



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

April 1, 2025

OIG-CA-25-039

**MEMORANDUM FOR TIMOTHY GRIBBEN
COMMISSIONER, BUREAU OF THE FISCAL SERVICE**

From: Pauletta P. Battle /s/
Acting Assistant Inspector General for Audit

Subject: Termination Memorandum – Audit of the Bureau of the Fiscal Service’s Internal Controls Over its Card Acquiring Service Program and Management of Interchange Fees (Job Code A-DM-17-047)

In September 2017, we initiated an audit of the Department of Treasury (Treasury) Bureau of the Fiscal Service’s (Fiscal Service) Card Acquiring Service (CAS) program and management of interchange fees. The objective of our audit was to determine whether the internal controls Fiscal Service has in place over the CAS program and the management of interchange fees from credit and debit card revenue collection are operating effectively. The scope of our audit was from October 2015 through December 2017.

To accomplish our objective, we (1) reviewed applicable laws, statutes, and Treasury and Fiscal Service policies and procedures, (2) interviewed management and staff responsible for the CAS program, and (3) reviewed and tested internal controls related to the CAS program. Based on work completed, we found that (1) the CAS program staff complied with applicable policies and procedures; (2) costs related to the CAS training forum which facilitated the conversion process between financial agents¹ were reasonable; (3) the CAS program took appropriate action to resolve a reconciliation issue with one Federal Agency Partner (FAP);² and

¹ Under the National Bank Act and other statutes (such as 12 U.S.C. §265), the Secretary of the Treasury is authorized to designate financial agents to “perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them.”

² Most federal agencies that accept credit or debit card payments must use the CAS program. Agencies with non-appropriated funding, including the U.S. Postal Service, Army/Air Force Exchange Service, Navy Exchange, and Smithsonian, have the authority to process credit and debit cards and do not participate in CAS.

(4) despite certain limitations revealed during transaction testing, interchange fees were being calculated and paid correctly. However, on December 26, 2019, we notified the CAS program staff that Fiscal Service needs to improve its oversight over the CAS program's reporting, federal agency and relationship management, and customer service. Further, although the financial agency agreement³ (FAA) allows Fiscal Service the right to audit the Financial Agent and examine all books and records related to the CAS services provided and compensation received, Fiscal Service has not exercised this right. In a draft notification of findings and recommendations, we recommended that Fiscal Service ensure that the Director of the Settlement Services Division (1) exercises the right to audit the Financial Agent and to examine all books and records related to the services provided and compensation received under the FAA and (2) ensures compliance with the FAA requirements for the CAS program. Specifically, Fiscal Service should ensure that the Financial Agent provides monthly reporting that reconciles to the Collections Information Repository (CIR) to include all activity (e.g., chargebacks, draft retrievals, adjustments, virtual terminals, etc.), updates the FAPs point of contacts (POC) monthly, and logs and tracks FAP problems to verify they are resolved or elevated within 5 business days from the date the issue was first reported.

In March 2023, the CAS program provided the following updates to improve oversight over the CAS program's reporting, federal agency and relationship management, and customer service:

- Reporting: The Financial Agent provides daily files to CIR and monthly reporting for review by the CAS program staff. The reconciliation of data by the CAS program staff and its FAPs is performed in accordance with various Treasury Financial Manual Requirements and addressed through the CAS program's controls.
- Federal Agency and Relationship Management: FAPs are required to inform the CAS program and Financial Agent of any changes to the POCs. The FAPs receive quarterly POC update reminders via the Revenue Collections Management newsletter and annual webinars. Further, the CAS program staff works with the Office of Agency Outreach to verify email address validity for POCs by way of an annual Listserv review.
- Customer Service: Calls are logged and tracked monthly for the Financial Agent's Merchant Services Help Desk. The Financial Agent's Merchant Services tracks FAP inquiries using a customer relationship management tool. Performance falling outside of service level agreement targets are reviewed and addressed with the Financial Agent through regularly scheduled meetings or meetings called specifically for this purpose.

³ Treasury uses financial agency agreements to designate financial agents.

To address the recommendation related to exercising the right to audit, the CAS program has instituted an annual process of obtaining a Statement on Standards for Attestation Engagements No.18 Merchant Acquiring System and Organization Controls for Service Organizations Report (SOC-1). The SOC-1 is cross walked to the FAA, and reviewed, approved, and attested to through the Office of Management and Budget Circular No. A-123 process. Further, the SOC-1 requirement was added to the Financial Agent Oversight Guidance for the Bureau of the Fiscal Service.

In consideration of the improvements made to the oversight of the CAS program and that CAS signed a new FAA in August 2024, we are terminating this audit. We may review the CAS program's oversight of the new FAA in a future audit. Please note that *Audit of the Bureau of the Fiscal Service's Internal Controls Over its Card Acquiring Service Program and Management of Interchange Fees (ADM17047)* will be removed from our Monthly Status Report.

We appreciate the courtesies and assistance provided by your staff. Should you have any questions, please contact me at (202) 927-5400 or Dianna Jones, Director, Fiscal Service, at (202) 997-4491.

cc: Esther Morr, Audit Liaison
Jeanette White, Audit Liaison