



September 8, 2008

TERRY J. WILSON
VICE PRESIDENT, SOUTHEAST AREA OPERATIONS

SUBJECT: Audit Report – Fiscal Year 2008 Southeast Area SmartPay
Purchase Card Program (Report Number FF-AR-08-279)

This report presents the results of our audit of SmartPay Credit Card purchases by personnel in the Southeast Area Office (Project Number 08BD006FF007). This audit is part of the Fiscal Year 2008 Financial Installation Audits we announced on August 14, 2007. Click [here](#) to go to Appendix A for additional information about this audit.

Conclusion

Our audit identified no internal control and compliance issues with the Southeast Area's SmartPay Purchase Card program. Purchases were supported with documentation, purchase approval procedures were followed, monthly reconciliation procedures were followed, and SmartPay Credit Card Program Cardholder Accountability Acknowledgment forms were complete. Purchases were made in accordance with Postal Service procurement policies.

We did not make any recommendations in this report and, therefore, management chose not to submit a formal response. In addition, management did not identify any information that should be exempt under the Freedom of Information Act.

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

A digital signature of John E. Cihota in cursive script, enclosed in a rectangular box. A small yellow question mark icon is visible in the top right corner of the box.

John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachment

cc: Susan M. Brownell
Lynn Malcolm
Vincent H. DeVito, Jr.
Gwendolyn F. Green
Stephen J. Nickerson
Robin Stewart
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*, October 2003 (updated through October 26, 2006), 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.

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 judgmentally selected a sample of transactions for audit using the [REDACTED]

[REDACTED]. This approach resulted in a universe of 526 SmartPay Purchase Card purchase transactions totaling \$320,707. We selected the sample of transactions based on risk factors such as type of purchases (i.e., meals and communications) and vendors. Specifically, we judgmentally selected transactions that were either restricted, prohibited, weekend purchases, or for purchases of pilferable items. Using these risk factors, we selected 106 transactions totaling \$164,346 made from July 2007 through June 2008 by eight cardholders.

We conducted this financial audit from July through September 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 findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on August 14, 2008, and included their comments where appropriate.

We relied on data obtained from the Postal Service’s Enterprise Data Warehouse Accounting Data Mart. We 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.

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 – Atlanta District – Atlanta, Georgia</i>	FF-AR-08-012	11/18/2007	\$2,792	\$71,652	Cardholders made purchases that were not supported, paid taxes on purchases that should have been exempt, and did not maintain declining balances for bulk funded purchases. Also, cardholders and approving officials did not reconcile or certify monthly statements and track purchases, as required.
<i>Fiscal Year 2008 Capital Metro Area SmartPay Purchase Card Program</i>	FF-AR-08-270	8/22/2008	N/A	N/A	Cardholders and approving officials did not follow monthly reconciliation procedures.