

# M E M O R A N D U M

## FINAL AUDIT REPORT WITH RECOMMENDATIONS

Internal Operations No. 14-002



**SUBJECT:** Review of WMATA's  
Purchase Card Program

**DATE:** January 27, 2014

**FROM:** OIG – Helen Lew /S/

**TO:** DGMA/CFO – Carol Kissal

This **Final Audit Report** entitled, *Review of the Washington Metropolitan Area Transit Authority's (WMATA) Purchase Card Program*, presents the results of our audit. The objectives of the audit were to determine whether the Purchase Card Program effectively and efficiently meets its organizational mission, goals, and objectives.

### **BACKGROUND**

WMATA's Purchase Card Program (Program) was implemented in 2001 for the purpose of allowing management to execute quicker and simpler procedures for the acquisition of certain products and services. The Program is managed by WMATA's Office of Procurement and Materials (PRMT) located in the Jackson Graham Building. The Chief Procurement Officer (CPO), PRMT, is delegated overall responsibility for the Program. The CPO has delegated the Supervisor, Policy and Compliance, as the Purchase Card Administrator (PCA) to monitor and oversee the Program, establish appropriate guidelines, and conduct reviews to ensure compliance with Policy/Instruction 8.11/1, Purchase Card Policy, revised, May 23, 2012. In July 2013, the CPO hired another PCA to assist in administering the Program.

WMATA contracts with Citibank, N.A. (Citibank) for the issuance of purchase cards and the processing of purchase card transactions. Citibank provides an online Global Card Management System (GCMS) database that Approving Officials use to review and approve purchase card transactions. After the monthly analysis, WMATA's Office of Accounting (ACCT) posts the monthly transaction activity to WMATA's financial reporting system.

The Cardholders are required to physically secure the card and account information, participate in mandatory training, reconcile and verify monthly transactions, and properly secure and retain all records relating to purchase card transactions in their office.

The Approving Officials are required to oversee Cardholder activity, maintain program compliance, and participate in mandatory training. They are responsible for reviewing and approving the Cardholders' card activity and supporting documentation to ensure and certify purchases were made in accordance with the policy.

Cardholders are restricted to a maximum single purchase limit of \$3,000, but the limit may include multiple items. Special Use Cards with purchasing limits of \$150,000 may be issued to certain purchasing agents and ordering officials for contract related purchases. A limited number of cards may be designated for special use for emergency situations or continuity of operations at WMATA.

Data provided by Citibank shows there were 318 Cardholders in calendar year (CY) 2012. A total of 34,422 transactions were executed, valued at \$19,050,564, yielding an average of 108 transactions per Cardholder, \$553 per transaction, or \$59,907 per Cardholder.

On December 1, 2011, the Office of Inspector General (OIG) issued a Report of Investigation (Report No. 12-0001-I) citing improper use of the purchase card and theft of WMATA property by Cardholders. Prior to this time, OIG issued audit report No. 09-06 on June 29, 2009, entitled, *Audit of the Purchase Card Program*. The report cited some Cardholders were not attending refresher training as required, and some had engaged in prohibited split purchase transactions.

### **AUDIT RESULTS**

OIG found the Purchase Card program has an internal control process in place to meet organizational mission, goals, and objectives, and for the most part, the program is operating effectively and efficiently. However, OIG found some Cardholders did not properly follow WMATA's Purchase Card Program policy and procedures. Specifically, OIG found some unauthorized purchases, exempt sales taxes paid, lack of reporting accountable property and/or sensitive items and missing supporting documentation; and some Delegation of Contracting Authority Letters were not available for review. OIG also found WMATA needs to improve oversight of the Purchase Card Program to ensure: the PCA conducts sufficient annual reviews of Cardholders' files, Approving Officials conduct reviews and authorizations of purchase card transactions, Cardholders and Approving Officials complete mandatory training, and the PCA and Approving Officials report fraudulent purchase card activity to OIG.

We also noted that some Cardholders did not follow procedures for acquiring inventory with the purchase card. This issue is discussed in the "Other Matters of Concern" section of the report.

Based on the findings above, we made four recommendations to the Deputy General Manager, Administration and Chief Financial Officer (DGMA/CFO).

We provided a draft of this report to the DGMA/CFO for review and comments on January 3, 2014. In the DGMA/CFO's January 17, 2014 response, she acknowledged the findings and recommendations made by the OIG and submitted a corrective action plan (CAP) detailing actions already taken by management and those to be implemented. For example, The DGMA/CFO has already completed a draft revision to the current Policy Instruction which asserts stronger controls for non-compliance with the purchase card usage, and has indicated the PCA will perform monthly compliance audits to identify areas of non-compliance with the Purchase Card Policy. The complete text of the DGMA/CFO's response is included as Attachment 1 to this report.

**Finding 1 – Some Cardholders did not properly follow Purchase Card Policy and Procedures**

OIG found the Purchase Card program has an internal control process in place to meet organizational mission, goals, and objectives, and for the most part, the program is operating effectively and efficiently. However, OIG found some Cardholders did not properly follow policy and procedures for the card. Specifically, some Cardholders made unauthorized purchases, paid sales taxes, failed to report tangible and/or sensitive assets to ACCT, and did not maintain supporting documentation, including their Delegation of Contracting Authority letters. The details of the finding are discussed below.

To test the effectiveness of controls and compliance with Policy/Instruction 8.11/1, we selected three samples. The first sample had 14 Cardholders, the second sample had 50 Cardholders, and the third sample had 19 Cardholders, for a total of 83 out of 318 total Cardholders. The sample selection of 83 Cardholders is further discussed in the Objectives, Scope, and Methodology section of this report.

### **1A—Some Cardholders made unauthorized (prohibited) purchases**

OIG found 12 (14 percent) of 83 Cardholders reviewed made purchases that did not follow the Purchase Card Policy. These instances are discussed as follow:

- Four Cardholders purchased unauthorized information technology equipment, software, and telephone systems.
  - One Cardholder in the Department of System Safety and Environmental Management (SAFE) purchased a laptop computer on May 5, 2012, for \$1,926. The Cardholder stated that the Office of Information Technology (IT) approved the purchase. However, according to the Chief of Data Center and Infrastructure, IT has no record of SAFE's request to purchase a laptop.
  - Two Cardholders, one in the Office of Rail Transportation (RTRA) and one in Human Resources Operation Services (HROS), purchased computer software on April 30, 2012, and December 11, 2012, respectively, totaling \$1,961. The Cardholder in RTRA stated the former Deputy General Manager for Operations (DGMO) directed him to make the purchase. The HROS Cardholder stated she was directed by her manager to make the purchase.
  - A Cardholder in Customer Service Communications and Marketing (CSCM) purchased a telephone system for \$563 on June 19, 2012. The Cardholder stated the Assistant General Manager directed her to make the purchase.

Policy/Instruction 8.11/1, §10 Unauthorized (Prohibited) Use of Card, states, "Unauthorized use of purchase cards occurs when a purchase is made or is used in violation of this policy. Metro is liable for unauthorized use of purchase cards unless reported and disputed with the financial institution. The purchase card is strictly prohibited for the following uses: §10.10 IT

equipment, systems and services.” Section 13, Exceptions, §13.04, states the Office of Information Technology may purchase equipment, services and supplies listed in §10.10.

- Four Cardholders paid traffic citations that totaled \$1,435.
  - Three Cardholders in the Office of Bus Maintenance (BMNT) paid four traffic citations on July 31, 2012, August 6, 2012, and August 7, 2012, which totaled \$1,135.
  - A Cardholder in the Office of Quality Assurance and Warranty (QAAW) paid traffic citations on June 26, 2012, totaling \$300. The citations were issued for parking and speeding violations.

The Cardholders could not identify the drivers who were responsible for the infractions. The Assistant General Superintendent in BMNT and the former Assistant General Manager, TIES authorized the payments.

Policy/Instruction 8.11/1, §10.13, states payment for any traffic violations including but not limited to parking tickets are unauthorized uses of the purchase card.

- An employee in Systems Maintenance, Automatic Train Control (SMNT, ATC) used a Cardholder’s account number on April 12, 2012, to purchase two electronic readers (Kindle Touch 3Gs), costing \$322 for personal use. The Cardholder stated the purchase was made without his approval.<sup>1</sup> The Cardholder, in violation of the Purchase Card Policy, had previously shared his card number with the employee for the purpose of making purchases for office meetings.

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<sup>1</sup> This purchase was referred to OIG Investigations for further review.

Policy/Instruction 8.11/1, §10.2, states the purchase card is strictly prohibited for the purchase of supplies or services for personal gain, pleasure, or enjoyment. In addition, Policy/Instruction 8.11/1, §7.06, states the Cardholder shall safeguard their purchase card and account number at all times and shall keep them in a secure location. Cardholders shall not allow anyone (e.g., their supervisor, other Cardholders, co-worker, family members, etc.) to use their card or account number.

- A Cardholder in the Office of Track and Structures (TRST) made furniture purchases on August 14, 2012 (five or more chairs, including an executive chair) for a total of \$1,072.

Policy/Instruction 8.11/1, §10.15, prohibits the purchase of furniture.

- Two Cardholders in BMNT made split purchases.
  - One Cardholder split a transaction into two purchases on July 9, 2012, and July 10, 2012, for \$1,384 and \$1,974, respectively. The transactions totaled \$3,358 and exceeded the maximum single purchase limit of \$3,000. The Cardholder's Approving Official stated the split purchases were an oversight on his behalf.
  - A second Cardholder had a split purchase on November 1, 2012, and November 2, 2012, for \$2,500 and \$784, respectively. The transactions, totaling \$3,284, exceeding the maximum single transaction purchase limit by \$284.00. The Cardholder stated the purchase was phoned-in by another employee in his office who was not aware of the \$3,000 purchase limit. The vendor processed the purchase as two transactions and billed the amounts on one invoice.

Policy/Instruction 8.11/1, §4.13, states the maximum single purchase limit is \$3,000. No purchase shall be split into multiple transactions to avoid the single purchase limit. In addition, Policy/Instruction 8.11/1, §10.12, states a split purchase is a known requirement intentionally split into multiple smaller transactions to circumvent a card's single transaction threshold.

Using the purchase card for prohibited purchases violates the Purchase Card Policy and contributes to misuse and abuse of WMATA's assets.

#### **1B – Sales taxes were paid on two tax-exempted purchases**

Two Cardholders made purchases that included the payment of sales taxes to vendors.

- A Cardholder in HROS paid sales taxes of \$39 on a transaction dated September 21, 2012. We brought this matter to the attention of the Cardholder on April 17, 2013. A request for refund had not been made as of November 14, 2013. According to the Cardholder, she did not follow-up on the sales tax because she did not have sufficient time.
- A Cardholder in the Office of Chief Engineer-Vehicle Services (CENV) paid sales taxes of \$60 on a transaction dated October 1, 2012. A refund was obtained on September 20, 2013, after the OIG brought the matter to the Cardholder's attention.

Both Cardholders stated they submitted WMATA's tax-exempt certificates to the vendors, but taxes were still charged.

Policy/Instruction 8.11/1, §8.01(e), states Cardholders shall ensure sales tax is not charged. Inform the merchant that the purchase is for official Metro business and therefore, is exempt from Federal, State and District of Columbia, municipal,



and local taxation. Orders shall not be placed with merchants who insist on charging sales tax or with whom a Cardholder has an unresolved sales tax charge unless authorized in writing by the Purchase Card Administrator.

Cardholders have the responsibility of ensuring vendors do not charge sales taxes on purchases as this would violate of WMATA's Tax Exempt status. The payment of exempted taxes unnecessarily increases WMATA's costs of acquiring materials, supplies, and services.

### **1C – Accountable Property and Sensitive items were not reported to the Office of Accounting**

OIG found 23 (36 percent) of 64<sup>2</sup> Cardholders reviewed (the first sample of 14 Cardholders and the second sample of 50 Cardholders) purchased 113 Reportable Accountable Property items that were not reported to ACCT for tracking purposes. Purchases such as, shop cabinets, work benches, and toolboxes costing \$500 or more, with a useful life of one or more years are required to be reported to ACCT for tracking purposes. Sensitive assets such as, cameras, televisions, microwaves, and shredders costing \$100 or more, that are highly susceptible to theft or loss, are also required to be reported to ACCT for tracking purposes.

Policy/Instruction 8.11/1, §4.01, defines Accountable Property as, tangible property with a useful life of one year or more and an acquisition cost of \$500 or more, plus sensitive items costing \$100 or more that are susceptible to theft or loss.

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<sup>2</sup> Of eighty-three (83) Cardholders selected, sixty-four (64) were tested on all elements of our audit program, for example, refresher training requirements, reviews and authorizations, supporting documentation, reporting of Accountable Property items, potentially prohibited purchases, and management oversight. Whereas, nineteen (19) were tested only for potentially prohibited purchases such as, payments for personal items, sales taxes, traffic violations, and certain IT equipment.

WMATA's Property Accounting Control Policies and Procedures Manual (PACPPM), Ch. 2, *Property Accounting & Control Procedures*, §1.0, states all reportable accountable property, (i.e., tangible nonexpendable property having a useful life of more than one year and an acquisition cost meeting or exceeding WMATA's current capitalization criteria; all furniture regardless of cost; and all expendable sensitive items costing \$100 or more that are susceptible to theft or loss) acquired by purchase, lease, rental, transfer, manufacture, or other means must be accounted for and charged to an appropriate property account. Section 2.0, states Form 1.130, Property Transaction Request (PTR), should be used to process reportable accountable property when received.

In addition, Policy/Instruction 8.11/1, §8.01(h), states all Accountable property items obtained with the card must be recorded and included in the Metro property accounting system. Cardholders will ensure that PTRs are completed for all purchases of Accountable Property, in accordance with the Property Transaction Handbook.

Cardholders stated instructions received from the PCA said, Accountable Property items costing less than \$500 were not required to be reported to ACCT for tracking purposes. The PCA stated the \$500 minimum was derived from a memorandum issued May 24, 2004, by a former WMATA Asset Management Officer. The memorandum stated items costing less than \$500 no longer required tracking in WMATA's Financial Asset Management System. WMATA's current Comptroller, however, stated the 2004 memorandum is in error, all Accountable Property items defined in the May 23, 2012, Policy/Instruction 8.11/1, §4.01, should be reported to ACCT for tracking in WMATA's Fixed Asset Management System.

The risk of theft, loss, or personal use of WMATA's property may increase if not accounted for by the Fixed Asset Management Program.

#### **1D – Some Cardholders were missing supporting documentation**

OIG found two Cardholders who did not maintain supporting documents for their purchase card transactions. Specifically, a Cardholder in SAFE could not locate supporting receipts for one month of transactions in September 2012 that totaled \$2,161. The Cardholder could not determine why the receipts were missing. OIG reviewed the Cardholder's transactions for September 2012 for unusual and prohibited purchases. OIG noted three payments of \$258.77, each made to a hotel on September 20, 2012, to reserve space for training three employees from the National Transportation Safety Board. These individuals did not attend this training; and they notified SAFE of the cancellation the day before the conference. SAFE tried to get a refund, but the hotel would not provide a refund due to the late notification. Most hotels have a non-refunded amount if you do not notify them by a certain time.

A Cardholder in SMNT-ATC did not maintain original receipts from vendors to support 26 of his 28 transactions, which were valued at \$20,797. The SMNT-ATC's Cardholder stated original receipts were not submitted to his office by vendors, rather they were left at locations where vendors delivered the items.

Policy/Instruction 8.11/1, §7.04(b), states Cardholders are required to retain all records relating to purchase card transactions properly secured in their office. In addition, Policy/Instruction 8.11/1, §8.04(a), states the Cardholder shall obtain proof of purchase and receiving documentation for all purchases. The documentation shall be retained by the Cardholder for audit and review purposes.

The Purchase Card Policy, §8.04, states Cardholders shall obtain proof of purchase and receiving documentation for all purchases. The documents must be retained by the Cardholder for audit and review purposes.

Without supporting documentation, management may not be able to verify that (1) purchases were conducted in accordance with Purchase Card Policy and applicable WMATA regulations, (2) vendor information and descriptions of items are correct, (3) materials or services were received, or (4) whether sales taxes were charged on the transaction.

**1E – Some Delegation of Contracting Authority Letters were not available for review**

OIG found 14 (22 percent) of 64<sup>3</sup> Cardholders did not have a copy of their Delegation of Contracting Authority letter available for review when asked. The PCA provides each Cardholder with a letter that confirms purchasing authority, limitations, and restrictions. Failure to retain the letter in a secured place for presentation if requested by a vendor could prevent the Cardholder from making purchases. However, OIG verified that the PCA maintained a back-up copy for each Cardholder in OIG's review.

Policy/Instruction 8.11/1, §7.05, states Cardholders are required to retain their signed Delegation of Contracting Authority letter in their work area readily available for review.

**Recommendations:**

We recommend the DGMA/CFO:

- 1.1 Direct the PCA to emphasize to Cardholders and Approving Officials during annual and/or refresher training or other means, the importance of following Policy/Instruction 8.11/1, Purchase Card Policy: (a) knowing which purchases are prohibited, (b) reporting Accountable Property to ACCT for tracking purposes, and (c) maintaining supporting documents for all transactions.

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<sup>3</sup> Ibid, footnote #2.

**Finding 2 –WMATA Oversight of the Purchase Card Program Could be Improved**

OIG found WMATA needs to improve its oversight of the Purchase Card Program to ensure Cardholders and Approving Officials are effectively and efficiently following policy and procedures. Specifically, OIG found (1) the PCA did not effectively conduct annual reviews of Cardholders' activities, (2) Approving Officials did not review and approve Cardholders' transactions and take annual refresher training, and (3) fraudulent purchase card activities were not reported to OIG. The details of this finding are discussed below.

**2A –PCA did not effectively conduct annual reviews of all Cardholders**

OIG found the PCA did not conduct annual reviews of all Cardholders' files as required to ensure the policy and procedures were being followed. Based on our review of the PCA's annual review of Cardholders, we found the PCA performed 156 (49 percent) reviews of 318 Cardholders during 2012. The PCA acknowledged all of the annual reviews were not performed due to insufficient staffing.

OIG also noted the PCA did not always provide written feedback to the Cardholders, Approving Officials, or management on the results of the annual reviews performed. Specifically, OIG audited 50 of 156 Cardholder reviews conducted by PRMT in 2012. OIG found the PCA could not provide documentation to substantiate that feedback (results of the reviews) was given to 25 (50 percent) of the Cardholders or their Approving Officials. Eighteen of the 25 Cardholder reviews where feedback was not provided had findings such as, unauthorized transactions, lack of approvals by the Approving Officials, missing expense descriptions, and lack of barcoding.

Policy/Instruction 8.11/1, §7.04(a), states that PRMT reviews all Cardholders' files annually. After each review is conducted, the Cardholder and the Approving Official should be provided a copy of the results with any findings and recommendations, in accordance with Policy/Instruction 8.11/1, §7.04(c).

Failure to conduct annual reviews increases the risk of PRMT not detecting unauthorized and fraudulent transactions. Also, when the PCA does not provide Cardholders and Approving Officials with the results of the reviews, they are unable to take corrective actions on a timely basis.

**2B – Some Approving Officials did not review and approve Cardholders' transactions and supporting documentation**

During the survey phase of the audit, OIG found six Cardholders in the Department of Transit Infrastructure and Engineering Services (TIES) who had 8 to 12 months of transactions that were not reviewed or approved by the designated Approving Official. Five were in SMNT-ATC and one was in SMNT, Communications. The matter of an Approving Official in SMNT-ATC not reviewing and approving Cardholders' transactions was brought to the attention of the DGMA/CFO in an OIG Interim Audit Memorandum dated, May 31, 2013. The memorandum stated the Approving Official did not perform the duties of an Approving Official for at least one year.

The designated Approving Official in SMNT-ATC acknowledged he did not review and approve the Cardholders' transactions because he did not attend or receive the required Purchase Card training. The PCA acknowledged there was no follow-up with SMNT's designated Approving Official after an annual review determined Cardholders' transactions were not being reviewed and approved.

In the DGMA/CFO's response to the memorandum, dated June 6, 2013, the CPO instructed the PCA to remove the SMNT manager from the Approving Official position. All Cardholders accounts in the ATC Branch of TIES were

suspended. The General Superintendent, SMNT was instructed to appoint a new Approving Official and have the Cardholders attend refresher training. The General Superintendent, SMNT designated two new Approving Officials. The new Approving Officials completed Purchase Card training in June 2013. As of October 16, 2013, three of the six suspended SMNT Cardholders had completed training.

During the fieldwork phase of the audit, OIG found some other Approving Officials who did not review and approve one or more months of purchase card transactions. Specifically:

- A Cardholder in BMNT and one Cardholder in the Office of Equal Opportunity and Employee Relations (EOER), formerly known as the Office of Civil Rights, had five to seven months of transactions their Approving Officials either provided no review and approval, or did not provide sufficient review and approval. The BMNT Approving Official stated that GCMS reports and supporting documents were not provided by the Cardholder. The Approving Official in EOER conducted electronic reviews and approvals of vendor transactions on GCMS, but did not sign the "Fair and Reasonable Statement"<sup>4</sup> attached to the report. All Approving Officials are required to sign the "Fair and Reasonable Statement" to verify transactions were complete, accurate, and consistent with Purchase Card Policy and Procedures. The Approving Official stated he understood electronic reviews and approvals of transactions in GCMS to be sufficient.

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<sup>4</sup> The text of the Fair and Reasonable Statement says, "To the best of my knowledge, the purchases contained herein are considered fair and reasonably priced and are fully in compliance with WMATA's purchase card policies."

Approving Officials did not approve one to two months of transactions for six Cardholders in the offices of Elevator and Escalator (ELES), Railcar Maintenance (CMNT), and TRST, RTRA, and HROS. The following were some of the reasons given: (1) the Approving Official was unavailable for an extended period of time due to leave, (2) reports submitted to the Approving Official for signature were not returned, and (3) two Cardholders were unavailable for comment due to retirement in 2012.

Fourteen (22 percent) of 64<sup>5</sup> Cardholders selected for review had one or more months of purchase card transactions not reviewed and approved by an Approving Officials.

Policy/Instruction 8.11/1, §5.03(b), states the Approving Official reviews and approves the Cardholders' card activity and supporting documentation to ensure and certify the purchases were made in accordance with this policy and applicable Metro regulations. Purchase Card Training Manual, §18, states Approving Officials must sign-off on the Fair and Reasonable Statement.

Additionally, §18, states the Approving Official is responsible for reviewing the Cardholder's monthly statement and supporting documentation to ensure that all purchases made by the Cardholder(s) within his/her cognizance are appropriate Metro purchases and all charges were accurate and in accordance with the Purchase Card Training Manual §5.03, states the Approving Official shall not delegate their authority, but can authorize a formally trained Alternate Approving Official.

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<sup>5</sup> Ibid, footnote #2.



When purchase card transactions are not reviewed and approved by Approving Officials, management cannot be sure they were conducted in accordance with Purchase Card Policy and applicable WMATA regulations, nor that the products and services acquired meet the needs and requirements of WMATA. Also, there is an increased risk that Cardholders may engage in prohibited purchases.

## **2C – Some Cardholders and Approving Officials did not take Annual Refresher Training**

According to PRMT's records, the PCA reported 71 (26 percent) of 269<sup>6</sup> Cardholders and 31 (33 percent) of 93 Approving Officials did not receive refresher training in calendar year 2012. According to the PCA, Cardholders and Approving Officials are responsible for registering for training through Metro's automated TS-Online System. The PCA did not follow-up or remind Cardholders and Approving Officials that they were late or overdue in taking annual and/or refresher training.

OIG reviewed Human Resources Talent Management's (HRTM's) training records and noted discrepancies between PRMT's and HRTM's records regarding refresher training for the Cardholders. HRTM's records indicated 129 (48 percent) of 269 Cardholders did not receive refresher training in calendar year 2012. The PCA stated that discrepancies between HRTM's and PRMT's records occurred because current Cardholders signed up for new Cardholder training instead of refresher training during CY 2012. Refresher training classes did not start until August 2012.

The Director of HRTM acknowledged that HRTM relies on course coordinators to record information from the class roster into the database, or provide HRTM's personnel with the information to enable their update of the database for the employees who completed purchase card training.

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<sup>6</sup> Data provided by Citibank shows there were 318 Cardholders in CY 2012. According to the PCA, 49 were new Cardholders; therefore, only 269 were required to attend refresher training.

OIG found the PCA did not provide oversight to ensure Cardholders and Approving Officials completed mandatory training requirements. The PCA did not resolve discrepancies between their records and WMATA's official training records because he considered PRMT's training records to be the official training records for the Program.

Policy/Instruction 8.11/1, §7.03(b), states that all Cardholders and Approving Officials are required annually to register for training through Metro's automated TS-Online System.

Failure to complete annual refresher training could result in Cardholders and Approving Officials not performing their duties and responsibilities in compliance with Policy/Instruction 8.11/1. In addition, Cardholders and Approving Officials would not be aware of program changes and updates that have occurred.

We brought this matter to the attention of the PCA. In November 2013, the assistant PCA notified 169 Cardholders and 57 Approving Officials that they have not taken the refresher training for over 12 months and to schedule training through Metro's automated TS-On-line System or their card/approving authority would be suspended.

## **2D – Fraudulent purchase card activity was not reported to OIG**

OIG found that the PCA reported 17 purchase cards were cancelled in CY 2012 due to fraudulent activity. Fraudulent activity in each of these cases is defined as use of the purchase card to acquire goods or services that are unauthorized and intended for personal use or gain. The PCA did not report the fraudulent activity for these 17 purchase cards to OIG. In addition, the unauthorized use of a Cardholder's account number to purchase two electronic readers described earlier in this report was not referred to OIG.

Policy/Instruction 8.11/1, §6.02, states the Purchase Card Administrator, Approving Official, or anyone else with relevant information should report all information about serious or repeated misuse of the purchase card and all instances of suspected fraudulent use of purchase cards to OIG in addition to their supervisor, unless that supervisor is thought to be implicated in the reported misuse.

The PCA stated fraudulent purchase card activity is reported to the OIG when a Cardholder engages in fraud. However, fraudulent activity reported and/or cleared by Citibank (charges refunded) traditionally is not reported to the OIG.

Failure to report fraudulent purchase card activity violates the policy and procedures of the Program as stated in §6.02 of Policy/Instruction 8.11/1. Failure to report all instances of suspected fraudulent use of purchase cards ignores the OIG's responsibility to detect and prevent fraud, waste, and abuse in WMATA's programs and operations.

### **Recommendations**

OIG recommends the DGMA/CFO:

- 2.1 Direct the Chief Procurement Officer to: (a) ensure the PCA effectively conduct annual reviews of Cardholders and Approving Officials activities and document the findings, (b) ensure the results of review findings and recommendations from the PCA's annual reviews of Cardholders and Approving Officials are communicated in writing to the appropriate management officials, and (c) ensure that all fraudulent transactions are reported to the OIG for review and investigation.

## **Other Matters of Concern**

### **Finding 3 – Some Cardholders did not follow procedures for acquiring inventory with the purchase card**

OIG noted some Cardholders acquired inventory items without assigning the items purchased to a work order<sup>7</sup> for entry into the Maximo system.<sup>8</sup> A BMNT Manager of Warehousing and Logistics stated by entering inventory purchases into Maximo without the assignment of a work order can result in duplicate charges to inventory expense accounts when the items are issued for use from Maximo.

Policy Instruction 8.11/1,§13.03 states a prohibition against buying inventory with the purchase card. However, there is an exception for situations where there is a no-stock condition system-wide. When inventory purchases are made, the purchase receipt must have the Metro stock number written on it and a copy forwarded to the stock clerk within five days to input the demand information into Maximo.

OIG brought this matter to the attention of the Director of Supply Chain Enterprise Services (SCES). During our meeting on November 20, 2013, the Director acknowledged in the past there was a concern regarding inputting inventory acquired with the purchase card in Maximo. According to the Director, SCES has addressed and resolved the concern regarding duplicate charges, and SCES should provide training to the stock clerks to ensure they understand the procedures to input the demand information into Maximo to adjust the re-ordering points for inventory acquired with the purchase card.

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<sup>7</sup> A work order is a numbered document used in Operations to assign specific tasks to workmen and to authorize the issuance of parts and materials from needed storerooms to complete the tasks.

<sup>8</sup> Maximo is a computerized asset maintenance system that provides asset, work, and materials management and purchasing capabilities to help companies maximize productivity and extend the life of their revenue-generating assets. It stores and maintains data pertaining to assets, facilities, and inventory.

## **Recommendations**

OIG recommends the DGMA/CFO:

- 3.1 Work with Deputy General Manager Operations to provide training for stock clerks on the information that needs to be entered in Maximo to adjust inventory re-ordering points for inventory acquired with the purchase card.
- 3.2 Direct the PCA to emphasize to Cardholders during annual and/or refresher training the policy and procedures for acquiring inventory stock items with the purchase card.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of the audit were to determine whether the Purchase Card Program effectively and efficiently met its organizational mission, goals, and objectives. We reviewed the activities of purchase Cardholders to determine compliance with the policy and procedures of WMATA's Purchase Card Program regarding training, reviews and authorizations of transactions, supporting documentation, allowable purchases, and management's oversight of the Program. Our scope included personnel, records, activities, and locations relevant to WMATA's Purchase Card Program in 2012. We conducted interviews with staff in the Program, the CPO, managers in ACCT, Cardholders and Approving Officials. We reviewed Cardholders' transactions, observed property and materials that were purchased, and verified training for Cardholders and Approving Officials.

The audit was conducted from February 2013 to November 2013. We held an exit conference with management on November 15, 2013.

To test the effectiveness of controls and compliance with Policy/Instruction 8.11/1, we selected three samples. The first sample had 14 Cardholders, the second sample had 50 Cardholders, and the third sample had 19 Cardholders, for a total sample size of 83 Cardholders. The sample of 83 Cardholders was based on the following attributes:

1. Fourteen Cardholders were judgmentally selected. Ten were selected based on the number of transactions, value of transactions, use of two or more credit card numbers, and diverse offices and locations within WMATA. Four were selected from SMNT-ATC based on information that an Approving Official had not reviewed and approved transactions during 2012.
2. Fifty Cardholders were randomly selected through use of an online internet application.
3. An additional 19 Cardholders were judgmentally selected based on data mining results that showed potentially prohibited purchases were made. These 19 Cardholders were tested only for potentially prohibited transactions such as, payments for personal items, sales taxes, traffic violations, and certain IT equipment. Whereas, the 64 Cardholders (first and second samples) were tested on all elements of our audit program such as, refresher training requirements, reviews and authorizations, supporting documentation, reporting of Accountable Property items, potentially prohibited purchases, and management oversight.

We selected 3,636 transactions, or 11 percent, of the total transactions that were conducted in 2012. The total value of the transactions in our sample was \$2.3 million, or 12 percent of \$19.1 million, the value of all purchase card transactions conducted in 2012. We tested at least 10 percent of the selected transactions.

In accordance with *Government Auditing Standards* (GAS), GAS 6.56 - 6.72, and the Government Accountability Office publication, *Assessing the Reliability of Computer-Processed Data*, GAO-09-680G, dated July 2009, OIG determined that there was relevant evidence to support our findings and conclusions, including the validity and reliability of data from Citibank's online GCMS, was complete, valid, and reliable.

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 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 objectives.

### **ADMINISTRATIVE MATTERS**

Corrective actions proposed (resolution phase) and implemented (closure phase) by the affected Departments/Offices will be monitored and tracked through the Office of Inspector General's Audit Accountability and Resolution Tracking System. OIG policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the findings and recommendations contained in this report.

We appreciate the cooperation and assistance extended by your staff during the audit. Should you or your staff have any questions concerning this report, please contact Andrew Clemmons, Assistant Inspector General for Audits, on (202) 962-1014 or me on (202) 962-2515.

Attachment

cc: GM/CEO - R. Sarles  
COUN - K. Pett  
CHOS - B. Richardson  
DGMO - R. Troup  
SAFE - J. Dougherty  
HR - T. Moore-McGee  
BUS - J. Requa  
PRMT - H. Obora  
TIES - R. Bitar



## ATTACHMENT I

# M E M O R A N D U M



**SUBJECT:** IO No. 14-002: Review of  
WMATA's Purchase Card  
Program

**DATE:** January 17, 2014

**FROM:** DGMA/CFO -- Carol D. Kissal

**TO:** OIG -- Helen Lew

The subject draft report, IO No. 14-002: Review of WMATA's Purchase Card Program, was issued on January 3, 2014. Management provides the following response and corrective action plan outline below.

While the audit results in the report indicate the Purchase Card Program has appropriate internal control processes in place to meet organizational mission, goals and objectives the OIG introduced two recommendations based on findings and a recommendation for a third finding listed under Other Matters of Concern.

**Finding 1 - Some Cardholders did not properly follow Purchase Card Policy and Procedures**

- a. Some Cardholders made unauthorized (prohibited) purchases
- b. Sales taxes were paid on two tax-exempted purchases,
- c. Accountable property and sensitive items were not reported to the Office of Accounting
- d. Some Cardholders were missing supporting documentation
- e. Some Delegation of Contracting Authority Letters were not available for review

**Recommendation from OIG:**

- 1.1 Direct the PCA to emphasize to Cardholders and Approving Officials during the annual and/or refresher training or other means, the importance of following Policy/Instruction 8.11/1, Purchase Card Policy: (a) knowing which purchases are prohibited, (b) reporting Accountable Property to ACCT for tracking purposes, and (c) maintain supporting documents for all transactions.

**Management Response:**

Management acknowledges the recommendation made by the OIG regarding an emphasis on compliance with P/I 8.11/1, Purchase Card Policy in the following areas: (a) prohibited purchases, (b) Accountable Property reporting, and (c) transactional documentation.

Washington  
Metropolitan Area  
Transit Authority

**Corrective Action Plan**

**Policy:** The Chief Procurement Officer has completed a revision of P/I 8.11, which asserts stronger controls for non-compliance with P-Card usage. A copy of the "draft" revised P/I 8.11 is attached for your review and comment. A formal presentation of the revised Purchase Card Policy will be submitted to the Executive Leadership Team (ELT) by the end of January, with comments from the ELT due in 30-days. It is anticipated that an updated Purchase Card Policy will be approved and in place by March 2014.

**Training:** Purchase Card Administrators (PCA) will continue to provide monthly training to WMATA P-Card holders that emphasize the OIG recommended areas. See Attachment A. The PCA will further place reminders and points of emphasis on the home page of the Citibank Card Management Software System for compliance with the Purchase Card Policy. The notices will be posted on the Citibank Card Management Software System home page by January 2014.

**Compliance:** The PCA will perform monthly compliance audits to identify areas of non-compliance with the Purchase Card Policy. Results of audits will be submitted monthly to the Chief Procurement Officer, and if corrective action is necessary, to the cardholder and approving official. Continued non-compliance of the Purchase Card Policy will result in re-training and a 90-day subsequent audit of all transactions. If evidence of non-compliance is found in the 90-day audit of transactions, the P-Card will be revoked. The compliance actions will commence February 2014.

**Finding 2: WMATA Oversight of the Purchase Card Program Could be Improved**

- a. PCA did not effectively conduct annual review of all Cardholders
- b. Some Approving Officials did not review and approve Cardholders' transactions and supporting documentation
- c. Some Cardholders and Approving Officials did not take annual refresher training
- d. Fraudulent purchase card activity was not reported to OIG

**Recommendation from OIG:**

- 2.1** Direct the Chief Procurement Officer to: (a) ensure the PCA effectively conduct annual reviews of the Cardholders and Approving Officials activities and document the findings, (b) ensure the results of review findings and recommendations from the PCA's annual reviews of Cardholders and Approving Officials are communicated in writing to the appropriate management officials, and (c) ensure that all fraudulent transactions are reported to the OIG for review and investigation.

**Management Response:**

Management acknowledges the recommendation made by the OIG regarding the conduct of annual review of the Cardholder and Approving Official activity, written communication to management officials of audit results, and reporting to the OIG any fraudulent transactions identified.

**Corrective Action Plan**

**Compliance:** The PCA will perform monthly compliance audits to identify areas of non-compliance with the Purchase Card Policy. Reporting results of audits will be submitted monthly to the Chief Procurement Officer to ensure compliance, and to the cardholder and approving official if corrective action is necessary. Continued non-compliance of the Purchase Card Policy will result in re-training and a 90-day subsequent audit of all transactions. If non-compliance is evident in the 90-day audit of transactions, the P-Card will be revoked for that Cardholder. The compliance actions will commence February 2014

**Fraudulent Reporting:** The PCA will communicate to the Chief Procurement Officer and the OIG Investigation personnel any fraudulent activity identified by the PCA through the site reviews or other means. This corrective action has been implemented as of December 2013.

**P-Card Management:** The Chief Procurement Officer is currently reviewing the performance of the P-Card Manager and will take actions necessary to ensure that there is proper management and oversight of the P-Card Program.

**Other Matters of Concern by OIG**

**Finding 3 - Some Cardholders did not follow procedures for acquiring inventory with the purchase card**

**Recommendations from OIG:**

- 3.1 Work with Deputy General Manager Operations to provide training for stock clerks on the information needs to be entered in Maximo to adjust inventory re-ordering points for inventory acquired with the purchase card.

**Management Response:**

The Supply Chain functions within WMATA work through a matrix organization formed to ensure full compliance of financial and operational policy and procedures and a structured reporting element for monitoring the strength of the supply chain.

The recommendation made by the OIG regarding training for stock clerks in the adjustment of re-order points for inventory purchased with P-Cards will be developed by the Supply Chain Director at the next Supply Chain meeting of stakeholders in February 2014. Procedures addressing the process for re-order point adjustment for P-Card transactions in the acquisition of inventory items will be developed and provided to the OIG by February 2014.

- 3.2 Direct the PCA to emphasize to Cardholders during annual and/or refresher training the policy and procedures for acquiring inventory stock items with the purchase card.

**Management Response:**

Management acknowledges the recommendation made by the OIG regarding the training emphasis on procedures required in the acquisition of inventory stock items with the P-Card.

**Corrective Action Plan**

**Training:** PCA will continue to provide monthly training for WMATA P-Card holders. The training will emphasize the OIG recommended topic of acquisition of inventory stock items with the P-Card. This action will commence by March 2014 upon approval of the new procedures related to the process for re-order point adjustment for P-Card transactions in the acquisition of inventory items developed by February 2014.