



Audit Report



OIG 15-048

Former Federal Inmate Debit Card Fees Were Comparable with Other Card Programs, but Documentation Supporting Financial Agent Agreements Was Lacking

September 17, 2015

Office of Inspector General

Department of the Treasury

This report has been reviewed for public dissemination by the Office of Counsel to the Inspector General. Information requiring protection from public dissemination has been redacted from this report in accordance with the Freedom of Information Act, 5 U.S.C. §552.

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Abbreviations

BofA	Bank of America
BOP	Federal Bureau of Prisons
FAA	Financial Agent Agreement
FAR	Federal Acquisition Regulation
Fiscal Service	Bureau of the Fiscal Service
JPMC	JPMorgan Chase & Company
OIG	Office of Inspector General
Treasury	Department of the Treasury
TRUFACS	Trust Fund Accounting and Commissary System

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*The Department of the Treasury
Office of Inspector General*

September 17, 2015

Sheryl Morrow
Commissioner
Bureau of the Fiscal Service

This report presents the results of our audit of the Bureau of the Fiscal Service (Fiscal Service) designation of Bank of America (BoFA) and JPMorgan Chase & Company (JPMC) as financial agents for banking services provided to the Federal Bureau of Prisons (BOP) and the administration of the respective Financial Agent Agreements (FAA) for those services.¹ We conducted this audit because of a number of concerns raised in a series of articles by the Center for Public Integrity beginning in September 2014.²

Our audit objectives were to assess (1) Fiscal Service's financial agent designation process and the administration of the FAAs with BoFA and JPMC for banking services provided to BOP and (2) the fees charged for debit cards issued to former inmates. We interviewed officials with Fiscal Service and BOP, and representatives of BoFA and JPMC. We also reviewed available Fiscal Service documentation pertaining to these FAAs as well as documentation obtained from the financial agents. We performed

¹ The National Banking Acts of 1863 and 1864 granted Department of the Treasury (Treasury) authority to retain financial agents to provide services on its behalf using any process the Secretary of the Treasury deems appropriate. These authorities are primarily codified in 12 USC § 90 and 12 USC § 265.

² According to the articles, Treasury's agreement with BoFA was amended 22 times since 2000, expanding the scope of work without being competitively rebid, and the cost had increased from \$14.4 million to \$76.3 million over 14 years. Further, it was reported that JPMC issued high-fee debit cards to inmates upon their release to access funds in their accounts with BOP. <http://www.publicintegrity.org/2014/09/30/15761/prison-bankers-cash-captive-customers>; <http://www.publicintegrity.org/2014/10/02/15812/megabanks-have-prison-financial-services-market-locked> (accessed July 31, 2015)

our fieldwork during October 2014 through February 2015. Appendix 1 provides a more detailed description of our audit objectives, scope, and methodology.³

Result in Brief

Fiscal Service provided little documentation to support the designation of BofA and JPMC as financial agents. This was also true for the 22 amendments made to the BofA FAA, which often were made to increase the financial agent's compensation for changes to, or increases in, the scope of required services and/or for extensions of the performance period of the FAA. We also found that there was limited documentation to support Fiscal Service's monitoring of the FAA with BofA. As a result, we could not determine whether Fiscal Service's selections of BofA and JPMC as financial agents were made in the best interest of the government. Moreover, we could not determine whether Fiscal Service assessed the reasonableness of the amendments. When asked about the lack of documentation, Fiscal Service officials told us that the staff involved with these FAAs were no longer with the bureau, and they did not know why the documentation had not been retained.

We believe that this explanation and the recurrent lack of documentation for these two FAAs and their monitoring are unacceptable. In prior audits, we have reported our concerns to the Department and Fiscal Service regarding the level of documentation for the selection and monitoring of financial agents as well as the lack of policies and procedures.⁴ We therefore believe it is incumbent for Fiscal Service to implement stronger controls over

³ At the time the articles were published, our office was performing a broad review of Fiscal Service's use of FAAs to acquire banking services. That review is ongoing and focused on FAAs for revenue collection management. Additionally, we are conducting a separate audit of Fiscal Service's 2014 rebid and award of an FAA to Comerica Bank for the Direct Express® Debit MasterCard® program.

⁴ Office of Inspector General (OIG), *Treasury's Financial Agent Selection Process for the Agency Mortgage Backed Securities Purchase Program Was Not Fully Documented* (OIG-12-061; issued July 31, 2012); *Treasury Implemented the Mortgage Backed Securities Purchase Program Consistent With Its Authorities, But Needs to Improve Oversight of Financial Agents* (OIG-13-030; issued January 3, 2013); *Treasury Needs Written Policies and Procedures for Its Oversight of the Housing Finance Agency Initiative* (OIG-13-040; issued May 30, 2013); and *Fiscal Service Needs to Improve Program Management of Direct Express* (OIG-14-031; issued March 26, 2014).

the designation of the financial agents and the administration and documentation of these two FAAs, and to assess whether additional controls are necessary for all FAAs.

We also found that Fiscal Service did not document how concerns with certain services added to the Trust Fund Accounting and Commissary System (TRUFACS) FAA were resolved. Specifically, the FAA was amended in 2003 and 2005 to include email and phone services. Redaction pursuant to FOIA exemption - 5 U.S.C § 552(b)(5)



However, Fiscal Service continued to provide these services to BOP through the BofA FAA.

We found the fees associated with debit cards provided through JPMC to former Federal inmates under Fiscal Service's U.S. Debit Card program were comparable to, and in some cases less than, those available to the general public and other Federal agencies. The U.S. Debit Card program also provides additional benefits to former inmates, including photo identification.

We recommend that Fiscal Service (1) ensure the designation process for financial agents is documented and that the documentation is maintained through the life of the FAA and subsequent amendments, and for an appropriate period after the FAA terminates; (2) develop and implement policies and procedures for amending FAAs which among other things should identify the circumstances for which amending an existing FAA or obtaining services through an new FAA using competition are appropriate, including circumstances where the cost and scope of services are expanded; (3) ensure that Fiscal Service's guidelines for monitoring financial agents are followed, and the monitoring documented; and (4) work with BOP to determine an appropriate course of action for the TRUFACS BofA FAA, particularly with respect to the ancillary services provided, and act to terminate the existing FAA in an orderly manner.

In its management response, which is provided in appendix 5, Fiscal Service concurred with our recommendations. Its actions,

both taken and planned, are summarized in the Recommendations section of this report and meet the intent of the recommendations.

Background

In 2000, Fiscal Service entered into an FAA with BofA to create and operate a prison accounting and commissary system called TRUFACS for BOP.⁵ Inmates are not permitted to hold money while incarcerated in Federal prisons.⁶ Any money that inmates enter prisons with, combined with any received while incarcerated, such as from friends, family, or prison salary, are held in an individual trust fund by Treasury, with BOP acting as trustee.⁷

BOP provides inmates with three meals a day and medical care; inmates may purchase personal sundries from the prison commissary system, which is accounted for by TRUFACS. Over time, TRUFACS was interfaced with other prison systems, such as email (TRULINCS) and phone access (TRUFONE), which are also accounted for by TRUFACS. Appendix 2 identifies all TRUFACS Services and application interfaces.

BOP uses the proceeds from commissary, email, and phone use to fund those services, as well as other inmate welfare programs. TRUFACS replaced cash within the Federal prisons for the purpose of making inmates safer from threats and to more easily account for transactions. With TRUFACS, inmates can electronically pay for purchases using their fingerprint. There is no cost to the Federal government to administer TRUFACS. All profits from the TRUFACS services were to go into an inmate welfare fund for programs that benefit prisoners, such as inmate performance pay, recreation, and reading programs. The inmate welfare fund covered TRUFACS

⁵ These initial FAAs were established by Fiscal Service's predecessor, the Financial Management Service. Fiscal Service was established in 2012 with the consolidation of two Treasury bureaus, Financial Management Service and the Bureau of the Public Debt.

⁶ 31 USC § 1321 (a), (b) classifies the funds of Federal prisoners and Commissary funds for Federal prisons as a trust fund; therefore, the funds held on behalf of the prisoners are considered to be public monies.

⁷ Inmates can receive funds electronically, through Western Union or MoneyGram, or by paper, through the U.S. mail. BofA is responsible for receiving and processing paper payments under a separate FAA called General Lockbox.

development costs and funded ongoing administration of the system, which cost about \$2.00 per inmate per month.

In 2011, Fiscal Service amended an existing FAA with JPMC, which was established to provide debit card services to Federal agencies under Fiscal Service's U.S. Debit Card program, and extended it to BOP by offering debit card services to former federal inmates. Fiscal Service's U.S. Debit Card program began in 1998 as a pilot to allow Federal agencies to replace imprest funds,⁸ checks, third-party checks, and cash with an electronic payment disbursement. In 2008, Fiscal Service entered into an FAA with JPMC to act as the financial agent for the U.S. Debit Card program. Appendix 3 lists a chronology of the FAAs and their amendments.

FAAs do not constitute procurement contracts under the FAR and existing law permits Fiscal Service to select a financial agent by designation. Fiscal Service has legal authority to select its financial agents either (1) without competition; (2) using competitive selection open to a select number of financial institutions deemed by Fiscal Service to have the demonstrated expertise and ability to perform the services needed; or (3) with competitive selection open to all eligible financial institutions.⁹

Findings

Finding 1 Little Documentation Was Available for the Financial Agent Designation and the Administration of the TRUFACS and U.S. Debit Card FAAs

Fiscal Service provided little documentation to support the designation of BofA and JPMC as financial agents as well as for decisions for amending the FAAs with those financial agents. When asked why, Fiscal Service officials stated that staff involved with these selections was no longer with Fiscal Service, and they could not find and did not know what documentation was retained

⁸ Imprest funds are fixed cash or petty cash funds in the form of currency or coin that has been advanced to a cashier as "funds held outside of Treasury" and can only be held for 5–7 days.

⁹ Fiscal Service, *Guiding Principles for Financial Agent Selection Process* (September 2010).

at the time. As a result, we could not determine whether Fiscal Service's selection of BofA and JPMC as financial agents was in the best interest to the government.

We found that Fiscal Service did not have procedures for amending FAAs. The initial FAA for BofA began in May 2000 and was not to exceed \$14.4 million for one set of services over 4 years. As of July 2014, we found that the FAA was amended 22 times to document changes to, or increases in, the scope of required services and/or extensions to the performance period of the FAA, and total costs for the program over 14 years were more than \$76.3 million. Fiscal Service did not provide documentation to support its consideration of the reasonableness of the increased compensation, or to demonstrate that consideration was given to competitively solicit new financial agents. We also found that there was limited documentation to evidence Fiscal Service's monitoring of the FAA with BofA. For example, although Fiscal Service provided documentation for the review and approval of BofA's monthly invoices, there was no evidence of Fiscal Service having performed inspections of BofA related to the performance of the FAA. We found the documentation that was available to be disorganized and of little support for the processes used to select, amend, and monitor the TRUFACS and U.S. Debit Card FAAs.

A basic tenet of government accountability and transparency is documentation of key activities. The standards for internal controls in the Federal government call for managers to clearly document internal controls and all transactions and other significant events in a manner that allows for ready examination. The documentation may appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. Documentation and records should be properly managed and maintained.¹⁰ Treasury established its own documentation requirements in Treasury Directive 80-05, which states that all program officials shall create and maintain adequate and proper documentation of the programs for which they are responsible. This means a record of the conduct of government business that is complete and accurate to the extent required to document the

¹⁰ U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government* (November 1999).

organization, functions, policies, decisions, procedures, and essential transactions of their office and to protect the legal and financial interest of the government and of persons directly affected by the activities of their office.¹¹

TRUFACS FAA with BofA

A Fiscal Service official told us that he did not know the rationale for selecting BofA for an FAA in 2000 because staff involved in the selection at that time was no longer with Fiscal Service, and they could not find or produce related documentation. Fiscal Service provided us with procedures dated September 2010 that require retention of an administrative record to support the basis for selecting a financial agent.¹² Although the TRUFACS FAA was issued prior to the date of the guidance, we would have expected that certain documents should have been retained to support Fiscal Service's justification for designating BofA as the financial agent.

Fiscal Service amended the TRUFACS FAA 22 times from 2000 through 2014 without documenting its decisions for amending the FAA or soliciting competitive bids from other financial institutions. Fiscal Service increased BofA's compensation in 15 of the 22 amendments but had little to no documentation to support the basis and justification for the increases. For example, in September 2007, Fiscal Service amended the FAA to increase BofA's compensation by \$4.9 million, yet Fiscal Service could not provide us with justification for the increase nor a cost breakdown.

From 2000 through 2005, Fiscal Service amended the TRUFACS FAA three times to provide for additional BofA services, but maintained little documentation in support of those additions. Two of these additions included TRULINCS and INTRUDR.¹³ In 2003, Fiscal Service renewed the FAA for 5 additional years, with five,

¹¹ Treasury Directive Publication 80-05, *Records and Information Manual* (June 2002).

¹² The procedures provide examples of documents normally included in the administrative record: a Financial Agent Selection Process Plan with interim decision memos describing changes to the plan including rationale; letters, announcements, and other correspondence with the financial institutions; memos to the file for any conversations and meetings with the financial institutions; and final selection decision and documentation that describes how Fiscal Service arrived at the financial agent designation decision.

¹³ TRULINCS and INTRUDR are described in Appendix 2.

1-year renewals thereafter. Fiscal Service did not document Fiscal Service's reasoning for continuing with BofA rather than soliciting competitive bids from other financial institutions.

Fiscal Service did not have documentation to support its assessment of whether the fees paid to BofA were reasonable. For example, since November 2010 Fiscal Service paid BofA a monthly program maintenance fee of \$20,833 for its work relating to TRUFACS. The fee compensated BofA for ongoing oversight of operational service, contract compliance, financial reconciliation resolution, and coordination between Treasury, BOP, and a BofA subcontractor that operated and maintained TRUFACS. Documentation revealed that during 2000, the year the agreement was first signed, through July 2014, BofA billed Fiscal Service approximately \$76 million in total to operate and maintain TRUFACS.

In a January 2011 letter to Fiscal Service, BofA requested an increase to its compensation because of increased costs to maintain additional services that had been incrementally added to TRUFACS over time by the many amendments. Fiscal Service increased BofA's compensation by about \$2 million per year but did not document how or why it determined that the increase was reasonable. BofA and Fiscal Service representatives told us that they conducted substantive research and determined that the new compensation levels were appropriate, but we were provided no documentation of this research.

There was also limited documentation to support Fiscal Service's monitoring of the FAA with BofA. Fiscal Service provided us with evidence of just one program review of TRUFACS that had occurred during the 15 years the system had been in place. That program review was in 2006, and according to a draft report, the review found numerous discrepancies relating to the accounting and billing between Fiscal Service, BofA, and BOP.¹⁴

Although Fiscal Service representatives told us that they held regular meetings with BofA, Fiscal Service did not provide us with

¹⁴ *Trust Fund Accounting & Commissary System (TRUFACS) 2006 Program Review* (marked "Draft for Internal Use Only"; the author of the draft is unknown).

documentation of those meetings. Fiscal Service provided us monitoring guidelines dated April 2013, which stated that it was Treasury policy to monitor financial agents to ensure they are performing in accordance with the terms of the FAA and their activities are in the interest of the government. According to the policy, program managers and staff are to ensure that all monitoring activities are documented to provide an accurate audit trail for compliance with the FAA. We reviewed the guidelines and found them to be comprehensive, and detailed with the documentation to be retained to show financial agents' compliance with the FAAs. However, we found little evidence to demonstrate Fiscal Service's compliance with this guidance with the TRUFACS FAA.

U.S. Debit Card FAA with JPMC

Fiscal Service could not provide documentation to support its selection of JPMC as a financial agent for the U.S. Debit Card program in 2008. Accordingly, we could not determine whether Fiscal Service's selection of JPMC to act as a financial agent was in the best interest of the government.

Fiscal Service renewed the FAA with JPMC in July 2011 for an additional 5 years. According to a 2011 Fiscal Service memorandum prepared for the Commissioner, Fiscal Service chose to continue to use JPMC because of the institution's historical performance and ability to meet the unique U.S. Debit Card requirements. In our opinion, Fiscal Service lost an opportunity to possibly obtain these services at a lower cost and/or with more favorable terms for cardholders from other financial agents that could have competed against JPMC for the U.S. Debit Card program. For example, in 2008 Fiscal Service entered into an FAA with a different financial agent to provide debit card services for recipients of Federal benefits under the Direct Express[®] Debit MasterCard[®] program.¹⁵ A number of financial institutions competed for that FAA.

¹⁵ Direct Express began on January 3, 2008. The Direct Express card is a reloadable prepaid debit card offered to recipients of Federal benefits such as social security.

Both JPMC and Fiscal Service told us that JPMC plans to no longer operate the U.S. Debit Card program when its FAA expires in May 2016. Fiscal Service officials told us that they will select a new financial agent to provide debit card services.

Finding 2 Fiscal Service Did Not Document How Concerns about Adding Certain Services to the TRUFACS FAA Were Resolved

Fiscal Service expanded the scope of the TRUFACS FAA through two amendments in July 2003 and February 2005 to include email and phone services. Redaction pursuant to FOIA exemption - 5 U.S.C § 552(b)(5)

[Redacted]

According to the FAA, TRUFACS was originally intended as a system to account for inmate funds and commissary inventories. Over time, Fiscal Service amended the agreement with BofA to interface TRUFACS with telephone, email, and other ancillary services at the prisons.

Redaction pursuant to FOIA exemption - 5 U.S.C § 552(b)(5)

[Redacted]

We could not determine the outcome of this meeting because staff involved in the meeting were no longer with Fiscal Service, and Fiscal Service could not provide us with additional documentation.

Redaction pursuant to FOIA exemption - 5 U.S.C § 552(b)(5)

[Redacted]

Redaction pursuant to FOIA exemption - 5 U.S.C § 552(b)(5)

Redaction pursuant to FOIA exemption - 5 U.S.C § 552(b)(5)

A Fiscal Service official told us that the bureau decided in 2014 to rework the agreement, but the process was delayed due to the temporary loss of the program manager. The official told us that Fiscal Service's goal was to maintain interfaces between the TRUFACS system and the other non-financial applications. Fiscal Service wanted to completely understand BOP's business processes prior to taking any actions. In January 2015, an official stated that Fiscal Service would work with BOP to determine BOP's business needs.

We believe that as part of the administration of FAAs, and specifically for the TRUFACS FAA, Fiscal Service should have procedures to ensure the services provided through FAAs and related amendments are appropriate. Based on Redaction pursuant to FOIA exemption - 5 U.S.C § 552(b)(5) and not being provided with any compelling documentation to suggest otherwise, we conclude that it was Fiscal Service's responsibility to address whether some of the ancillary services provided by BofA should have been obtained by BOP directly rather than by Fiscal Service through an FAA, and this rationale documented as part of the administration of the program. The length of time this arrangement has been in place is troubling as well. This results in the government having little assurance as to the reasonableness of the pricing and quality of the services provided.

Finding 3

Former Federal Inmate Debit Card Fees Were In-Line with Other Card Programs

We found that the U.S. Debit Card program fees for debit cards given to former inmates upon release are comparable to, and in

some cases less than, those of other Federal government card programs and available to the general public. The U.S. Debit Card program also provided additional benefits to former inmates, including photo identification.

With regard to fees, the first ATM withdrawal under the U.S. Debit Card program is free, regardless of network. Subsequent ATM withdrawals are free if performed via any of the 18,000 JPMC ATMs or 55,000 network-affiliated ATMs.¹⁶ The U.S. Debit Card is also free to use for point-of-sale purchases, and ATM inquiry fees were the lowest (\$0.45) in those we used in our comparison sample. Also, first card replacement per calendar year is free under the U.S. Debit Card program.

Table 1 on the next page provides a breakdown of the fees charged by U.S. Debit Card and other debit card providers.

¹⁶ Daily withdrawals are limited to \$800 per day. Use of out-of-network ATMs may result in fees charged by the ATM's owner.

Table 1. Comparison of U.S. Debit Card Fees to Other Debit Card Providers

Activity	U.S. Debit Card	Direct Express	Chase Liquid	Wal-mart	Western Union	Amex
First ATM Withdrawal	Free	Free	(a)	(a)	(a)	(a)
ATM Withdrawal–In-Network ¹	Free	\$0.85	Free	Free	Free	Free
ATM Withdrawal–International ²	\$3.00	\$3.00	\$2.00	(a)	\$4.95	(a)
ATM Withdrawal–Domestic	\$2.00	\$0.85	\$2.00	\$2.00	\$2.50	\$2.50
Over the Counter Withdrawal	\$10.00	Free	Free	\$2.00	\$2.50	(a)
ATM Inquiry–Domestic & Int.	\$0.45	Free	\$2.00 ³	\$1.00	\$0.50	(a)
Purchase Transaction–Domestic ³	Free	Free	Free	Free	\$1.00 ⁴	Free
Declined Purchase	\$0.25	Free	Free	(a)	\$1.00	(a)
Card Replacement	\$7.50 ⁵	\$4.00 ⁵	Free	\$3.00	\$3.95	(a)
Rush Replacement	\$24.50	\$13.50	\$5.00	(a)	(a)	(a)
Inactivity (3 months)	\$1.50	(a)	Free	(a)	\$5.95	(a)
Monthly Service Fee	Free	Free	\$4.95 ⁶	\$3.00	Varies ⁶	\$1.00 ₆
Check Issuance	\$15.00	(a)	\$8.00	(a)	\$5.95	(a)

(a) Signifies a fee category for which information was not available.

¹ ATM withdrawal at an ATM owned by the bank or one of its partners.

² A surcharge for foreign purchase transactions may be assessed.

³ Free if in-network.

⁴ \$1.00 for signed purchase transactions, \$2.00 for PIN transactions. The fee may be waived under certain conditions.

⁵ First debit card replacement per calendar year is free.

⁶ Monthly service fee may be waived under certain conditions.

Source: OIG analysis of debit card fees published online by Chase, WalMart, Western Union, and Amex, and Fiscal Service JPMC FAA.

To inform cardholders about fees and how to avoid them, JPMC provided former inmates with an informational brochure upon card issuance. For example, the brochure instructed cardholders to use the debit card to pay for purchases, get cash back with a purchase, or withdraw cash at a JPMC ATM or network-affiliated ATM. The brochure provided to prisoners with the card is shown in Appendix 4.

The U.S. Debit Card is used by more than 40 different Federal agencies and is governed by an FAA that includes a schedule of standard fees charged to cardholders. When BOP joined the U.S. Debit Card program in 2011, Fiscal Service amended the FAA to create a fee schedule applicable only to BOP, with fees lower than those charged under the standard fee schedule for other Federal agencies. For example, JPMC network-affiliated ATM withdrawals are free under the BOP fee schedule but cost \$2.00 under the standard fee schedule.

U.S. Debit Cards Provide Additional Benefits

We were also told of other benefits the debit cards offered to former Federal inmates. The cards included the former inmate's picture, which according to BOP representatives, served as a form of identification helping to reintegrate former inmates back into society. The debit cards also offered safety over holding cash and require the use of personal identification numbers, making former inmates less vulnerable to theft. Also, unlike cash, a debit card can be replaced if stolen.

BOP officials told us that before 2011, former Federal inmates were given a Treasury check upon their release, but the paper checks were problematic because not all released inmates had a bank account and not all banks would cash checks if an individual did not have an account. Cashing checks through a non-bank check cashing businesses was not a good option because of the high fees charged. Moreover, not all former inmates had government-issued identification needed to cash paper checks at a bank. According to Fiscal Service officials, the cost to Treasury to issue and process a paper check is approximately \$0.93 more than the cost to disburse the funds electronically.

Recommendations

We recommend the Commissioner of the Bureau of the Fiscal Service:

1. Ensure the selection process for financial agents is documented and that the documentation is maintained through the life of the

FAA and subsequent amendments, and for an appropriate period after the FAA terminates.

Management Response

Management concurred with the recommendation. According to its response, Fiscal Service has recently been refining and updating its policies and procedures for selection of financial agents. These policies and procedures will provide that the process by which Treasury designates financial agents be documented, with documentation maintained throughout the life of the FAA, and for an appropriate period thereafter, in accordance with document retention requirements. Fiscal Service expects to complete the policies and procedures by the end of calendar year 2015. In addition to refining and updating policies and procedures, Fiscal Service has instituted an Executive Oversight Council, comprised of Fiscal Service's Commissioner and affected Senior Management and business line leaders, to discuss planned and in progress financial agent selection processes, related cross-cutting issues, and continuous improvement.

OIG Comment

The above commitment by Fiscal Service meets the intent of our recommendation.

2. Develop and implement policies and procedures for amending FAAs. Among other things, the policies and procedures should identify the circumstances where amending an existing FAA or obtaining services through a new FAA using competition are appropriate, including circumstances where the cost and scope of services are expanded. The policies and procedures should also prescribe the approval and documentation requirements for the decision-making process as well as the rationale for amending an FAA, and any changes in scope and compensation.

Management Response

Management concurred with the recommendation. According to its response, Fiscal Service is developing policies and

procedures for the oversight of financial agents after they have been selected. These oversight policies and procedures will address the circumstances where amending an existing FAA is appropriate and the circumstances where obtaining service through a new FAA using competition is appropriate, particularly when the cost and scope of services is substantially expanded. The policies and procedures will also provide that the decision-making process contain an appropriate rationale and be documented. Fiscal Service expects to have interim oversight policies and procedures in place by the end of the first quarter of calendar year 2016.

OIG Comment

The above commitment by Fiscal Service meets the intent of our recommendation. We plan to assess the policies and procedures established in our future work.

3. Ensure that Fiscal Service's April 2013 guidelines for monitoring financial agents are followed, and the monitoring is documented.

Management Response

Management concurred that it is important to have guidelines for oversight of financial agents, and that such guidelines be followed and documented. Management stated, however, that the April 2013 guidelines referenced in the recommendation were draft guidelines that were not finalized by Fiscal Service. As noted above, According to its response, Fiscal Service is engaged in developing policies and procedures for the oversight of financial agents after they have been selected. These policies and procedures will reflect the most up-to-date information and best practices that Fiscal Service has, including documentation requirements. Fiscal Service will monitor to ensure these policies and procedures are followed. Fiscal Service expects to have interim oversight policies and procedures in place by the end of the first quarter of calendar year 2016.

OIG Comment

The above commitment by Fiscal Service meets the intent of our recommendation. We plan to assess the policies and procedures established in our future work.

4. Work with BOP to determine an appropriate course of action for the TRUFACS BofA FAA, particularly with respect to the ancillary services provided. In this regard, Fiscal Service should act to terminate the existing FAA in an orderly manner.

Management Response

Management concurred with the recommendation. The term of the TRUFACS FAA expired on May 31, 2015. According to its response, Fiscal Service formally notified BOP on August 26, 2015, of the need to terminate the TRUFACS FAA expeditiously, and is working with BOP on an orderly transition away from the FAA. The FAA will terminate after this transition.

OIG Comment

The above commitment by Fiscal Service meets the intent of our recommendation.

* * * * *

We appreciate the cooperation and courtesies extended to our staff during the audit. If you wish to discuss the report, you may contact me at (617) 223-8638 or Mark Ossinger, Audit Manager, at (617) 223-8643. Major contributors to this report are listed in Appendix 6.

/s/
Sharon Torosian
Audit Director

Our audit objectives were to assess (1) the Bureau of the Fiscal Service's (Fiscal Service) financial agent designation process and the administration of the Financial Agent Agreements (FAAs) with the Bank of America (BoFA) and JPMorgan Chase & Company (JPMC) for banking services provided to the Federal Bureau of Prisons (BOP) and (2) the fees charged for debit cards issued to former inmates. We performed our fieldwork during October 2014 through February 2015.

To accomplish our objectives, we interviewed Fiscal Service officials and staff. In addition, we reviewed Fiscal Service's FAAs with BoFA and JPMC, the corresponding amended FAAs, and the administration and monitoring of those FAAs, as well as other applicable program documentation. External to Fiscal Service, we interviewed representatives with BOP, BoFA, and JPMC. We also reviewed documentation provided by those entities.

Fiscal Service

- To gain an understanding of the process Fiscal Service used to enter into the FAAs with BoFA and JPMC and to administer and monitor those FAAs, we interviewed the Deputy Assistant Commissioner, Compliance and Reporting Group, Revenue Collections and Management Division; the Director of E-Commerce, Payment Management Division; and program managers responsible for the oversight of the Trust Fund Accounting and Commissary System (TRUFACS) and U.S. Debit Card programs.
- To determine the legal workings of the FAAs and the services Fiscal Service provided under the FAAs, we interviewed the Deputy Chief Counsel and a Senior Counsel from the Office of Chief Counsel.

External to Fiscal Service

- To determine how BOP coordinates with Fiscal Service, BoFA, and JPMC regarding the operation, maintenance, and oversight of the FAAs, we interviewed BOP's Chief of the Deposit Fund, and the Senior Deputy Assistant Director.

- To gain an understanding of how BofA worked with Fiscal Service and BOP, we interviewed BofA's Managing Director of Public Sector Banking for Federal Services, the Senior Vice President for Federal Services, and the Program Manager for Public Sector Banking.
- To determine the services provided to former Federal inmates and how JPMC worked with Fiscal Service and BOP to initiate and maintain the U.S. Debit Card program, we interviewed JPMC's Manager of Product Execution.

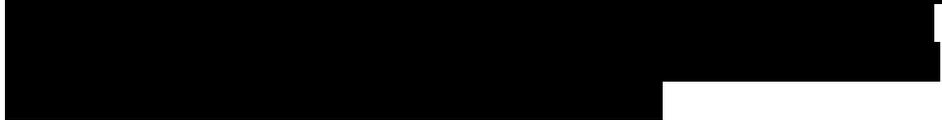
To assess Fiscal Service's financial agent designation process and the administration of FAAs with BofA and JPMC, we reviewed available program documentation, including invoices, presentations, meetings, memorandums, and meeting notes. In our initial request for all documentation related to the FAAs, Fiscal Service provided us with procedures, organizational charts, FAAs, amendments, additional invoices, and records of meetings. During our fieldwork, we became aware that Fiscal Service had retained additional documentation related to the FAAs in filing cabinets and electronically on Fiscal Service's network drives, to which we were granted access. Our review of the filing cabinets and electronic records revealed a limited amount of documents, which were disorganized.

We reviewed information Fiscal Service provided to Congress regarding the BofA FAA for TRUFACS, which was limited to annual payments by Department of the Treasury (Treasury) to BofA for the system and a listing and description of the 22 amendments to the FAA.

Redaction pursuant to FOIA exemption - 5 U.S.C § 552(b)(5)



Redaction pursuant to FOIA exemption - 5 U.S.C § 552(b)(5)



To determine the reasonableness of debit card fees charged to former Federal inmates, we reviewed the terms and conditions of cardholder agreements for various publicly available debit cards and Fiscal Service' Direct Express® Debit MasterCard® program, and compared those to debit cards provided to the former federal inmates under the U.S. Debit Card program.

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 sufficient, appropriate evidence to provide 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.

Primary TRUFACS Services and Application Interfaces

Service	Description
TRUFACS	The Trust Fund Accounting System (TRUFACS) collects funds from outside sources into individual trust accounts held by the Federal Bureau of Prisons (BOP) as Trustee for Federal prisoners, maintains and accounts for each inmate trust account, facilitates inmate purchases from their individual trust accounts, and provides a mechanism for institutions to collect and account for trust funds used to make purchases within prison. Sources of incoming inmate funds held by BOP as Trustee and processed through TRUFACS include contributions from friends and family, Federal benefits, and prison salaries. Inmates may debit their trust fund accounts to make purchases within the prison system, for example, for telephone calls or at the prison commissary where inmates may buy a limited number of items (snacks, toiletries, envelopes).
INTRUDR	Inmate Trust Fund Digital Recording system (INTRUDR) is a TRUFACS application enhancement which takes advantage of BOP's existing network and the centralized database structure on TRUFACS to provide a centralized recording device for inmate call monitoring and recording at all sites. It was added to TRUFACS to enhance BOP's monitoring capabilities and enhance security. INTRUDR allows TRUFACS to account for telephone call duration, charges for completed calls, monitoring of unavailable telephone circuits, and identification of telephone number called and location of telephone from which the call was placed.
TRUFONE	TRUFONE is an interface between the inmate trust fund and the BOP telephone system allowing inmates to purchase telephone access time to contact pre-approved caller recipients.
TRULINCS	Trust Fund Limited Inmate Computer System (TRULINCS) is an interface between the inmate trust fund and the BOP electronic correspondence system allowing inmates to purchase the ability to send and receive electronic correspondence from pre-approved individuals and organizations.
TRUFOTO	TRUFOTO is an interface between the inmate trust fund and the BOP inmate photo purchasing and tracking system allowing inmates to purchase photos that may be developed in the future.
TRULAW	TRULAW is interface between the inmate trust fund and the BOP electronic law library allowing inmates to purchase access to the library.
TRUVIEW	TRUVIEW is a research tool that consolidates multiple financial tracking databases, such as those from TRUFONE and TRULINCS, into one single database.
TRUPAID	Trust Fund Accounting for Inmate Details (TRUPAID) provides automated management of inmate performance pay funds.

Source: Fiscal Service TRUFACS program documentation.

Appendix 3
Financial Agent Agreements and Amendments

Bank of America Financial Agent Agreements and Amendments

Date	Sequence	Service	Incremental Cost
5/3/2000	Initial Financial Agent Agreement (FAA)	Directed the financial agent to provide the Trust Fund Accounting and Commissary System (TRUFACS), which allowed the Federal Bureau of Prisons (BOP) to electronically manage inmate trust fund monies from the time inmates enter the Federal prison system until their release. Financial agent services were to provide for and manage the TRUFACS system that include, but not be limited to, design, development, testing, deployment, upgrades, training, documentation, planning, risk management, contingency, security, operations, maintenance, service, and support. The FAA was effective through 2004 with 5 one-year renewal options.	\$14,400,000
11/9/2000	Amendment 1	Performed a technical evaluation of BOP Trust Fund, system wide area network. The financial agent was to receive \$40,000 upon completion of the evaluation and producing findings and recommendations reports.	\$1,470,000
8/1/2001	Amendment 2	Provided \$930,000 for additional time and materials relating to TRUFACS interfaces and reporting requirements; and \$70,000 to develop a stamps and coins inventory and debt tracking system.	\$1,000,000
7/16/2003	Amendment 3	Added the Inmate Trust Fund Recording System (INTRUDR) to provide BOP with a secure, automated system to track, account, bill, and collect for telephone calls made by inmates. Authorized financial agent to use a subcontractor. Extended FAA to May 31, 2007, with 5 one-year renewal options thereafter.	\$8,907,401
12/23/2003	Amendment 4	Utilized additional hardware in conjunction with nationwide rollout of TRUFACS.	\$530,213
2/24/2004	Amendment 5	Added capability for inmates to receive funds electronically via Western Union. Directed that fees which Western Union would normally pay to another financial institution instead be credited against financial agent's TRUFACS charges.	\$0
2/7/2005	Amendment 6	Provided BOP with an inmate correspondence system (TRULINCS). Approved the financial agent's subcontractor to assist in implementation.	\$4,294,294

Appendix 3
Financial Agent Agreements and Amendments

Bank of America Financial Agent Agreements and Amendments

6/6/2005	Amendment 7	Provided a penetration test of the inmate correspondence system.	\$35,000
9/27/2005	Amendment 8	Discontinued maintenance fund previously used for small "ad-hoc" changes to TRUFACS.	\$0
11/20/2006	Amendment 9	Increased Not to Exceed (NTE) amount of FAA to fulfill BOP requests for support.	\$3,864,494
9/25/2007	Amendment 10	Increased NTE amount of FAA to fulfill BOP requests for support.	\$4,922,161
3/12/2008	Amendment 11	Modified the funding structure for the INTRUDR software maintenance.	\$0
3/19/2009	Amendment 12	Increased NTE amount of FAA to fulfill BOP requests for support.	\$3,769,800
6/30/2009	Amendment 13	Increased NTE amount of FAA to fulfill BOP requests for support.	\$5,563,600
7/19/2010	Amendment 14	Increased NTE amount of FAA to fulfill BOP requests for support.	\$3,500,000
5/5/2011	Amendment 15	Reset and defined TRUFACS fee structure, clarified change request process, extended FAA for 1 year to May 31, 2012.	\$3,712,250
9/29/2011	Amendment 16	Amended Amendment 5 by directing financial agent to add capability for inmate funds to be transmitted electronically via all certified money transmitters, rather than only Western Union. Clarified that fees which money transmitters would normally pay to another financial institution would be instead paid to BOP.	N/A
12/22/2011	Amendment 17	Implemented Amendment 15 by (1) adjusting hourly rates according to Bureau of Labor Statistics (BLS) Cost Index; and (2) adjusting monthly application management fee price adjustments in accordance with BOP change requests.	\$4,262,044
5/16/2012	Amendment 18	Extended FAA for 1 year, until May 31, 2013.	N/A
11/29/2012	Amendment 19	Implemented Amendment 15 by (1) adjusting hourly rates according to BLS Cost Index; and (2) adjusting monthly application management fee price adjustments in accordance with BOP change requests.	\$4,690,217
5/31/2013	Amendment 20	Extended FAA for 1 year, until May 31, 2014.	N/A

Appendix 3
Financial Agent Agreements and Amendments

Bank of America Financial Agent Agreements and Amendments

10/29/2013	Amendment 21	Implemented Amendment 15 by (1) adjusting hourly rates according to BLS Cost Index; and (2) adjusting monthly application management fee price adjustments in accordance with BOP change requests.	\$5,254,626
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5/28/2014	Amendment 22	Extended FAA for 1 year, until May 31, 2015.	N/A
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Source: Fiscal Service Bank of America FAA, amendments, and program documentation.

Appendix 3
Financial Agent Agreements and Amendments

JPMorgan Chase & Company Financial Agent Agreements and Amendments

Date	Sequence	Service
6/3/1998	Pilot FAA	Began Direct Express card under a pilot program implemented for the disbursement of benefits for U.S. Social Security Administration.
10/1/2008	Initial FAA	Provided debit card services to support Fiscal Service's U.S. Debit Card program for Federal agencies.
10/1/2008	Amendment 1	Changed fee schedule, but not cardholder fees. Card package fee was clarified to be billed to the agency, and a footnote was added stating "charged once per card, at time of issuance to agency or cardholder."
8/1/2010	Amendment 2	Provided U.S. Debit Card services for the U.S. Department of Transportation, Office of Transportation Services.
7/1/2011	Amendment 3	Extended the FAA by 5 years and replaced the fee schedule. Made the card package, profile setup, additional profile setup, and monthly program management fee per profile free.
7/8/2011	Amendment 4	Added a separate fee schedule that applied only to BOP.

Source: Fiscal Service JPMorgan Chase & Company FAA, amendments, and program documentation.

P.O. Box 9044
Coppell, TX 75019



Here is Your Prepaid Card

JOHN M CARDHOLDER
1234 MAIN ST
ANYTOWN, USA 00000

A **convenient** and
safe way to get
your payment.

The Only Chase Fees for Using Your Card

Out-of-network ATM Cash Withdrawal (Daily limit: \$800)	\$2.00 each after 1 free per deposit (surcharges may also apply)
International ATM Withdrawal	\$3.00 each
ATM Balance Inquiry	\$0.45 each
Teller-assisted Cash Withdrawal	\$10.00 each
Declined POS Transaction	\$0.25 each
Card Replacement — standard	\$7.50 each after 1 free per year
Card Replacement — expedited	\$24.50 per card
Inactive Account (after 90 days without use)	\$1.50 per month
Foreign Exchange Fee	3.5% of transaction

How to Avoid Paying Chase Fees



Use your card to pay for purchases
You'll never pay a Chase fee when you use your card to pay for purchases in stores or online.



Get cash back with a purchase
There are no Chase fees for getting cash back with a purchase at supermarkets and other stores.



Withdraw cash at surcharge-free ATMs
Log on to www.ucard.chase.com to find ATMs with the Chase or Allpoint logos and pay no fees or ATM surcharges.



Your Personal Identification Number is:
(Su número de identificación personal (PIN)):

See reverse for removal instructions

**FPO PIN
PEEL/REVEAL**

www.ucard.chase.com

Get Started in 2 Easy Steps

1. **Peel back the security panel** to reveal the Personal Identification Number (PIN) that you will need to use this card. See instructions on the reverse.
2. **Review the fees for using your card** and the tips on how to avoid them (above). These are the only fees you will be charged by Chase when using your card.

Appendix 5
Management Response



DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

AUG 31 2015

Ms. Sharon Torosian
Director
Office of Inspector General
Department of the Treasury
408 Atlantic Avenue
Room 330
Boston, MA 02110

Dear Ms. Torosian:

Thank you for the opportunity to respond to the Treasury Office of Inspector General (OIG) formal draft audit report *Former Federal Inmate Debit Card Fees Were Comparable with Other Card Programs, but Documentation Supporting Financial Agent Agreements Was Lacking*, dated August 10, 2015. We are committed to good stewardship of these programs and appreciate your recommendations to further that effort. Our responses to the four recommendations are as follows:

1. Ensure the selection process for financial agents is documented and that the documentation is maintained through the life of the Financial Agency Agreement (FAA) and subsequent amendments, and for an appropriate period after the FAA terminates.

The Bureau of the Fiscal Service (Fiscal Service) concurs with OIG's recommendation. Fiscal Service has recently been refining and updating its policies and procedures for selection of financial agents. We expect to complete these policies and procedures by the end of calendar year 2015. They will provide that the process by which Treasury designates financial agents be documented, with documentation maintained throughout the life of the FAA, and for an appropriate period thereafter, in accordance with document retention requirements. In addition to refining and updating our policies and procedures, we have instituted an Executive Oversight Council, comprised of Fiscal Service's Commissioner and affected Senior Management and business line leaders, to discuss planned and in progress financial agent selection processes, related cross-cutting issues, and continuous improvement.

2. Develop and implement policies and procedures for amending FAAs. Among other things, the policies and procedures should identify the circumstances where amending an existing FAA or obtaining services through a new FAA using competition are appropriate, including circumstances where the cost and scope of services are expanded. The policies and procedures should also prescribe the approval and documentation requirements for the decision-making process as well as the rationale for amending an FAA, and any changes in scope and compensation.

Appendix 5
Management Response

Fiscal Service concurs with OIG's recommendation. In addition to refining its policies and procedures on selection of financial agents as referenced above, Fiscal Service is developing policies and procedures for the oversight of financial agents after they have been selected. These oversight policies and procedures will address the circumstances where amending an existing FAA is appropriate and the circumstances where obtaining service through a new FAA using competition is appropriate, particularly when the cost and scope of services is substantially expanded. The policies and procedures will also provide that the decision-making process contain an appropriate rationale and be documented. We expect to have interim oversight policies and procedures in place by the end of the first quarter of calendar year 2016.

3. Ensure that Fiscal Service's April 2013 guidelines for monitoring financial agents are followed, and the monitoring is documented.

Fiscal Service concurs with OIG that it is important to have guidelines for oversight of financial agents, and that such guidelines be followed and documented. (We note, however, that the guidelines which OIG references from April 2013 were draft guidelines that were not finalized or adopted by Fiscal Service). As referenced above, Fiscal Service is engaged in developing policies and procedures for the oversight of financial agents after they have been selected. These policies and procedures will reflect the most up-to-date information and best practices that we have, including documentation requirements. Fiscal Service will monitor that these policies and procedures are followed. We expect to have interim oversight policies and procedures in place by the end of the first quarter of calendar year 2016.

4. Work with the Bureau of Prisons (BOP) to determine an appropriate course of action for the TRUFACS Bank of America FAA, particularly with respect to the ancillary services provided. In this regard, Fiscal Service should act to terminate the existing FAA in an orderly manner.

Fiscal Service concurs with OIG's recommendation. The term of the TRUFACS FAA expired on May 31, 2015. Fiscal Service has already formally notified BOP (on August 26, 2015) of the need to terminate the TRUFACS FAA expeditiously, and is working with BOP on an orderly transition away from the FAA. The FAA will terminate after this transition.

If you have any questions or wish to discuss these comments in more detail, please contact me on (202) 874-7000.

Sincerely,

Sheryl R. Morrow /s/
Commissioner

Appendix 6
Major Contributors To This Report

Mark Ossinger, Audit Manager
Jason Madden, Auditor-in-Charge
Richard Wood, Auditor
Kevin Guishard, Referencer

The Department of the Treasury

Deputy Secretary
Fiscal Assistant Secretary
Office of Strategic Planning and Performance Management
Office of the Deputy Chief Financial Officer, Risk and Control
Group

Bureau of the Fiscal Service

Commissioner
OIG Liaison

Office of Management and Budget

OIG Budget Examiner