



August 22, 2008

JERRY D. LANE
VICE PRESIDENT, CAPITAL METRO AREA OPERATIONS

SUBJECT: Audit Report – Fiscal Year 2008 Capital Metro Area SmartPay
Purchase Card Program (Report Number FF-AR-08-270)

This report presents the results of our audit of SmartPay Credit Card purchases by personnel in the Capital Metro Area (Project Number 08BD006FF001). This audit is part of the Fiscal Year 2008 Financial Installation Audits we announced on August 14, 2007. This audit addresses financial risk. Click [here](#) to go to Appendix A for additional information about this audit.

Conclusion

Generally, cardholders supported Capital Metro Area SmartPay Purchase Card Program purchases and complied with U.S. Postal Service policies and procedures. However, the credit card reconciliation process needs improvement.

Monthly Reconciliation Procedures Needed Improvement

Cardholders and approving officials did not follow monthly reconciliation procedures. Unauthorized or inaccurate transactions could go undetected when cardholders and approving officials do not reconcile bank statements as required. Specifically:

- All seven cardholders certified, but did not date, 27 of 70 bank statements totaling \$76,541.
- The cardholder did not certify or date another bank statement totaling \$7,396.
- The approving official certified a bank statement totaling \$725, but did not do so within 30 days of the reconciliation due date.

Postal Service policy requires cardholders to certify the statement of account after review and reconciliation by signing and dating the certification statement.¹ The policy also requires cardholders and approving officials to complete all reconciliation activities

¹ Handbook AS-709, *Credit Card Policies and Procedures for Local Buying*, Section 421.d, October 2003 (updated through October 26, 2006).

no later than the 18th of the month for the previous month's card activity.² Cardholders stated they did not date the bank statements because they were not aware of policy related to the modified bank statements.³ The cardholder did not certify one bank statement as he had overlooked it. Finally, the approving official did not timely reconcile the bank statement due to untimely receipt of cardholder documentation.

Recommendation

We recommend the Vice President, Capital Metro Area Operations:

1. Reinforce Postal Service policy relating to reconciliation and certification by signing, dating, and timely forwarding and reconciling bank statements.

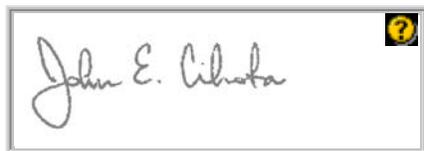
Management's Comment

Management agreed with our finding and recommendation and redistributed headquarters and area policy to all cardholders and approving officials within the Capital Metro Area Operations clarifying responsibilities. In addition, management stated the Accounting Manager held a meeting on August 15, 2008, with Capital Metro Area office cardholders and approving officials to reinforce the reconciliation and certification process. We have included management's comments in their entirety in [Appendix B](#).

Evaluation of Management's Comments

The U.S. Postal Service Office of the Inspector General (OIG) considers management's comments responsive to the recommendation, and the corrective actions should resolve the issue identified in the finding.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions, or need additional information, please contact John Wiethop, Director, Field Financial Central, or me at (703) 248-2100.



John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachments

² Officer Memorandum of Policy GSA Smart Pay Purchase Card Reconciliation Process Time Change, January 4, 2008.

³ The modified bank statements did not have a date section for cardholders.

cc: Susan M. Brownell
Lynn Malcolm
Vincent H. DeVito, Jr.
Marie Martinez
Stephen J. Nickerson
Steven A. Darragh
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Since November 1991, the Postal Service has used the government-wide Commercial Credit Card Program administered by the General Services Administration. The current contractor is U.S. Bank, Minneapolis, Minnesota, and the card company is VISA®. The program within the Postal Service is called the SmartPay Purchase Card Program, which Supply Management and Finance cosponsor. The Postal Service pays no administrative fees for the services U.S. Bank provides and earns refunds based on the aggregate volume of Postal Service transactions. Until recently, the purchase card was commonly referred to as the International Merchant Purchase Authorization Card (IMPAC). This was a registered U.S. Bank trademark name, but the bank no longer uses it.

When eBay or other consolidated Finance-approved payment processes are not an option, the purchase card is the primary delegated local buying authority (the authority to buy and pay for day-to-day operational needs). Generally, a single purchase card transaction may not be greater than \$10,000.

Cardholders, approving officials, and program coordinators must follow the purchasing guidelines for approved expenditures set by the Postal Service in Handbook AS-709, *Credit Card Policies and Procedures for Local Buying*, and various manuals, handbooks, management instructions, and locally issued guidance. This guidance requires cardholders to maintain documentation, including approved purchasing requests, sales and credit drafts and receipts, and delivery documentation. In addition, guidance issued January 4, 2008, requires cardholders to maintain documentation supporting the timely review of monthly statements by cardholders and approving officials.⁴

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine if SmartPay Purchase Card Program purchases were supported and complied with Postal Service policies and procedures. To accomplish this objective, we selected all transactions using the [REDACTED].

This approach resulted in a universe of 418 SmartPay Purchase Card purchase transactions totaling \$187,444. Our transactions included only those cardholders assigned to the Capital Metro Area. We did not include in our sample cardholders who were reassigned, retired, or on extended leave. Accordingly, we sorted the data by

⁴ See footnote number 1.

cardholder and reviewed all 418 transactions totaling \$183,872 made by seven cardholders from June 2007 through May 2008.⁵

We conducted this financial audit from June through August 2008 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on July 23, 2008, and included their comments where appropriate.

We relied on data obtained from the Postal Service's Enterprise Data Warehouse Accounting Data Mart, and performed specific internal control and transaction tests on this system's data to include tracing selected purchase transactions to supporting documentation. We used Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls and data reliability. Finally, we interviewed supervisors and employees and observed operations.

⁵ One cardholder on extended leave had one transaction. We removed that cardholder from our audit, bringing the total universe of transactions to 417. However, during the audit, we found another cardholder had two transactions for one combined bank statement amount. This increased our universe from 417 transactions back to 418. Further, these changes altered the dollar value of our universe.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Non-Monetary Impact	Report Results
<i>Fiscal Year 2007 Financial Installation Audit – SmartPay Purchase Card Program for Local Buying – Northern Virginia District – Merrifield, Virginia</i>	FF-AR-08-027	11/15/2007	\$5,651	\$95,521	Cardholders did not prepare or maintain proper documentation for eAward purchases and did not obtain proper approval for transactions. Also, cardholders and approving officials did not follow monthly reconciliation procedures.
<i>Fiscal Year 2007 Financial Installation Audit – SmartPay Purchase Card Program – Richmond District, Richmond, Virginia</i>	FF-AR-08-023	11/7/2007	\$45,705	\$20,011	Cardholders did not follow proper payment methods and purchase limits for transactions. Gift card award and monthly reconciliation procedures were not followed.
<i>Fiscal Year 2007 Financial Installation Audit – SmartPay Purchase Card Program for Local Buying – Baltimore District – Baltimore, Maryland</i>	FF-AR-08-022	11/7/2007	\$70,485	\$85,346	Cardholders did not maintain supporting documentation for transactions. Also, cardholders purchased prohibited services and did not follow purchasing procedures for transactions. Further, cardholders and approving officials did not follow monthly reconciliation procedures.
<i>Fiscal Year 2007 Financial Installation Audit – SmartPay Purchase Card Program for Local Buying (purchase card) – Capital District, Washington, DC</i>	FF-AR-07-251	9/27/2007	\$93,938	\$0	Cardholders did not obtain proper approval for transactions and purchased prohibited services. Also, cardholders did not maintain supporting documentation for transactions. Further, cardholders and approving officials did not follow monthly reconciliation procedures.

These reports identified various internal control and compliance issues, such as unapproved, unsupported, or unauthorized purchases. Also, as stated in the above table, we identified a common issue related to reconciliation procedures. We identified the same issue in this report.

APPENDIX B: MANAGEMENT'S COMMENTS

VICE PRESIDENT
CAPITAL METRO AREA OPERATIONS



August 15, 2008

Lucine M. Willis
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Katherine S. Banks
Manager, Corporate Audit and Response Management
U. S. Postal Service at CARMManager@USPS.GOV

SUBJECT: Response to Fiscal Year 2008 Financial Audit – Capital Metro Area
SmartPay Purchase Card Program (Report Number FF-AR-08-Draft 1).

In response to your letter dated, August 1, (Project Number 08BD006FF001), Management agrees with the findings and recommendations as listed below:

OIG Recommendation

We recommend the Vice President, Capital Metro Operation Area Operations:

1. Reinforce Postal Service policy relating to reconciliation and certification by signing, dating, and timely forwarding and reconciling bank statements.

Management Response

1. As recommended, Capital Metro Area has redistributed updated Headquarters and Area policy on the SmartPay Purchase Card Program to all area and district credit cardholders and credit cardholder approving officials. (See the attached). In addition, the Manager of Accounting will meet today with the Area office cardholders and approving officials to discuss and reinforce the reconciliation and certification process.

If additional information is needed, please let me know.


Jerry D. Lane

Attachment

cc: Manager, Finance, Capital Metro Area

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VICE PRESIDENT
CAPITAL METRO AREA OPERATIONS



August 15, 2008

All SmartPay CCAOS and Cardholders

SUBJECT: SmartPay Purchase Card Reconciliation

A recent OIG review of SmartPay purchase card transactions have indicated non-compliance issues within the Capital Metro Area, specifically regarding the monthly reconciliation and certification process.

The attached guidelines and instructions are being redistributed and have been updated with the new reconciliation, certification and funding guidelines. It is imperative that cardholders and approvers comply with local buying procedures as outlined in the AS-709, Credit Card Policies and Procedures for Local Buying.

Any questions or concerns should be directed to the District and Area Agency Purchasing Coordinators (APCs).


Jerry D. Lane

Attachment

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VICE PRESIDENT
CAPITAL METRO AREA OPERATIONS



August 15, 2008

All CCAOS and SmartPay Purchase Cardholders

SUBJECT: SmartPay Purchase Credit Card (formerly IMPAC Credit Card)

A recent OIG SmartPay Purchase Credit Card (formerly IMPAC Credit Card) area audit revealed that additional direction should be provided concerning purchases in the following categories:

Meals/Refreshments - Purchases for meals and refreshments for routine staff meetings are not authorized. Reviews have revealed that coffee has been provided and funded for personal daily consumption. This practice must stop immediately. Coffee is only provided with Postal Service funds for "official meetings". Personal daily consumption of coffee must be paid for by employees. The Area's local policy for funding requests for luncheons must not exceed ten dollars per employee without the authorization from the Area Manager, Finance.

Contract Suppliers - eBuy purchases must be made with national contract suppliers. Contract suppliers are listed on the eBuy website.

eBuy Funding Approvals - Capital Metro Area's local policy - a purchase amount that is more than the eBuy approved funding may be over by 10 percent or less, (never > \$50). If over the 10 percent limit, cardholders should request the funding official to approve additional spending by notating the correct amount on the eBuy with approver's initials. Additional funding is not required if the amount is within 10 percent or up to a maximum of \$50 (ASM – 722.633).

A hardcopy of the approved eBuy funding request showing all levels of approvals (names and dates) must be kept with supporting documentation for all purchases.

Purchase Card Reconciliation – Cardholders and Credit Card Approving Officials (CCAOs) must complete all required reconciliation activities no later than the 18th of the month for the previous month's card activity. The cardholder completes the required reconciliation and submits the signed and dated statement with supporting documentation to the CCAO. The CCAO should then complete the required reconciliation, using the bank TBR400 report and/or postal credit card payment, and return the signed and dated statement with supporting documentation (including the payment report) to the cardholder. The cardholder retains all documentation for two years from the date of the bank statement, and the CCAO retains the bank TBR400 report for two years from the date of the report.

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Gift Card Purchases - Any purchases of gift cards must be acquired through the specified contractors as follows – Gift Certificates.com, 1-800 Gift Certificates/IncentOne and Rymax. These links can be accessed through the eAwards system. All gift card awards must be entered in the eAwards system once the gift cards are distributed. Supporting documentation from the eAwards system must be kept with the eBuy documentation.

American Express Cheques - American Express Gift Cheques can now be ordered through eBuy on catalog. Once ordered, the vendor will ship checks along with a "purchaser tracking log". This log contains the assigned check number for each \$100 denomination check to be distributed. If this log is not included, a facsimile log must be used. Upon receipt of checks for recognition, all recipients must sign, date and provide social security number for all items received. See Attachment 3 – example of purchaser tracking log. All American Express Gift Cheque awards must be entered in the eAwards system once the gift cards are distributed. Supporting documentation from the eAwards system along with the purchaser tracking log must be kept with the eBuy documentation.

Tax Exemption/Prompt Payment - To avoid incurring additional costs to the Postal Service, it is imperative that invoices be scrutinized for tax charges prior to payment with the IMPAC card. The Postal Service is exempt from taxes on purchases. It is also very important that payments are made promptly to avoid late payment penalties as prescribed by the Prompt Payment Act.

All cardholders and approving officials must adhere to the guidelines as outlined in *Handbook AS-709 - Credit Card Policies and Procedures for Local Buying*.


Jerry D. Lane

cc: Finance Manager (all Districts)
Steve Darragh