for government agencies to use generally for micropurchases (under \$2,500). The service is called IMPAC (International Merchant Purchase Authorization Card) and is recognized internationally. It is accepted wherever the Visa card is accepted but its use was initially restricted to procurement personnel. Consequently, the use of the IMPAC was not very widespread throughout the government. In 1989, just 10,000 federal and military employees made use of the IMPAC program. However, in 1994, Federal procurement reforms changed the way agencies made purchases. The Federal Acquisition Streamlining Act (FASA) and Executive Order 12931 (EO 12931) expanded the card use, removed some mandatory procurement source requirements, and allowed for the delegation of micropurchase authority to program officials rather than restricting it to procurement personnel.

Since the FASA and EO 12931 were enacted in 1994, more than 250,000 civilians and military personnel now use the IMPAC. The value of these transactions has grown from \$460,000 in 1989 to over \$2.9 billion in 1996. This represents 31 percent of all government acquisition transactions, up from 16 percent in 1995.

In 1989 procurement personnel at FCA began using the IMPAC; however, a January 1995 Office of Inspector General audit reported that 82 percent of all FCA purchases still processed through purchase orders were micropurchases. That audit report recommended that the Agency utilize the purchase cards for its micropurchases.

In 1997, the Agency initiated a test pilot program group of six cardholders and delegated them procurement authority to use the IMPAC. The group was selected by the Human and Administrative Resources Division (HARD) in coordination with other management officials. This test program ran from January 1997 through May 1997. After the test group completed this program, adjustments were made to the program by HARD. The IMPAC program was extended Agency-wide in February of 1998. Cardholders were required to participate in a training program and pass an examination prior to receiving delegated purchasing authority and being issued credit cards and/or checks.

The checks issued through the IMPAC program may be utilized in lieu of the credit card, when necessary. Purchases made using the check carry a 1.5% service fee. There is no service fee for the use of the IMPAC credit card.

## **OBJECTIVE, SCOPE AND METHODOLOGY**

The objective of this audit was to evaluate the effectiveness of the IMPAC program at FCA. We also reviewed the policies and procedures for efficiency of operation and determined if the controls in place are appropriate. This was accomplished by: 1) reviewing the laws enabling the use of the IMPAC, 2) reviewing the policies and procedures adopted by the Agency when the program was implemented, 3) interviewing the participants in the program, and 4) reviewing the IMPAC usage to date. After these reviews were completed we analyzed the results to identify possible improvements to the program.

We relied on input from employees participating in the program in order to determine the effectiveness of the policies. In the Office of Resources Management (ORM), we interviewed, among others, the managers of the program in the HARD as well as the Property Management Official (PMO), the Receiving Clerk, and the Designated Billing Official in the Fiscal Resources Division (FRD). We also interviewed some of the participants in the test pilot program, as well as Approving Officials and Requestors (someone needing supplies/services but not issued an IMPAC) to get their perspectives on the program and whether it is meeting their needs. We prepared standard interview questions in order to gather and summarize the input in a consistent manner.

## **OBSERVATIONS, CONCLUSIONS AND RECOMMENDATIONS**

In general, the IMPAC program has been very well received at FCA. Cardholders and requestors alike agree that the program has greatly streamlined the procurement process. Moreover, goods and services are now acquired more quickly.

### **Increased IMPAC usage has greatly decreased the processing of purchase orders and receipt of individual invoices.**

As of May 1998, FCA had issued 36 credit cards and, in most cases checks, to seven different offices: 13 in ORM, 11 in the Office of Examination (field offices included), three each in the Offices of Policy Analysis and General Counsel, and two each in the Offices of the Board, Inspector General and Congressional and Public Affairs. (The Farm Credit System Insurance Corporation independently obtained their own IMPAC and does not work with or through the FCA's program.)

Credit cards are being utilized for a wide variety of purchases, ranging from office supplies and books, to computer software, to training. Checks are generally being used for on-the-spot awards for employees and when vendors do not accept credit cards.

Since the decentralization of the IMPAC program in February through May of 1998, procurement staff have processed 26 requisitions for micropurchases as purchase orders, down from 38 during the same period in fiscal year (FY) 97. These purchases have generally been from vendors who did not accept the credit card as a form of payment. Through the first eight

months in FY 98, the records indicate that the Agency has made 254 micropurchases, 71 percent of which have been through the IMPAC program. This is a great improvement over the 18 percent in all of FY 95.

During March and April, the Agency made 181 micropurchases, 161 with the IMPAC and 20 using checks. The total dollar amount of these purchases was \$73,877. According to the *Accompanying Report of the National Performance Review*, the average estimated savings realized utilizing the IMPAC versus a purchase order ranges from \$29 to \$227 per transaction. Assuming the low end of this estimate, FCA saved at least \$5,200 on the 181 IMPAC transactions processed during this two-month period.

**Some cardholders are not making use of the IMPAC as frequently as they should.**

When an office submits a requisition to HARD for items which should be ordered through the decentralized IMPAC program, the paperwork is generally returned to the requesting office with instructions for them to utilize their IMPAC to make the purchase. However, of the 52 IMPAC purchases Procurement staff have made during the four months the program has been in place Agency-wide, 17 have been for other offices possessing their own IMPAC. Procurement staff have been instructed to process these requests using Procurement's IMPAC instead of returning the requisitions to the requesting office. This number appears to be decreasing each month. Nevertheless, those cardholders not utilizing their IMPAC should be strongly encouraged to do so in order to obtain the full benefit of the program. This fact is also noted in an April 6, 1998 memo from the Chief, Administrative Services Branch (ASB) as a result of his review of the Agency's IMPAC purchases.

**Agency policies and procedures are adequate but procedures for receiving, reporting and recording could be improved.**

The security and safeguarding measures used by all cardholders and the HARD were sufficient. However, the process of reporting the receipt of certain furniture, fixtures and equipment to the Agency's PMO is inefficient and is more labor intensive than it was when the former requisition/purchase order process was in place. Under current procedures, the Receiving Clerk does not receive a copy of all orders placed under the IMPAC program. He is, therefore, unaware when property with a value in excess of \$500 is received and needs to be added to the Agency's inventory unless the cardholders notify him directly. The PMO is currently relying on the Receiving Clerk and/or FRD to communicate this information. We feel it is necessary to establish a paperwork trail to guarantee the PMO, through the Receiving Clerk, is consistently informed of the receipt of these items. The implementation of Recommendation No. 1 below would rectify this situation.

The Receiving Clerk also needs the information on the orders so that he can deliver the items to the appropriate office when they are received. During the test pilot program, a Memorandum of Call (MofC) was required for each IMPAC purchase. This is a five-part form completed by the cardholder and distributed to the FRD, Receiving Clerk, Approving Official (when the monthly invoice was received) and requestor. This form enabled all the recipients to know what was

ordered, by whom, the cost, the accounting codes to charge it to, and the expected delivery date. This form provided information imperative to the Receiving Clerk so that he knew where to deliver items as well as which items needed to be added to the inventory upon receipt. This form also enabled FRD to obligate funds for purchases immediately. Its use does not appear to have been imperative to any of the other recipients.

Use of the MofC was made optional under the current procedures. Based on our interviews, we found that, while eliminating the mandatory use of the MofC may have made the process easier for some cardholders, it has added unnecessary confusion and administrative burden to the receiving process in McLean. In addition, it has made the verification of the receipt of inventory items more burdensome for ORM staff. Management decided to eliminate the use of this form without feedback from *all* members of the test pilot group.

Field offices have not experienced confusion and added administrative burden in the receiving function with the elimination of the MofC. They simply need to notify the Receiving Clerk when they receive items that are required to be carried on the Agency's inventory and are doing so.

The Purchase Activity Log (Log) is now required to be completed by every cardholder when they place an order using their IMPAC. It is submitted electronically to FRD on a weekly basis. This form is awkward for cardholders to work with in that it is 8 ½ x 14 and users are unable to view the entire form on the screen at the same time. In addition, if a cardholder orders multiple items and scrolls down the form, the headers do not continue on the page and the user must constantly refer back to the top of the screen for column headings. It is also awkward to file, given the Federal government's move in the 1980s, to standardize files at 8 ½ x 11.

Cardholders have not always provided a copy of their Log to the FRD on a weekly basis, as required in the procedures manual. Timeliness in the submission of this information is important to the FRD as they use this document to make obligations in the financial management system (FMS) upon receipt. Weekly submissions enable FRD to distribute the data entry workload throughout the month, rather than having a large volume at the end of each month. Offices need to ensure that they are following the procedures and submitting their paperwork in a timely manner.

One form should be utilized and distributed electronically to the FRD on a weekly basis. In McLean, however, it should also be distributed immediately to the Receiving Clerk. In addition, the Receiving Clerk should get a copy of this Log from the field when they are purchasing items that need to be included on the Agency's inventory records. This Log should be online and user-friendly. In an effort to streamline the Log, it should be reformatted and contain only the information that is pertinent to both of these recipients and the cardholder.

**Recommendation No. 1: One form should be utilized to log all purchases made with the IMPAC.**

Currently, the use of the IMPAC to pay for training is very minimal. From February through May of 1998, 163 training forms (SF 182) were processed by HARD. Only nine of those were paid with the IMPAC. Utilizing the IMPAC to pay for training does not eliminate the SF 182; the Office of Personnel Management requires Federal agencies to submit this form for all training requests. The IMPAC can, however, substantially expedite the processing of training requests by allowing the cardholder to deal directly with the vendor in enrolling staff in classes and seminars. It also eliminates a separate invoice for each training class attended. That saves considerable staff time in FRD.

**Recommendation No. 2: The IMPAC should be used to pay for training whenever the vendor accepts this payment method.** (In the April 6 summary of a review of IMPAC purchases conducted by ASB, it is also recommended that a revised policy for processing training forms should be developed.)

**Policies and procedures for individual offices need to be strengthened.**

All offices have multiple cardholders. Generally, there are no procedures in place to ensure that a requestor does not ask more than one cardholder to place an IMPAC order for the same item(s).

Also, there are generally no controls to prevent overspending within an office budget prior to placing an order. Currently, overspending is not identified until the FRD receives a copy of the Log, which is at least a week later. In many instances, the items may already have been received.

**Recommendation No. 3: Ensure that controls are in place to prevent duplicate ordering and overspending within budget categories.**

The requisition and purchase order process places the paperwork burden on Procurement staff within HARD. The IMPAC program places this burden on the cardholder. Therefore, it is necessary to have procedures in place to perform periodic audits of cardholder files to ensure that all documentation is accurate and accounted for and the procedures in place are being followed.

After fieldwork was completed, the ASB drafted procedures for conducting these audits. We recommend ASB add the following elements to their proposed review template to ensure program compliance: (1) IMPAC purchases are made whenever possible, in lieu of requisitions; (2) Appropriate personnel are notified of the receipt of items required to be carried on the Agency's inventory; (3) Copies of the Log are provided to the Receiving Clerk when appropriate; and (4) Corrections to account codes are noted on the Log.

**Recommendation No. 4: HARD should develop and implement procedures to randomly audit cardholders' records.**

Presently, all IMPAC cardholders are responsible for assigning the correct accounting codes for all of their micropurchases. The Agency currently has 127 individual account codes and 28 cost centers. Many times, cardholders are unsure of the correct codes to assign certain purchases. They enter the codes they believe to be correct and forward the Log to FRD electronically. FRD then reviews the data and, if correct, enters it into the FMS. If incorrect, FRD makes the correction, enters it into the FMS and notifies the cardholder of any changes made.

It is imperative to the accuracy of the Agency's FMS and individual office budgets that these codes be correctly entered into the FMS. Therefore, we recommend the Agency simplify the current accounting code structure by reducing the number of account codes and cost centers. This would greatly decrease the chances of the errors being made by cardholders in the assignment of codes.

**Recommendation No. 5: The Agency simplify the current accounting code structure by reducing the number of account codes and cost centers.**

#### **Other Issues of Interest**

The General Services Administration (GSA) has made multiple awards on contracts for a new credit card program, one that will allow purchases, travel and fleet expenses. (Fleet expenses are defined as the purchase of gas, uniforms and other expenses incurred while operating government vehicles.) This new program will begin in November of this year. The current contract the Agency has with the Bank of Boston for the IMPAC expires in November 1998, as does the Agency's contract for travel credit cards (American Express). Therefore, we must make an award to another vendor(s) for these services.

The ORM has intentions of introducing the new credit card program at FCA (purchases, travel and fleet). Their use would further streamline and automate purchases and expenses. This universal card program would be fully integrated with the Agency's FMS. We would encourage the pursuit of integrating this program at FCA as soon as the new FMS is in place at FCA.