

PUBLIC OVERSIGHT HEARING
A REVIEW OF REFORMS MADE TO THE DISTRICT
OF COLUMBIA GOVERNMENT PURCHASE CARD
PROGRAM AND GOVERNMENT TRAVEL CARD
PROGRAM

Before the
Committee on Government Operations
Council of the District of Columbia

The Honorable Vincent B. Orange, Sr., Chairman

October 3, 2003, 11:00 a.m.
Council Chamber



Testimony of
Paul Lundquist
Agency CFO
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia

Good morning, Chairman Orange, and members of the Committee on Government Operations. I am Paul Lundquist, agency CFO for the Office of the Chief Financial Officer (OCFO). Joining me today is Jo Ann Smoak, director of the OCFO Office of Management and Administration (OMA). We are pleased to have this opportunity to speak with you regarding the management of the government purchase cards within the OCFO.

The OCFO began using purchase cards in 1998 as a pilot program with seven cardholders, growing to 23 cardholders by FY 2003. We believe that our program works well due to a strong focus on cardholder responsibility along with an effective partnership between the finance and procurement staffs.

The Primary Responsibility of the Cardholder

Prior to receiving a purchase card, cardholders receive training in the policies and procedures governing its use within the OCFO. We stress that is the cardholder's responsibility to assure that purchases are appropriate, approved, funded, and supported by adequate documentation.

- Purchases are appropriate when they are for government use, and when they are not prohibited or otherwise restricted by the policies and procedures.
- Purchases are approved when the cardholder has documentation that the requested purchase has been approved by an authorizing official prior to purchase; purchases are also reviewed and approved a second time by the cardholder's approving official on the monthly billing statement.

- Purchases are funded when the cardholder has a purchase order obligated in SOAR with sufficient funds available. The cardholder works with the OCFO procurement staff to establish this obligation in SOAR at the beginning of each fiscal year, and it is the cardholder's responsibility to modify this obligation as needed through the course of the year. Each OCFO purchase card has a unique purchase order attached to it, which functions much as a blanket purchase order so that funds are obligated prior to purchase.
- Purchases are documented when the cardholder has obtained a receipt from the vendor and/or other documentation that itemizes the goods and/or services received and the price for each. Supporting documentation is compiled by the cardholder and submitted with the billing statement each month to the finance office.

Procurement and Finance Play a Strong Supporting Role

The OCFO procurement and finance staffs share a common commitment to effective purchase card management. Procurement manages the relationship with the bank and communicates all decisions regarding card limits and card status to the bank. The finance office receives the monthly billing statements from the cardholders, reviews supporting documentation, makes payments to the bank, and ensures compliance with procedures by contacting delinquent cardholders and recommending enforcement actions as necessary.

Over the past three years, we have taken action to suspend or cancel cards in nine instances due to violations of card procedures. Eight of these were for administrative violations such as delinquent billing statements, incomplete supporting documentation, or insufficient funding. We did have one instance in FY 2002 of purchases made for personal use. In that case, the approving official

caught the abuse while reviewing the monthly billing statement, the employee's card was suspended and later cancelled, and the matter was referred to internal audit for investigation. The employee was separated from the District government before the purchase card investigation could be completed.

FY 2003 Purchase Card Results

Through the first 10 months of FY 2003, OCFO cardholders conducted 887 purchase card transactions with a total dollar value of \$371,164. This represents 1 percent of our agency's NPS budget for FY 2003. All OCFO card transactions for FY 2003 have been audited for supporting documentation. The results were transmitted to you on September 10, 2003, in response to the Council directive to submit agency reports on purchase card transactions. We reported that 880 transactions, or 99 percent, had supporting documentation. We have worked to improve the administration of the OCFO purchase cards, and we believe this report is one measure of the success of those efforts. The seven transactions without support totaled \$2,723 and were all from a single cardholder who left the District government without submitting the required support. However, we have no reason to believe that any of the purchases were for personal use.

Agency Actions to Strengthen Purchase Card Management

Over the past fiscal year, and in preparation for the new fiscal year, the OCFO has taken several steps to further strengthen purchase card management within the agency:

- We revised the OCFO purchase card policies and procedures to clarify and reemphasize restricted and prohibited purchases.
- In June, we conducted refresher training for all OCFO cardholders using the revised procedures.

- We cancelled all OCFO cards on August 1, 2003, so that no charges could occur during this interim period. This action requires that we review each cardholder and verify the need for program participation prior to restoring the card for FY 2004. As requested, attached to this testimony is a listing of the proposed cardholders and approving officials for FY 2004.
- We established a daily purchase limit of \$2,500 and a monthly purchase limit of \$10,000 for all OCFO cardholders.
- We have replaced the “pay and chase” approach with “pay and suspend.” In FY 2004, as in the past, we will pay the bank the full amount due each month. However, we will immediately suspend purchase card use for any cardholder who does not submit an approved billing statement, with supporting documentation for all purchases, by the time of payment. The card will remain inactive for at least 30 days or until the full documentation is provided, whichever is later. On the second infraction, “pay and suspend” will escalate to “pay and revoke” – the cardholder will be removed from participating in the purchase card program, and the card will be cancelled.
- Finally, we have strengthened the partnership between OCFO procurement and finance staff by clarifying roles, working jointly on the revised procedures, and committing ourselves to strictly enforce the policies that are established.

We believe that the purchase card program has been beneficial to the OCFO and we are committed to its ongoing improvement. Ms. Smoak and I will be happy to respond to any questions you may have.

ATTACHMENT:

OFFICE OF THE CHIEF FINANCIAL OFFICER PURCHASE CARD PROGRAM Proposed Cardholders - FY 2004

03-Oct-03

Program Area	Approving/Authorizing Official	Cardholder	Cardholder Position Title	Daily Limit	Monthly Limit
Agency Mgt - Communications	Clarice N. Ransom	Eric Balliet	Communications Specialist	\$ 2,500.00	\$ 10,000.00
Agency Mgt - Exec Direction	Lucille Dickinson	Pamela Madison	Executive Administrative Officer	\$ 2,500.00	\$ 10,000.00
Agency Mgt - Exec Direction	Pamela Madison	Tanya High	Office Manager	\$ 2,500.00	\$ 10,000.00
Agency Mgt - Financial Oper's	Michell Johnson	Lisa Bryant	Accounting Technician	\$ 2,500.00	\$ 10,000.00
Agency Mgt - Mgt & Admin	Jo Ann Smoak	Patricia Cooks	Executive Assistant	\$ 2,500.00	\$ 10,000.00
Agency Mgt - Mgt & Admin	Allen Brooks	Unassigned*		\$ 2,500.00	\$ 10,000.00
Agency Mgt - General Counsel	Robert James	Laverne Lee	Executive Assistant	\$ 2,500.00	\$ 10,000.00
Financial Oper's and Systems	Anthony Pompa	Vanessa Jackson	Sr. Mgr, Oper's & Admin	\$ 2,500.00	\$ 10,000.00
Financial Oper's and Systems	Johnetta Bond	Elvina Nowell	Administrative Officer	\$ 2,500.00	\$ 10,000.00
Budget and Planning	Hyong Yi	Alicia Gadsden	Executive Assistant	\$ 2,500.00	\$ 10,000.00
Research and Analysis	John Ross	Felicia Farmer	Administrative Assistant	\$ 2,500.00	\$ 10,000.00
Tax and Revenue	Roxanne Cooper	Valerie Lucas-Green	Program Analyst	\$ 2,500.00	\$ 10,000.00
Tax and Revenue	Donna Springs	Robin Owens	Administrative Assistant	\$ 2,500.00	\$ 10,000.00
Tax and Revenue	Larry Todd	Gail McLeese	Administrative Officer	\$ 2,500.00	\$ 10,000.00
Tax and Revenue	Yassie Hodges	Sheila White	Audit Assistant	\$ 2,500.00	\$ 10,000.00
Tax and Revenue	Daniel Black	Beth Spooner	Budget Officer	\$ 2,500.00	\$ 10,000.00
Information Technology	Fred Williams	Lenia Cash	Executive Assistant	\$ 2,500.00	\$ 10,000.00
Finance and Treasury	N Anthony Calhoun	Unassigned*		\$ 2,500.00	\$ 10,000.00

- NOTES
1. Cardholder roster and card limits will be revised during the year based upon program needs.
 2. The OCFO does not have an annual purchase card budget; obligations for purchase cards are established within the existing budgets for each program area, and purchase card expenses are charged accordingly within those budgets.
 3. Purchase card obligations have not yet been established for FY 2004; the cardholder must establish the FY 2004 obligation before the card will be reactivated.
 4. "**Unassigned" indicates that the program area has been approved for a card but the cardholder has not yet been determined.