



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

**AUDIT REPORT  
REPORT NUMBER 20-01**

---

**Opportunities Are Available to  
Enhance Management of Purchase Cards**

**January 16, 2020**

---



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

**Date**

January 16, 2020

**To**

Director, U.S. Government Publishing Office

**From**

Inspector General

**Subject:**

Final Report— Opportunities Are Available to Enhance Management of Purchase Cards  
Report Number 20-01

Enclosed please find the subject final report. The Office of Inspector General (OIG) conducted a review of GPO's Purchase Cards Program operation under the SmartPay 2 program to determine if charges were made using the GPO purchase card allowable under GPO guidelines, and if GPO have sufficient controls to prevent purchase card abuse.

Management's response has been incorporated into the body of the report. We considered management's comments responsive to the three recommendations. The three recommendations are considered resolved but remain open until corrective action has been implemented.

We appreciate the courtesies extended to the staff during our audit. If you have any questions or comments about this report, please do not hesitate to contact Freddie Hall, Assistant Inspector General for Audits, at (202) 512-1597 or me at (202) 512-0039.

A handwritten signature in black ink, appearing to read "M. Leary".

MICHAEL P. LEARY  
Inspector General

**Attachment**

cc:

Acting Deputy Director  
Acting General Counsel  
Acting Chief of Staff  
Chief Acquisition Officer

## Contents

---

Introduction.....	1
Results in Brief.....	2
Background .....	4
Results and Recommendations .....	6
Appendix A – Objective, Scope, and Methodology .....	17
Appendix B – Acronyms and Abbreviations.....	19
Appendix C – Monthly Purchase Logs and/or Bank Statements Were Unsigned.....	20
Appendix D – GPO Paid Sales Taxes for Exempted Purchases .....	22
Appendix E – Cardholders Exceeded Purchase Limits That Were in Our Sample.....	24
Appendix F – On-line Money Transfer Services Were Used Without Prior Approval.....	25
Appendix G – IT and IT-Peripheral Items Procured Without Informing IT Department .....	26
Appendix H – Training Records for SP2 Were Not Being Maintained .....	28
Appendix I – Cardholder Compliance.....	31
Appendix J – Management’s Response.....	34
Appendix K – Status of Recommendations.....	35
Appendix M – Report Distribution .....	36
Contributors.....	37

# Office of Inspector General

Report Number 20-01

January 16, 2020

## Opportunities Are Available to Enhance Management of Purchase Cards

### Introduction

GPO's Purchase Cards Program allows employees to make small purchases for official government use in support of its mission. Credit card usage, among other things, reduces the time it takes to make purchases; cuts the costs associated with producing purchase orders; and streamlines the payment procedures. Under the Program, cardholders make purchases, enter transactions in a purchase log, collect the receipts, and submit the log and supporting documentation to the approving official for review at the end of the month. The approving official reviews the transactions and supporting documentation, approves purchases, reconciles the log with the bank statement, and monitors compliance with spending limits.

Using the SmartPay 2 (SP2) purchase card system, GPO cardholders performed 12,465 transactions from January 2017 through November 2018. The \$4.39 million <sup>1</sup>SP2 purchase card system was terminated on November 29, 2018 in favor of a new SmartPay 3 (SP3) system. The Office of Inspector General (OIG) conducted an audit to answer the following question:

Were charges made using the GPO purchase card allowable under GPO guidelines, and did GPO have sufficient controls to prevent purchase card abuse?<sup>2</sup>

To accomplish our objective, we interviewed management officials and cardholders, reviewed database spreadsheets containing purchase card transactions, reviewed Citibank Government Card monthly statements Services activities, selected a non-statistical sample of credit card transactions, and analyzed supporting documentation.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides 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 objective. Our objective, scope, and methodology are detailed in Appendix A.

---

<sup>1</sup> Purchases for Calendar Year 2017

<sup>2</sup> We note that our findings for the SP2 program are applicable to the SP3 program as well.

## Results in Brief

We were unable to determine if all purchase card charges were allowable under GPO guidelines because we found instances of missing supporting documentation and the lack of evidence of proper approval. We also found numerous examples of cardholders exceeding their annual spending limits<sup>3</sup>. Moreover, we identified \$23,119 in unsupported costs,<sup>4</sup> \$86,856 where charges lacked the proper approval, and \$1,089 in funds to be put to better use.<sup>5</sup> As a result, we questioned charges in the amount of \$109,975 (\$23,119 and \$86,856).

Specifically, we found:

### Questioned Cost

- cardholders had missing or inadequate supporting documentation
- monthly purchase logs and/or bank statements were unsigned
- GPO paid sales taxes for tax exempted purchases

### Funds That Could Have Been Put To Better Use

- cardholders exceeded purchase limits

### Other Non-Compliance Matters

- cardholders made split purchases
- online money transfer services (e.g., PayPal) were used without prior approval
- Information Technology (IT) and IT-peripheral items were procured without informing the IT department
- approving officials were also issued purchase cards
- training records for SP2 cardholders were not maintained
- missing documentation to support that retired/separated GPO cardholders returned their purchase cards.

GPO noted that, with the implementation of SP3, management has installed provisions and safeguards to prevent recurrence of all issues identified with the now retired SP2 program. Although the purchase card controls have been strengthened, GPO attributed most of the identified issues to systemic oversights.

## Recommendations

We recommend the Chief Acquisition Officer obtain approving officials' verification that purchases identified as questioned costs were needed to support GPO's mission and improve oversight of the Purchase Card Program.

---

<sup>3</sup> Cardholder No. 38 exceeded the annual spending limit by more than \$407,000.

<sup>4</sup> Questioned cost not supported by adequate documentation.

<sup>5</sup> Funds that could be used more efficiently if management took action to implement and complete the recommendation.

## **Management's Response**

Management concurred with the recommendations. The complete text of management's response is in Appendix J.

## Background

GSA SmartPay Program is the world's largest government charge card and commercial payment solutions program, providing services to more than 560 Federal agencies, organizations, and Native American tribal governments. GPO utilizes the Purchase Cards Program to allow employees to make small purchases for official government use. Credit card usage reduces the time it takes to make purchases; cuts the costs associated with producing purchase orders; streamlines payment procedures; improves cash management by allowing forecasting and consolidated payments; and provides checks and feedback necessary to improve management control and decision-making. The use of the credit card is a simplified acquisition mechanism and, as such, is subject to the simplified acquisition provisions established in GPO acquisition regulations. Ninety-seven GPO cardholders performed 12,465 purchase card transactions from January 2017 through November 2018.

The GPO Purchase Cards Program is administered by the Office of Acquisition Services (Acquisition Services). Personnel with primary responsibilities for implementing and administering the Purchase Cards Program include the individual cardholder, the approving official, and a Program Coordinator. Individual cardholders are responsible for securing the card, maintaining purchase logs, and reconciling transactions. The approving officials, usually supervisors or managers, designated by Acquisition Services, are responsible for ensuring proper purchase card use, including verification that the purchases are necessary for accomplishing the agency's mission. The Program Coordinator is responsible for requesting the bank to issue cards; maintaining current and accurate records for all cardholders; reviewing bank reports of card use; notifying the bank when cardholders leave the agency (or no longer need a card); closing purchase card accounts; and providing copies of monthly statements to GPO's Office of Finance and Administration.

Under GPO's Purchase Cards Program, cardholders are issued purchase cards to make small purchases in support of the agency's mission. Once a purchase is made, the cardholder will enter the transaction in a purchase log, collect the receipt and submit the log and supporting documentation to the approving official for review at the end of the month. The approving official reviews the transactions and supporting documentation and approves the purchases if they comply with the GPO Directive. The approving official then reconciles the log with the bank statement. Misuse of the card will result in necessary corrective action against the employee(s) responsible. Additionally, the approving official is required to monitor spending limits and notify the Chief, Acquisition Services, of any discrepancies.

To administer the Purchase Cards Program, GPO used the SmartPay 2 (SP2) purchase card system from January 2008 through November 2018. The \$4.39 million<sup>6</sup> SP2 purchase card system operated by Citibank, was terminated on

---

<sup>6</sup>Purchases for Calendar Year 2017.

November 29, 2018 in favor of a new SmartPay 3 (SP3) system, also operated by Citibank.

In September 2018, Acquisition Services alerted GPO management of potential fraudulent activities involving the Purchase Cards Program. Alarmed about the possible magnitude of illegal activities, GPO management notified OIG of the situation. GPO officials also identified several merchant category codes (MCC)<sup>7</sup> they deemed questionable.

## **Criteria**

We primarily used the following sources as criteria during this audit:

- Government Publishing Office Directive 805, Obtaining, Using, and Safeguarding Commercial Credit Cards, October 2, 2006.
- Government Purchase Card Guide for Agency/Organization Program Coordinators, Citibank, Citigroup Inc., August 16, 2007.

---

<sup>7</sup>MCCs are assigned either by merchant type (e.g., one for hotels, one for office supply stores, etc.) or by merchant name (e.g., 3000 for United Airlines) and is assigned to a merchant by a credit card company when the business first starts accepting that card as a form of payment.

## Results and Recommendations

We were unable to determine if all sampled purchase card charges were allowable under GPO guidelines. For example, GPO's Purchase Cards Program had instances of missing supporting documentation and the lack of evidence of proper approval. We also found numerous examples of cardholders exceeding their annual spending limits — one cardholder exceeded the limit by more than \$407,000.

Moreover, we identified:

- \$23,119 unsupported costs,
- \$86,856 where charges lacked the proper approval, and
- \$1,089 where we conclude that in funds could be put to better use.

We are questioning \$109,975 (\$23,119 and \$86,856) and recovery of the \$1,089 in missed savings associated with tax exempted sales Taxes. (See Exhibit 1) Appendix I contains a listing of all issues of non-compliance affecting each cardholder.

GPO noted that, with the implementation of SP3, management has installed provisions and safeguards to prevent the recurrence of all issues identified with the now retired SP2 program.

### **Former Cardholders Had Missing or Inadequate Supporting Documentation**

In a sampling review of 200 purchase card transactions, GPO either could not provide documentation or provided insufficient documentation to support purchase card charges for 3 former cardholders who resigned or retired. Together the 3 cardholders had \$23,119 in unsupported charges.

Table 1 illustrates the unsupported amount of charges for each employee

**Table 1.**  
**Former Cardholders Missing Support Documentation**

<b>Cardholder<sup>8</sup></b>	<b>Vouchers</b>	<b>Amount</b>
Cardholder No. 6	1	\$110
Cardholder No. 23	4	4,304
Cardholder No. 42	3	18,705
<b>Total</b>	<b>8</b>	<b>\$23,119</b>

GPO Directive<sup>9</sup> requires cardholders to keep a log or record of purchase card charges for 3 years. Since the cardholders are no longer employed by the agency, we requested the documentation from the approving official. GPO Directive also requires the cardholder to forward original receipts and statements to the approving official. However, according to the approving official, the documentation

<sup>8</sup>Numbers were used to protect the privacy of the cardholder.

<sup>9</sup>GPO Directive 805, Section 10.

was not provided by cardholders. Therefore, we requested documented support from the Program Coordinator who is required to maintain current and accurate records. The Program Coordinator told us that support for these charges could not be located.

Our attempt to obtain the documentation disclosed the following:

- One cardholder's files could not be retrieved from storage for verification.
- Another cardholder had three invoices and one bank statement for the entire period.
- The third cardholder had no record for 4 of 10 charges selected as part of our sample, and did not maintain any purchase logs or itemized records of purchases per month.

GPO acknowledged systemic oversight issues with the SP2 program, including maintenance of support documents. GPO contends that the SP3 policy requires each cardholder to complete refresher training,<sup>10</sup> and the new Program Coordinator provides an in-person briefing to each cardholder on their responsibilities. Furthermore, cardholders now provide copies of their statements, along with receipts to both their approving official and Program Coordinator on a monthly basis.

Documentation is a necessary part of an effective internal control system. Without proper documentation, GPO cannot be certain that all the items procured on a purchase card are legitimate purchases, or even if they were, that they were reviewed or approved by GPO management.

### **Monthly Purchase Logs and/or Bank Statements Were Unsigned**

Bank statements for 23 cardholders with charges totaling \$86,856 were not signed by the approving officials. As a result, there was no certification that the purchases were required to meet the office needs. See Appendix C for the detailed purchases.

GPO Directive<sup>11</sup> states the cardholders must sign the purchase card statement and forward it and all original sales receipts or documentation to their approving official for signature. The approving officials are responsible for reviewing, approving, and signing the bank statement which affirmatively states that charges were for items and/or services required to meet office needs.<sup>12</sup> We found 69 instances where the cardholders and/or the approving officials did not sign the bank statements.

---

<sup>10</sup>Our review noted that Directive 805, Section 17 required refresher training for SP2.

<sup>11</sup>GPO Directive 805, Section 11, pg. 3 of 8

<sup>12</sup>GPO Directive 805, Section 13, pg. 3 of 8

An approving official maintained a detailed automated log of all transactions for a given period, and noted the internal cost code for the charges. The approving official assumed that such notations were adequate to document the review.

The cardholders claimed they provided signed original bank statements to their approving official but did not keep a signed copy<sup>13</sup>. GPO attributed the deficiencies to a lack of oversight.

Since the monthly bank statements were not signed to indicate charges were authorized and approved, the purchase card transactions lacked evidence attesting that items or services received were required for agency needs. Therefore, we are questioning the \$86,856 in charges. Appropriate documentation for charges should be maintained to substantiate the item or service was actually purchased, and charges were legitimate and authorized.

GPO contends that on a monthly basis, cardholders are currently required to obtain the approving official's signature for purchases made, and also provide a copy of the signed bank statement to the Program Coordinator. GPO also contends that the new Program Coordinator is now actively overseeing the program, and these issues are no longer occurring.

### **GPO Paid Sales Taxes for Exempted Purchases**

We identified 51 purchases for \$19,304 for which tax exemptions were not obtained. Fourteen of the 51 were identified from our sample of 200 purchases. Another 37 purchases came to our attention while reviewing the files. This resulted in GPO paying taxes of \$1,089 on the 51 purchases which could have been put to better use for GPO. See Appendix D for the detailed purchases.

GPO's Directive<sup>14</sup> states items bought for official Government use are not subject to state or local sales tax and merchants should be informed when the purchase is for official U.S. Government use. We were told by cardholders that they were unaware taxes were being charged for their purchases, including the vendor that applied many of the sales tax charges.

Although all purchase cards have notices that the federal government is exempt from all sales taxes, vendors are including the taxes in the final charge. Therefore, the cardholders need to be mindful of the charges in order to prevent GPO from being burdened with costs associated with taxes.

GPO contends that the new Program Coordinator is properly trained and is actively overseeing the program. During monthly reconciliation, the Program Coordinator can identify taxes being charged and request that the cardholder contact the vendor

---

<sup>13</sup>GPO Directive 805, Section 11 doesn't require cardholders to keep signed copies.

<sup>14</sup>GPO Directive 805, Section 31

to obtain a refund or a credit. Also, every cardholder has received a copy of the Agency's Tax Exemption document, and they are reminded that when making online purchases, they are to inform the vendor of the tax exempt status.

**Cardholders Exceeded Purchase Limits**

GPO Directive<sup>15</sup> states that cardholders may not exceed the single purchase, monthly, or annual spending limitations established for their credit card purchases. If additional funds are needed, GPO’s directive provides for a memorandum to be submitted and approved through appropriate channels. Despite that directive, 34 cardholders in our sample --12 in FY 2017 and 22 in FY 2018-- exceeded their annual limits without approval. For example, a print service specialist, exceeded the annual limit in consecutive years; \$407,000 in FY 2018 and \$271,874 in FY 2017. Appendix E illustrates the cardholders that exceeded the spending limits.

In addition, a cardholder exceeded the single purchase limit (SPL) for two purchase transactions. An April 2017 bank statement showed two charges with the same vendor, for \$5,337 and \$5,108, exceeded the cardholder SPL of \$3,500. The cardholder contended a lack of awareness and not being informed the SPL was exceeded.

**Table 2.**

<b>Cardholder</b>	<b>Cardholder That Exceeded the SPL</b>			
	<b>Date</b>	<b>Purchase</b>	<b>SPL</b>	<b>Overage</b>
Cardholder No. 53	April 5, 2017	\$5,337	\$3,500	\$1,837
Cardholder No. 53	April 10, 2017	\$5,108	\$3,500	\$1,608

Spending limits were not being carefully monitored by the cardholders, the approving officials, or the Program Coordinator. Also, notifications, warnings, reminders, and sanctions were not consistently documented in the system. While some cardholders had memoranda or e-mail messages that showed awareness of their annual limit, documentation to show monitoring was generally missing. GPO attributed these circumstances to a lack of training and oversight.

The inability to control spending limits could lead to gross abuse of the Purchase Cards Program. The number of cardholders disregarding the spending limits demonstrated challenges GPO faces maintaining control of purchases. More importantly, budgets for various departments can be severely impacted as a result. Without consistent monitoring of annual purchase card limits, the spending levels on many cards were not effectively controlled. Appendix C details the cardholders in question.

GPO stated that the SP3 Program Coordinator will be monitoring cardholder's accounts to ensure that they do not exceed both their SPL and the annual budgeted

---

<sup>15</sup>GPO Directive 805, Section 23

limit. GPO has also stated they requested that Citibank enable provisions to reject any purchase that would cause the cardholder to exceed established limits.

### **Cardholders Made Split Purchases**

We identified four different cardholders that had five instances of split purchases. A split purchase is defined as an intentional division of a credit card purchase into two or more separate purchases, in order to circumvent the SPL established for the cardholder. GPO Directive<sup>16</sup> prohibits splitting purchases to stay within the purchase limits.

**Table 3**  
**Split Purchases**

<b>Cardholder</b>	<b>SPL</b>	<b>Date</b>	<b>Amount</b>
Cardholder No. 5	\$3,500	August 29, 2018	\$2,495.00
		August 30, 2018	<u>2,495.00</u>
			<b>\$4,990.00</b>
Cardholder No. 5	\$3,500	September 6, 2018	\$2,500.00
		September 6, 2018	<u>2,574.62</u>
			<b>\$5,074.62</b>
Cardholder No. 8	\$3,000	March 19, 2018	\$1,699.08
		March 29, 2018	<u>1,699.08</u>
			<b>\$3,398.16</b>
Cardholder No. 28	\$3,500	March 7, 2018	\$3,395.00
		March 7, 2018	<u>1,261.00</u>
			<b>\$4,656.00</b>
Cardholder No. 38	\$3,500	October 29, 2018	\$105.25
		October 29, 2018	<u>3,500.00</u>
			<b>\$3,605.25</b>

Cardholders who were notified that their activity represented split purchases acknowledged the action. One cardholder, who had two separate instances of split purchases, admitted that one was done because of the daily purchase restrictions, and the other because of the \$3,500 purchase limit. Another cardholder claimed that the product was needed which also contained freight charges. Therefore, payment for the product cost was handled separately from the freight charge in order to keep the transactions under the SPL. This approach was the most expeditious way to obtain the product.

Although GPO requires cardholders to submit a memorandum through designated officials if additional funds are needed, cardholders elected to circumvent GPO's directive on purchase limits by improperly splitting the transaction. This condition

<sup>16</sup>GPO Directive 805, Section 23

was likely undetected because, in part, the monthly bank statements and/or related purchase logs showed no evidence of the approving official's review. One of the split purchases was approved by the approving official.

Because of split purchases, cardholders have avoided following the additional approval process, such as open competition, which was designed to provide more controls over large purchases. These processes are important to ensure the cost of the purchase is appropriate at the cardholder's level and the purchase card is the correct procurement vehicle to use.

According to GPO, the Program Coordinator for SP3 has provided refresher training to cardholders on what constitutes a "split purchase". The Program Coordinator also meticulously reviews each cardholders' monthly statements and reports any suspected "split purchase" to the Managing Director of Acquisition Services. Any cardholder suspected of splitting purchases will receive a written warning from the Managing Director. GPO noted it's in the process of creating a Purchase Card Standard Operating Procedure, as well as updating GPO Directive 805, to reflect this practice.

### **Online Money Transfer Services Were Used Without Prior Approval**

Of the 200 purchase transactions we sampled, 7 items were acquired through the use of PayPal (or a similar online money transfer service) without management approval. Another 23 transactions came to our attention after the sample selection. Appendix F contains a list of transactions made through PayPal.

According to GPO Directive,<sup>17</sup> cardholders are not usually permitted to make any purchases using online money transfer services (e.g., PayPal, c2it by Citibank, eBay) However, the directive permits such purchases if approved above the approving official. GPO Directive indicates that such purchases lack transparency and are not covered under the bank's disputes/charge back procedures.

Some cardholders acknowledged that authorization, beyond their approving official, was not received for the purchases. However they explained that certain vendors require PayPal for certain transactions such as conference registration or procuring items from foreign vendors. Also, a few cardholders indicated they were unaware of the PayPal restrictions. Although the approving officials and the Program Coordinator reviewed the PayPal transactions, we found no evidence these improper transactions were brought to the cardholder or management's attention. GPO attributed this problem to a lack of oversight on the part of the Program Coordinator and insufficient training of the cardholders. However, as a result of PayPal charges, GPO forfeited bank protection for any disputed charges, exposing it to potential monetary losses of over \$13,000.

---

<sup>17</sup>GPO Directive 805, Section 23

GPO indicated that the Merchant Category Codes (MCC) for PayPal and Amazon have been blocked/disabled to prevent their use. The Managing Director is currently exploring establishing an Amazon Business account for Agency Cardholder's usage. Until then, cardholders with a valid need to use Amazon or PayPal must contact the Program Coordinator and provide justification, as well as written approval from a Supervisor above their approving official. The Program Coordinator contacts Citibank and requests approval of these transactions on a case-by-case basis.

### **IT and IT-Peripheral Items Were Procured Without Informing IT Department**

GPO's Directive<sup>18</sup> prohibits cardholders, other than those in Acquisition Services, from using a credit card to purchase IT assets. Yet, 12 of 57 (21 percent) cardholders in our sample procured computers<sup>19</sup> or computer-peripherals<sup>20</sup> totaling \$36,848. Appendix G shows information about IT purchases.

GPO's IT officials explained that it is essential for cardholders to know when they purchase IT equipment or IT peripherals they are purchasing items that carry a vulnerability.<sup>21</sup> Procedurally, IT-related purchases should be submitted to the IT Support Desk for tracking. Once items come into the support system, GPO's IT Department can initiate a purchase request to include peripheral devices, if needed.

We found that cardholders were not aware of the restrictions on purchasing IT equipment, or the necessity to inform the GPO IT Department when certain computer equipment and other peripherals were being purchased. However, when we informed some cardholders of the restriction, they noted that the process would cause them to wait excessive amounts of time to get the product.

Cardholders' failure to follow GPO's Directive prevents IT from exercising control of IT purchases and impeded IT's ability to execute appropriate cybersecurity measures, if needed. The GPO IT Department also noted that cardholders were connecting devices to the GPO IT network without GPO's Technical Change Control Board approval, a practice that violates agency policy and endangers GPO. GPO attributed this condition to a lack of cardholder education and a lack of oversight.

GPO noted that during the initial SP3 orientation, the current Program Coordinator informed cardholders that they are not to utilize the card to purchase computers and IT-related products. The Program Coordinator also checks the statements on a monthly basis to ensure that cardholders are not violating the GPO Directive.

---

<sup>18</sup>GPO Directive 805, Section 23

<sup>19</sup>Defined as Information Technology (IT) equipment. This includes desktop and laptop computers, tablets, wireless devices, secure-id cards, scanners, facsimile equipment, and photocopiers.

<sup>20</sup>IT peripherals are items such as printers or software.

<sup>21</sup>Items as small and as low-cost as thumb drives were defined as a vulnerability that needed to be either procured by Acquisition Services or requested/reported to the IT Department.

### **Approving Officials Were Also Issued Purchase Cards**

Per GPO Directive,<sup>22</sup> an approving official may not get a credit card. However, two approving officials received purchase cards contrary to GPO's directive. As a result, the approving officials violated GPO policies which designate specific roles and responsibilities for the various positions.

GPO delineated roles and responsibilities for the Purchase Cards Program and outlined clear separation of duties. As such, GPO divides key duties among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.

When we brought the transgression to the approving officials' attention, they acknowledged having a purchase card and performing approving official duties, but contended neither they nor their approving officials were aware of the restrictions. One cardholder (Cardholder #3) explained that immediate steps would be taken to relinquish the purchase card by transferring purchase card responsibility to another employee once that employee is trained. The other cardholder (Cardholder #28) agreed to notify their approving official about transferring their approving official responsibility.

Our audit noted that one of the cardholders with approving official responsibilities exceeded the spending limits, which was a violation of a rule the approving official was required to monitor other cardholders for compliance. For FY 2018, the approving official exceeded their \$50,000 spending limits by \$265,428.

GPO noted that this Directive [GPO Directive 805, Section 6] is still in effect and is being enforced with the SP3 program. Due to the shortage of qualified personnel, the Agency's Acting Director has granted a temporary written exception to allow one employee to be both a cardholder and an approving official for two individuals.

### **Training Records for SP2 Were Not Being Maintained**

GPO requires cardholders and approving officials to take refresher training at least every three years, and the Program Coordinator to maintain the training records<sup>23</sup>. However, training records regarding cardholders training on the use of the credit card program were insufficient. As a result, GPO could not demonstrate compliance with the training requirements for 48 of 57 sampled cardholders. See Appendix H for a detailed listing of employees and their training status.

---

<sup>22</sup>GPO Directive 805, Section 6

<sup>23</sup>GPO Directive 805, Section 17

The lack of training was a major contributing factor to many of the findings presented in this report. Citibank guidance<sup>24</sup> cites cardholders training as a vital part of the Government Purchase Cards Program. Citibank also emphasizes the importance for cardholders to become fully knowledgeable about the appropriate uses of the purchase cards to minimize mistakes and to streamline procurement processes.

In the absence of proper training, there is a risk that new employees will not become fully knowledgeable of the appropriate use of the program, and existing cardholders would not be cognizant of important updates to the program. During our review, we found that cardholders were often unaware of the training refreshers which GPO attributed to a lack of sufficient oversight.

According to GPO, the Program Coordinator now has an active database to track cardholder and approving official training. All cardholders and approving officials have provided a current copy of their training certificate.

#### **Missing Documentation to Support Retired/Separated GPO Returned Purchase Cards**

GPO could not produce evidence that purchase cards for four former cardholders, who retired or resigned, were returned and destroyed. GPO Directive<sup>25</sup> requires cardholders who separate from GPO to return their credit cards to the approving official who will destroy the cards and notify Acquisition Services to cancel them. Table 4 identified the cardholders.

**Table 4.**  
**Cardholders With Missing Evidence of Returning the Cards**

Cardholder No. 6  
Cardholder No. 11  
Cardholder No. 23  
Cardholder No. 31

When we requested evidence that the cardholders returned their cards to be destroyed, the approving officials could not provide documentation to support the card's return and destruction. We then contacted the Program Coordinator who contended the cards were collected and destroyed. Afterward, we requested the Employee Separation Checklists from Human Capital, which documents the return of GPO's property, including credit cards. According to GPO's Human Capital Officer, the forms are not routinely retained once an employee collected the required signatures showing return of all GPO's property.

---

<sup>24</sup>Government Purchase Card Guide for Agency/Organization Program Coordinators, Citibank, Citigroup Inc., August 16, 2007.

<sup>25</sup>GPO Directive 805, Section 27

Without documentation of the return and destruction of purchase cards, there is no evidence that these control measures were accomplished. Therefore, GPO should ensure that appropriate recordkeeping for purchase cards disposal is established and maintained. GPO attributed the problem to an absence of internal controls.

GPO indicated that the Current SP3 policy requires everyone to out-process through Acquisition Services. Only the Program Coordinator, the Managing Director, or the Chief of Acquisition Services may clear an individual and accept their purchase card. The policy requires the Program Coordinator to request cancellation of the card through Citibank, destroy the card, and complete a destruction certificate for the file.

## **Recommendations**

We recommend that the Chief Acquisition Officer:

1. Obtain verification from the Approving Officials that the purchases totaling \$109,975 were approved and supported GPO's mission.
2. Issue further guidance to cardholders regarding tax exemption on Government purchases, online transfer services, split purchases, and IT purchases.
3. Ensure controls that were identified and/or implemented under SP3 to correct the deficiencies are properly executed and monitored.

**Management's Response.** Management concurs with all three recommendations. Management will provide the results of the actions taken within 90 days from the date of the response.

**Evaluation of Management's Response.** Management's actions are responsive to the recommendations. All three recommendations are resolved but will remain open until implementation of the proposed corrective actions.

**Recommendation Adjustment:** In the our draft report, OIG recommended that the Chief Acquisition Officer review purchases associated with the \$1,089 in sales taxes that were paid on exempted purchases and attempt reimbursement by the service or sales providers that accounted for the largest amount of taxes. OIG reassessed the recommendation taking in to account the materiality of the dollar amount involved, the resource required to implement the recommendation and the overall value to GPO once the recommendation was addressed. Based on that assessment, OIG decided to eliminate the recommendation.

## **Exhibit 1 – Questioned Costs and Cost Savings**

We identified the following questioned costs, during the course of the audit.

<b>Recommendation number</b>	<b>Description</b>	<b>Amount</b>
1 & 2	Unsupported Costs and Lack of Proper Authorization	\$109,975

We identified the following funds could be put to better use during the course of the audit.

<b>Recommendation number</b>	<b>Description</b>	<b>Amount</b>
3	Tax Exemptions	\$1,089

The Inspector General Act of 1978, as amended, defines funds to be put to better use and questioned costs:

- “Funds to be put to better use” are funds that could be used more efficiently if management took actions to implement and complete the recommendation.
- “Questioned costs” are costs that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or document governing expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

## **Appendix A – Objective, Scope, and Methodology**

---

We performed fieldwork from November 2018 through July 2019 at the GPO Central Office in Washington, DC, GPO's Warehouse facility in Laurel, MD, and the Stennis Production Facility in Stennis, MS. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Objective**

The objective of the audit was to answer the below question:

Were all charges made using the GPO purchase card allowable under GPO guidelines, and did GPO have sufficient controls to prevent purchase card abuse?

### **Scope**

The scope of this review was purchase card transactions from January 1, 2017 through termination of the SP2 program on November 29, 2018.

### **Methodology**

To meet our objective we:

- Interviewed management officials or cardholders from GPO's Offices of Acquisition Services, Security and Intelligent Documents, Plant Operations, Office of Human Capital, and the Office of Finance and Administration
- Obtained and reviewed database spreadsheets containing purchase card transactions for all GPO cardholders during the period of review
- Obtained and reviewed Citibank Government Card monthly statements Services activities for GPO activities covering the applicable 23 months of 2017 and 2018
- Compared the spreadsheet maintained by Acquisition Services with the statements for completeness
- Identified four months (two each from 2017 and 2018) that represent the two largest dollar volumes of activity for each year and selected a non-statistical sample of credit card transactions (See Sampling Plan)

- Analyzed supporting documentation for each individual transaction in the sample
- Collected and analyzed other transactions that appeared to be noncompliant or violated GPO's policy that came to our attention after sample selection

### **Sampling Plan**

We selected a non-statistical sample of 200 items from a universe of 12,465 transactions, representing 57 of 97 total cardholders. The sampling method consisted of selecting 50 transactions from each of four months. The months were chosen based on the two months from each year with the greatest dollar amounts of purchases and other charges per individual monthly Citibank statements. February 2017 and October 2017 had the largest dollar volume for Calendar Year 2017 and April 2018 and October 2018 for Calendar Year 2018.

### **Management Controls Reviewed**

We determined that the following internal controls were relevant to our objective:

Program Operations – Policies and procedures GPO management implemented to reasonably ensure transactions are properly conducted.

Compliance with Laws and Regulations – Policies and procedures that management implemented to reasonably ensure that resource use is consistent with laws and regulations.

The details of our examination of management controls, the results of our examination, and noted management control deficiencies are contained in the report narrative. Implementing the recommendations in this report should improve those management control deficiencies.

### **Computer-Generated Data**

Although we utilized a purchase card listing from the Acquisition Services Department that was obtained from Citibank, we did not use computer-processed information for the audit. The listing was used to simply identify purchase cardholders and their transactions. We then reviewed the cardholder's purchase card files and any other available supporting documents for the purposes of our audit.

## **Appendix B - Acronyms and Abbreviations**

---

FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GPO	Government Publishing Office
IT	Information Technology
MCC	Merchant Category Code
OIG	Office of Inspector General
SPL	Single Purchase Limit
SID	Security and Intelligent Documents
SP2	Smart Pay 2
SP3	Smart Pay 3
SPF	Stennis Passport Facility

## Appendix C – Monthly Purchase Logs and/or Bank Statements Were Unsigned

	Cardholder	No. of Transactions	Month/Year	Amount	Department
1	Cardholder No. 1	1	February, 2017	\$619.86	Engineering Svcs
2	Cardholder No. 9	3	February, 2017 April, 2018 October, 2018	1,758.28	Engineering Svcs
3	Cardholder No. 10	1	February, 2017	3,328.82	Engineering Svcs
4	Cardholder No. 14	3	February, 2017 October, 2018 [2]	3,159.81	Human Capital
5	Cardholder No. 16	1	February, 2017	121.44	Engineering Svcs
6	Cardholder No. 18	2	February, 2017	1,546.46	Engineering Svcs
7	Cardholder No. 19	2	February, 2017 October, 2017	4,446.03	SID
8	Cardholder No. 23	5	October, 2017 [2] April, 2018 [3]	4,685.84	Acquisition Services
9	Cardholder No. 26	2	February, 2017 October, 2017	4,588.93	Engineering Svcs
10	Cardholder No. 28	4	October, 2017 [3] October, 2018 [1]	4,384.68	SID
11	Cardholder No. 31	1	February, 2017	310.00	Human Capital
12	Cardholder No. 33	1	February, 2017	177.19	Engineering Svcs
13	Cardholder No. 34	1	October, 2017	3,436.00	Engineering Svcs
14	Cardholder No. 38	17	February, 2017 [5] October, 2017 [4] April, 2018 [3] October, 2018 [5]	25,618.39	Bindery
15	Cardholder No. 39	1	February, 2017	2,424.95	General Counsel
16	Cardholder No. 44	2	February, 2017 October, 2017	3,211.81	Engineering Svcs

## Appendix C – Monthly Purchase Logs and/or Bank Statements Were Unsigned (Continued)

	<b>Cardholder</b>	<b>No. of Transactions</b>	<b>Month/Year</b>	<b>Amount</b>	<b>Department</b>
17	Cardholder No. 45	1	October, 2018	312.39	Plant Operations
18	Cardholder No. 46	8	February, 2017 [3] October, 2017 [3] April, 2018 [2]	6,381.28	Stennis SPF
19	Cardholder No. 50	1	February, 2017	245.50	Engineering Svcs
20	Cardholder No. 52	1	February, 2017	243.72	Engineering Svcs
21	Cardholder No. 53	4	February, 2017 [2] April, 2017 [2]	11,517.54	Engineering Svcs
22	Cardholder No. 54	6	October, 2018 [6]	7,087.01	Stennis SPF
23	Cardholder No. 57	<u>1</u>	October, 2018	<u>249.71</u>	Info Techonology
	<b>Total</b>	<b>69</b>		<b>\$86,855.64</b>	

Note: Number in brackets represents the number of occurrences applicable to the monthly statement.

## Appendix D – GPO Sales Taxes Record for Exempted Purchases

	<b>Cardholder</b>	<b>Vendor</b>	<b>Amount</b>	<b>Sales Tax</b>	<b>Total</b>
1	Cardholder No. 2	Ricoh USA Inc.	\$229.20	\$19.20	\$248.40
2	Cardholder No. 5	Wal-Mart	\$69.99	\$4.02	\$74.01
		Wal-Mart	36.56	2.10	38.66
		Wal-Mart	108.84	6.26	115.10
		Wal-Mart	39.81	2.29	42.10
		Lowes	<u>198.42</u>	<u>11.41</u>	<u>209.83</u>
			<b>\$453.62</b>	<b>\$26.08</b>	<b>\$479.70</b>
3	Cardholder No. 7	Crown Packaging Corp	\$169.50	\$10.17	\$179.67
		Crown Packaging Corp	396.00	23.76	419.76
		Timberland Ecomm	<u>135.00</u>	<u>8.10</u>	<u>143.10</u>
			<b>\$700.50</b>	<b>\$42.03</b>	<b>\$742.53</b>
4	Cardholder No. 13	CVS Pharmacy	23.94	1.44	25.38
5	Cardholder No. 14	Wal-Mart	\$23.28	\$ 0.60	\$ 23.88
		Wal-Mart	31.60	1.90	1.90
		Wal-Mart	19.88	1.14	21.02
		Georgetown Cupcake	1,054.00	104.40	1,158.40
		Flowers On Fourteenth <sup>26</sup>	314.95	18.11	333.06
		Amazon.com	<u>22.13</u>	<u>1.33</u>	<u>23.46</u>
			<b>\$1,465.84</b>	<b>\$127.48</b>	<b>\$1,561.72</b>
6	Cardholder No. 15	Staples	\$269.99	\$16.20	\$286.19
		Staples Direct	1,499.90	89.99	1,589.89
		Staples Direct	<u>501.98</u>	<u>28.86</u>	<u>530.84</u>
			<b>\$2,271.87</b>	<b>\$135.05</b>	<b>\$2,406.92</b>
7	Cardholder No. 28	BLS Autodesk Purchase	\$2,940.02	\$169.06	\$3,109.08
		APL Apple Online Store	69.95	4.02	73.97
		Staples Direct	143.87	8.27	152.14
		Staples Direct	261.70	15.05	276.75
		Staples Direct	166.85	9.59	176.44
		Staples Direct	26.99	1.55	28.54
		Staples Direct	51.96	2.99	54.95
		Staples Direct	28.59	1.64	30.23
		Staples Direct	<u>231.24</u>	<u>13.30</u>	<u>244.54</u>
			<b>\$3,921.17</b>	<b>\$225.47</b>	<b>\$4,146.64</b>
8	Cardholder No. 34	Lowe's	\$49.50	\$2.85	\$52.35

<sup>26</sup> Desserts for the entire class in the Leadership Evaluation and Assessment Development Program Certification ceremony.

## Appendix D – GPO Sales Taxes Record for Exempted Purchases (Continued)

	<b>Cardholder</b>	<b>Vendor</b>	<b>Amount</b>	<b>Sales Tax</b>	<b>Total</b>
9	Cardholder No. 38	HP Home Store	\$1,995.84	\$114.76	\$2,110.60
10	Cardholder No. 41	Sherwin-Williams	\$261.84	\$0.44	\$262.28
11	Cardholder No. 46	Hooker's Ace Hardware	\$131.94	\$9.24	\$141.18
		Rexel	326.88	22.88	349.76
		Sherwin-Williams	45.50	3.19	48.69
		Sherwin-Williams	169.41	11.86	181.27
		Office Supply.com	<u>50.08</u>	<u>3.51</u>	<u>53.59</u>
			<b>\$723.81</b>	<b>\$50.68</b>	<b>\$774.49</b>
12	Cardholder No. 49	Staples Direct	\$22.98	\$1.32	\$24.30
		Staples Direct	<u>62.36</u>	<u>3.59</u>	<u>65.95</u>
			<b>\$85.34</b>	<b>\$4.91</b>	<b>\$90.25</b>
	Cardholder No. 51	Georgetown Valet	\$649.80	\$37.14	\$686.94
		Wegman's	610.00	17.35	627.35
		Wegman's	88.99	5.34	94.33
		Wegman's	31.92	0.80	32.72
		Wegman's	503.00	15.03	518.03
		Party City	161.81	9.71	171.52
		Party City	1,129.82	64.97	1,194.79
		Party City	238.19	14.29	252.48
		Domino's Pizza	418.04	41.68	459.72
		Chicken Rico	<u>100.00</u>	<u>10.00</u>	<u>110.00</u>
			<b>\$3,931.57</b>	<b>\$216.31</b>	<b>\$4,147.88</b>
13	Cardholder No. 52	Platt Electric	\$238.91	\$13.74	\$252.65
		Parts Super Center	<u>1,167.88</u>	<u>68.87</u>	<u>1,236.75</u>
			<b>\$1,406.79</b>	<b>\$82.61</b>	<b>\$1,489.40</b>
14	Cardholder No. 55	HP.Com Store	\$693.87	\$39.90	\$733.77
		<b>Total</b>	<b>\$18,214.70</b>	<b>\$1,089.21</b>	<b>\$19,303.91</b>

## Appendix E – Cardholders Exceeded Purchase Limit That Were in Our Sample

<b>Fiscal Year 2017</b>				
	<b>Cardholder</b>	<b>Charges</b>	<b>Approved Annual Limits</b>	<b>Overage</b>
1	Cardholder No. 38	\$511,874.23	\$240,000	\$271,874.23
2	Cardholder No. 28	123,742.08	50,000	73,742.08
3	Cardholder No. 13	63,950.97	25,000	38,950.97
4	Cardholder No. 37	68,045.89	40,000	28,045.89
5	Cardholder No. 11	55,628.64	40,000	15,628.64
6	Cardholder No. 50	39,044.17	25,000	14,044.17
7	Cardholder No. 34	85,569.86	75,000	10,569.86
8	Cardholder No. 10	72,208.64	65,000	7,208.64
9	Cardholder No. 16	57,022.59	50,000	7,022.89
10	Cardholder No. 9	48,093.12	40,000	8,093.12
11	Cardholder No. 52	42,253.67	40,000	2,253.67
12	Cardholder No. 1	41,104.86	40,000	1,104.86
<b>Fiscal Year 2018</b>				
1	Cardholder No. 38	647,078.33	240,000	407,078.33
2	Cardholder No. 28	\$315,427.94	50,000	265,427.94
3	Cardholder No. 35	298,692.78	180,000	118,692.78
4	Cardholder No. 37	154,090.00	50,000	104,090.00
5	Cardholder No. 14	507,167.77	450,000	57,167.77
6	Cardholder No. 13	79,278.64	25,000	54,278.64
7	Cardholder No. 52	79,913.11	50,000	29,913.11
8	Cardholder No. 48	73,731.42	45,000	28,731.42
9	Cardholder No. 26	127,906.46	100,000	27,906.46
10	Cardholder No. 19	34,950.22	10,000	24,950.22
11	Cardholder No. 56	65,850.33	45,000	20,850.33
12	Cardholder No. 1	68,743.44	50,000	18,743.44
13	Cardholder No. 9	68,143.58	50,000	18,143.58
14	Cardholder No. 10	116,580.83	100,000	16,580.83
15	Cardholder No. 34	115,616.16	100,000	15,616.16
16	Cardholder No. 21	59,673.17	45,000	14,673.17
17	Cardholder No. 57	53,603.87	40,000	13,603.87
18	Cardholder No. 18	78,671.06	70,000	8,671.06
19	Cardholder No. 49	32,572.12	25,000	7,572.12
20	Cardholder No. 44	37,473.02	30,000	7,473.02
21	Cardholder No. 54	15,999.32	10,000	5,999.32
22	Cardholder No. 36	12,279.65	10,000	2,279.65

## Appendix F – On-line Money Transfer Services Were Used Without Prior Approval

	<b>Cardholder</b>	<b>Vendor/ Transfer Service</b>	<b>Date</b>	<b>Cost</b>
1	Cardholder No. 5	PayPal SFCalcara	October 4, 2017	\$650.00
2	Cardholder No. 13	PayPal PayPal PayPal Aikon CMS	April 20, 2017 April 20, 2017	\$49.00 <u>19.00</u> <b>\$68.00</b>
3	Cardholder No. 14	PayPal PGA 19 <sup>27</sup> PayPal KapsalesLLC <sup>28</sup> PayPal KapsalesLLC	July 29, 2017 March 12, 2018 March 12, 2018	\$1,773.58 1,600.00 <u>1,600.00</u> <b>\$4,973.58</b>
4	Cardholder No. 28	PayPal Bramidan USI PayPal GPR Indust PayPal Hickssalesa H&M USA Dies + PayPal Pensacolage H&M USA Dies Paypal RFID Customs	August 30, 2017 April 5, 2018 April 5, 2018 April 12, 2018 May 8, 2018 June 18, 2018 October 11, 2018	\$ 176.00 77.03 54.50 983.84 493.96 1,200.00 <u>790.00</u> <b>\$3,775.33</b>
5	Cardholder No. 46	PayPal Raybrustpmt PayPal Raybrustpmt PayPal Raybrustpmt	March 8, 2018 March 8, 2018 March 29, 2018	\$40.00 1,200.00 <u>1,248.00</u> <b>\$2,488.00</b>
6	Cardholder No. 49	PayPal OLAC Inc PayPal OLAC Inc PayPal OLAC Inc	September 13, 2017 September 13, 2017 September 13, 2017	\$320.00 320.00 <u>270.00</u> <b>\$910.00</b>
7	Cardholder No. 55	Red Wing Bus. Advantage*	October 12, 2018	\$225.23
			<b>Total</b>	<b>\$13,090.14</b>

\*Charge was via UniPay + 4% PayPal add-on

<sup>27</sup> Library Services and Content Management map cataloging training.

<sup>28</sup> Federal Travel Regulation training class in Washington, DC for both \$1,600 charges.

## Appendix G – Record of IT and IT-Peripheral Items Procured Without Informing IT Department

	<b>Cardholder</b>	<b>Item</b>	<b>Date</b>	<b>Amount</b>
1	Cardholder No. 4	1. Wireless device 2. Flash drives	February 6, 2017 June 2, 2017	\$304.97 <u>93.62</u> <b>\$398.59</b>
2	Cardholder No. 13	1. Wireless device 2. Laptop PCs	February 1, 2017 September 22, 2017	\$427.79 <u>2,387.94</u> <b>\$2,815.73</b>
3	Cardholder No. 14	1. Printer 2. Software	February 16, 2017 August 8, 2018	\$189.99 <u>1,750.00</u> <b>\$1,939.99</b>
4	Cardholder No. 15	1. Printer 2. Printer 3. Scanner 4. Monitors 5. Monitors 6. Monitors 7. Monitors 8. Monitors 9. Monitors	July 27, 2018 October 18, 2018 October 9, 2018 May 31, 2018 June 29, 2018 August 15, 2018 August 24, 2018 October 1, 2018 October 3, 2018	269.99 269.99 1487.97 947.94 337.65 2,352.85 844.95 1,499.90 <u>1,589.89</u> <b>\$9,601.13</b>
5	Cardholder No. 28	1. Software 2. Software 3. Printer 4. Laptop PCs 5. Laptop PCs 6. Flash drives 7. Secure-ID cards	July 21, 2017 October 11, 2018 October 4, 2018 April 11, 2018 April 11, 2018 February 15, 2018 January 31, 2018	\$ 3,109.08 386.00 282.07 1,979.00 2,430.00 211.89 <u>3,424.54</u> <b>\$11,822.58</b>
6	Cardholder No. 29	1. Printers	June 7, 2017	\$2,264.92
7	Cardholder No. 31	1. Printer 2. Printers	September. 28, 2017 September 28, 2017	\$198.99 <u>356.99</u> <b>\$555.98</b>
8	Cardholder No. 35	1. Flash drives 2. Monitor 3. Printer	March 7, 2017 January 24, 2018 February 27, 2018	\$62.94 139.99 <u>269.00</u> <b>\$471.93</b>
9	Cardholder No. 36	1. Printers	March 16, 2018	\$490.00

**Appendix G – Record of IT and IT-Peripheral Items Procured Without Informing IT Department (Continued)**

	<b>Cardholder</b>	<b>Item</b>	<b>Date</b>	<b>Amount</b>
10	Cardholder No. 38	1. Flash drives	April 27, 2018	\$ 89.97
		2. Flash drives	April 28, 2018	44.37
		3. Software	March 17, 2017	857.00
		4. Software	October 9, 2017	1,076.00
		5. Monitors	October 19, 2017	<u>449.97</u>
				<b>\$2,517.31</b>
11	Cardholder No. 46	1. Software	March 6, 2018	\$3,500.00
12	Cardholder No. 54	1. Software	October 4, 2018	\$199.98
		2. Scanner	October 10, 2018	<u>269.94</u>
				\$469.92
		<b>Total 37 items</b>		<b>\$36,848.08</b>

## Appendix H – Training Records for SP2 Cardholders Were Not Being Maintained

	Cardholder	Department	SP2 Training Documented		Last Documented Training Date	Within 3 Years
			Yes	No		
1	Cardholder No. 1	Engineering Services		X	*	*
2	Cardholder No. 2	Customer Services		X	*	*
3	Cardholder No. 3	Security Services		X	*	*
4	Cardholder No. 5	Security Services		X	*	*
5	Cardholder No. 6	Acquisition Services		X	*	*
6	Cardholder No. 7	Library Services		X	*	*
7	Cardholder No. 10	Engineering Services		X	*	*
8	Cardholder No. 11	Engineering Services		X	*	*
9	Cardholder No. 12	Administrative Services		X	*	*
10	Cardholder No. 13	Library Services	X		2009	No
11	Cardholder No. 14	WDET		X	*	*
12	Cardholder No. 15	Human Capital		X	*	*
13	Cardholder No. 16	Engineering Services		X	*	*
14	Cardholder No. 17	Human Capital		X	*	*
15	Cardholder No. 18	Engineering Services		X	*	*
16	Cardholder No. 19	SID	X		2014	No
17	Cardholder No. 20	Acquisition Services		X	*	*
18	Cardholder No. 21	Engineering Services		X	*	*
19	Cardholder No. 23	Acquisition Services		X	*	*
20	Cardholder No. 24	General Counsel		X	*	*
21	Cardholder No. 26	Engineering Services		X	*	*
22	Cardholder No. 27	Acquisition Services		X	*	*

## Appendix H – Training Records for SP2 Cardholders Were Not Being Maintained (Continued)

	Cardholder	Department	SP2 Training Documented		Last Documented Training Date	Within 3 Years
			Yes	No		
23	Cardholder No. 28	SID	X		2014	No
24	Cardholder No. 30	Inspector General		X	*	*
25	Cardholder No. 31	Medical Unit		X	*	*
26	Cardholder No. 32	Chief Tech Officer	X		2011	No
27	Cardholder No. 33	Engineering Services		X	*	*
28	Cardholder No. 34	Engineering Services		X	*	*
29	Cardholder No. 35	Bindery		X	*	*
30	Cardholder No. 36	Customer Services		X	*	*
31	Cardholder No. 38	Bindery	X		2008	No
32	Cardholder No. 39	General Counsel	X		2011	No
33	Cardholder No. 40	Security Services		X	*	*
34	Cardholder No. 42	Acquisition Services		X	*	*
35	Cardholder No. 43	Customer Services		X	*	*
36	Cardholder No. 44	Engineering Services		X	*	*
37	Cardholder No. 45	Plant Operations		X	*	*
38	Cardholder No. 46	Stennis SPF	X		2014	No
39	Cardholder No. 47	Customer Services		X	*	*
40	Cardholder No. 48	Customer Services		X	*	*
41	Cardholder No. 49	Library Services		X	*	*
42	Cardholder No. 50	Engineering Services		X	*	*
43	Cardholder No. 51	Public Relations	X		2008	No
44	Cardholder No. 52	Engineering Services		X	*	*

## Appendix H – Training Records for SP2 Cardholders Were Not Being Maintained (Continued)

	Cardholder	Department	SP2 Training Documented		Last Documented Training Date	Within 3 Years
			Yes	No		
45	Cardholder No. 53	Engineering Services		X	*	*
46	Cardholder No. 55	Plant Operations		X	*	*
47	Cardholder No. 56	Customer Services	X		2006	No
48	Cardholder No. 57	Info Technology		X	*	*

**\*-Not documented**

## Appendix I - Cardholder Non- Compliance

Cardholder	Missing or Inadequate Supporting Documentation	Exceeded Purchase Limits	Paid Sales Taxes for Numerous Purchases	Split Purchases	Online Money Transfer Services Were Used Without Prior Approval	IT and IT-Peripheral Items Were Procured Without Informing IT Department	Approving Officials Were Also Issued Purchase Cards	Monthly Purchase Logs and/or Bank Statements Unsigned	Training Records Not Being Maintained	Evidence That Retired or Separated GPO Returned Purchase Cards Were Not Maintained
Cardholder No. 1		X						X	X	X
Cardholder No. 2			X						X	
Cardholder No. 3							X		X	
Cardholder No. 4						X				
Cardholder No. 5		X	X	X	X				X	
Cardholder No. 6	X								X	X
Cardholder No. 7			X						X	
Cardholder No. 8				X						
Cardholder No. 9		X						X		
Cardholder No. 10		X						X	X	
Cardholder No. 11		X							X	X
Cardholder No. 12									X	
Cardholder No. 13		X	X		X	X			X	
Cardholder No. 14		X	X		X	X		X	X	
Cardholder No. 15			X			X			X	
Cardholder No. 16		X						X	X	
Cardholder No. 17									X	
Cardholder No. 18		X						X	X	
Cardholder No. 19		X						X	X	
Cardholder No. 20									X	

## Appendix I – Cardholder Non-Compliance (Continued)

Cardholder	Missing or Inadequate Supporting Documentation	Exceeded Purchase Limits	Paid Sales Taxes for Numerous Purchases	Split Purchases	Online Money Transfer Services Were Used Without Prior Approval	IT and IT-Peripheral Items Were Procured Without Informing IT Department	Approving Officials Were Also Issued Purchase Cards	Monthly Purchase Logs and/or Bank Statements Unsigned	Training Records Not Being Maintained	Evidence That Retired or Separated GPO Returned Purchase Cards Were Not Maintained
Cardholder No. 21		X							X	
Cardholder No. 22										
Cardholder No. 23	X							X	X	X
Cardholder No. 24									X	
Cardholder No. 25										
Cardholder No. 26		X						X	X	
Cardholder No. 27									X	
Cardholder No. 28		X	X	X	X	X	X	X	X	
Cardholder No. 29						X				
Cardholder No. 30									X	
Cardholder No. 31						X		X	X	X
Cardholder No. 32									X	
Cardholder No. 33								X	X	
Cardholder No. 34		X	X			X		X	X	
Cardholder No. 35		X				X			X	
Cardholder No. 36		X							X	
Cardholder No. 37		X								
Cardholder No. 38		X	X	X		X		X	X	
Cardholder No. 39								X	X	
Cardholder No. 40									X	
Cardholder No. 41			X							
Cardholder No. 42	X								X	
Cardholder No. 43									X	

## Appendix I – Cardholder Non-Compliance (Continued)

Cardholder	Missing or Inadequate Supporting Documentation	Exceeded Purchase Limits	Paid Sales Taxes for Numerous Purchases	Split Purchases	Online Money Transfer Services Were Used Without Prior Approval	IT and IT-Peripheral Items Were Procured Without Informing IT Department	Approving Officials Were Also Issued Purchase Cards	Monthly Purchase Logs and/or Bank Statements Unsigned	Training Records Not Being Maintained	Evidence That Retired or Separated GPO Returned Purchase Cards Were Not Maintained
Cardholder No. 44		X						X	X	
Cardholder No. 45								X	X	
Cardholder No. 46			X		X	X		X	X	
Cardholder No. 47									X	
Cardholder No. 48		X							X	
Cardholder No. 49		X	X		X				X	
Cardholder No. 50		X						X	X	
Cardholder No. 51			X						X	
Cardholder No. 52		X	X					X	X	
Cardholder No. 53								X	X	
Cardholder No. 54		X				X		X		
Cardholder No. 55			X		X				X	
Cardholder No. 56		X							X	
Cardholder No. 57		X						X	X	

## Appendix J – Management’s Response

**LORNA E. BAPTISTE-JONES**  
Chief Acquisition Officer



**Date:** December 23, 2019

**To:** Inspector General, U.S. GPO

**From:** Chief Acquisition Officer/Managing Director of Acquisition Services

**Subject:** Response to IG Draft Report – Opportunities Are Available for Enhanced Management of Purchase Cards Report Number 20-01

**Background:** During their audit of the SmartPay2 program, the Inspector General (IG) discovered instances of missing supporting documentation with an associated cost of \$23,119, as well as a total of \$86,856 in which there was a lack of evidence of proper approvals. The IG also discovered instances in which the Government improperly paid taxes, as purchases with the Government Purchase Card are exempted from taxes.

**IG Recommendations:** The IG recommended that the Chief Acquisition Officer take the following actions:

1. Obtain verification from the Approving Officials that the purchases totaling \$109,975 were approved and supported GPO’s mission.
2. Review purchases associated with the \$1,089 in sales taxes that were paid on exempted purchases and attempt reimbursement by the service or sales providers that accounted for the largest amount of taxes.
3. Issue further guidance to cardholders regarding tax exemption on Government purchases, online transfer services, split purchases, and IT purchases.
4. Ensure controls identified and/or implemented under SP3 to correct the deficiencies are properly executed and monitored.

**Agency Response:** GPO concurs with recommendations 1-4 above and will provide, to the IG, the results of actions taken in response to the recommendations, within 90 days from the date of this response.

  
Lorna Baptiste-Jones  
Chief Acquisition Officer  
Managing Director of Acquisition Services

cc:  
Acting Chief of Staff  
Director, GPO  
Acting Deputy Director, GPO  
Acting General Counsel  
Acting Chief Administrative Officer

U. S. GOVERNMENT PUBLISHING OFFICE | Keeping America Informed | OFFICIAL | DIGITAL | SECURE  
732 North Capitol Street, NW, Washington, DC 20401-0001 <https://www.gpo.gov> | <https://www.facebook.com/USGPO/> | [twitter.com/USGPO](https://twitter.com/USGPO)

## **Appendix K - Status of Recommendations**

---

<b>Recommendation</b>	<b>Resolved</b>	<b>Unresolved</b>	<b>Open/ECD*</b>	<b>Closed</b>
1	X			
2	X			
3	X			

\*Estimated Completion Date.

## **Appendix L - Report Distribution**

---

Acting Deputy Director  
Acting General Counsel  
Acting Chief of Staff  
Chief Acquisition Officer

## **Contributors to the Report**

David Schaub – Lead Auditor

Daniel Rose – Information Technology Specialist