



Office of Inspector General | United States Postal Service

Audit Report

Controls Over Expense Purchase Card Activity

Report Number 19SMG009SM000-R20 | March 23, 2020



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Highlights

Objectives

U.S. Postal Service purchase cards are local buying credit cards employees may use when operational needs are not purchased through priority sources such as contracts and ordering agreements. Postal Service employees with delegated purchase card local buying authority (cardholders) may use the expense purchase card in accordance with purchase card policies and procedures and are required to obtain approval for purchases. Purchase card local buying authority is the authority to buy and pay for day-to-day operational needs up to \$10,000. Cardholders must maintain records to support their purchases for three years. Our objective was to assess Postal Service purchase card transactions for potential non-compliance and for improper or erroneous payments.

We obtained fiscal year 2017 and 2018 Postal Service purchase card transactions from U.S. Bank, which is responsible for account setup, purchase card distribution, and transaction data. Our universe consisted of 1,267,693 transactions valued at about \$622 million. We identified Postal Service high-risk transactions by merchant category code that were questionable due to policy restrictions for professional services, cleaning and maintenance, services & goods, meals, landscaping and lawn services, and travel. Additionally, we identified non-high-risk transactions consisting of the remaining transactions not included in the high-risk universe. Examples of non-high-risk transactions include towing services, wholesale uniforms, hardware stores, and general goods and services. We selected 516 transactions for review. We randomly selected a statistical sample of 208 transactions from the high-risk universe and 208 transactions from the non-high-risk universe. Lastly, we judgmentally identified questionable merchant category code transactions and selected 100 for review.

Findings

Generally, cardholders made purchase card transactions that were proper and supported. However, they did not always comply with approval and document retention policies. Of the 516 transactions, 147 were not compliant (28 percent). Specifically, 49 (9 percent) were missing purchase requests, 40 (8 percent) did

not have required supporting documentation, and 58 (11 percent) were missing approved purchase requests and supporting documentation.

Moreover, there were seven instances where cardholders made improper or erroneous purchases leading to account closure or employee reimbursement. Five of the seven transactions were made in error due to cardholders unintentionally using the purchase card. These cardholders proactively made the Postal Service aware of these transactions for resolution. Lastly, the Postal Service determined two transactions to be fraudulent and closed the accounts prior to our review.

These issues occurred because cardholders did not retain required documentation due to changing jobs and misplacing it. Additionally, they are not required to store supporting documentation electronically and credit card approving officials are not required to review cardholder documentation when approving and certifying cardholder reconciliations to monthly billing statements. Approval and certification are required to ensure the accuracy of the statement and identify any potential billing discrepancies.

Finally, cardholders are required to reconcile their purchase card statements of account to supporting documentation, but purchase card policy does not require cardholders to provide supporting documentation to credit card approving officials for approval and certification.

We calculated over \$75 million annually in expense purchase card payments were made without proper approvals and not supported by documentation.

“Generally, cardholders made purchase card transactions that were proper and supported. However, they did not always comply with approval and document retention policies.”

Recommendations

We recommended management:

- Reiterate document retention requirements to purchase cardholders and credit card approving officials.
- Enhance the purchase card policy to require cardholders electronically retain purchase card documentation when possible.
- Explore the benefits of providing electronic documentation to credit card approving officials and update purchase card policy to require credit card approving officials review all purchases over established minimum thresholds and when merchant category codes are questionable.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 23, 2020

MEMORANDUM FOR: MARK A. GUILFOIL
VICE PRESIDENT, SUPPLY MANAGEMENT

E-Signed by Jason Yovich
E-RTD authentic with e-Sign Desktop

FROM: Jason Yovich
Acting Deputy Assistant Inspector General
for Supply Management & Human Resources

SUBJECT: Audit Report – Controls Over Expense Purchase Card Activity
(Report Number 19SMG009SM000-R20)

This report presents the results of our audit of Controls Over Expense Purchase Card Activity.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Shirian Holland, Acting Director, Supply Management and Facilities, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

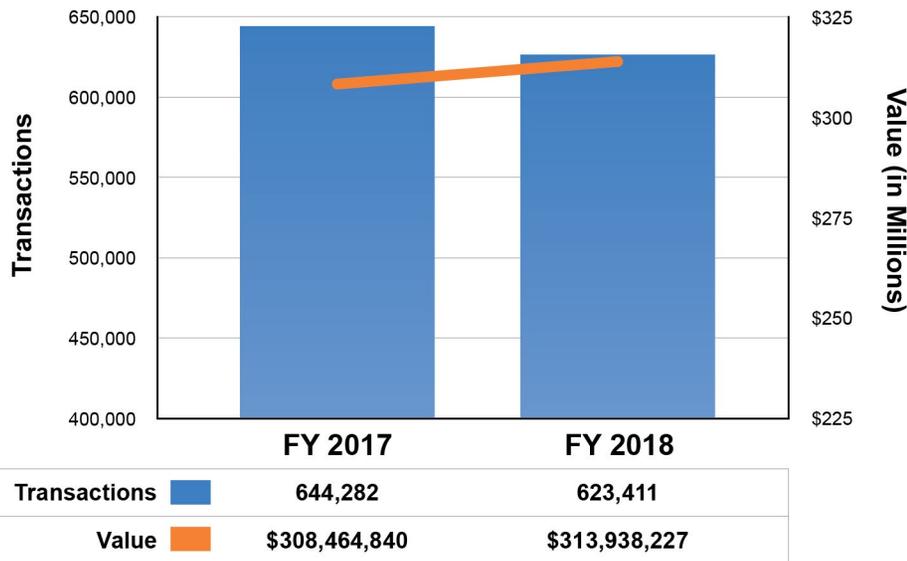
Results

Introduction

This report presents the results of our self-initiated audit of Controls Over Expense Purchase Card Activity (Project Number 19SMG009SM000). Our objective was to assess U.S. Postal Service purchase card transactions for potential non-compliance, improper or erroneous payments.

The U.S. Postal Service Office of Inspector General (OIG) obtained fiscal year (FY) 2017 and 2018 Postal Service purchase card transactions from U.S. Bank, which is responsible for account setup, purchase card distribution, and transaction data. Our universe consisted of 1,267,693 transactions, valued at about \$622 million by merchant category code (MCC)¹ (see Figure 1).

Figure 1. Purchase Card Spend



Source: OIG analysis of U.S. Bank purchase card data.

We stratified² our universe into high-risk and non-high-risk transactions and developed a judgmental sample of questionable MCCs:

- **High-risk transactions** were identified by MCCs³ as questionable due to policy⁴ limitations or restrictions for professional services, cleaning and maintenance, services and goods⁵, meals, landscaping and lawn services, and travel.
- **Non-high-risk transactions** consisted of the remaining transactions not included in the high-risk universe. Examples of non-high-risk transactions include towing services, wholesale uniforms, hardware stores, and general goods and services.

We randomly selected statistical samples of 208 transactions from the high-risk universe and 208 transactions from the non-high-risk universe for review (see Table 1).

“Our universe consisted of 1,267,693 transactions, valued at about \$622 million by merchant category code.”

¹ Identifies the category or type of goods and services sold by the merchant.

² A method of sampling from a population, which can be partitioned into subpopulations.

³ Goods and services captured in U.S. Bank transaction data that appear to be high-risk. And upon further review, may be non-high-risk due to merchants providing various goods and services under one MCC category.

⁴ Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*.

⁵ Examples of questionable MCCs include medical services, dry cleaners, dental, game shops, and tourist attractions.

Table 1. Transaction Universe and Sample

Merchant Category Code	Universe	Value	Sample	Value
Professional Services	105,973	\$37,920,563	138	\$52,388
Meals	28,391	8,820,580	37	8,044
Services & Goods	14,555	9,557,961	20	17,762
Landscaping, Lawn and Cleaning	6,578	1,737,283	8	4,835
Travel	2,781	2,910,615	4	5,506
Cleaning and Maintenance	518	2,766,032	1	4,409
Total High Risk	158,796	\$63,713,034	208	\$92,944
Remaining MCC Transactions	1,108,897	558,690,035	208	118,083
Grand Total	1,267,693	\$622,403,069	416	\$211,027

Source: OIG analysis of U.S. Bank purchase card data.

Additionally, we judgmentally selected 100 transactions from 23 questionable⁶ MCCs and corresponding merchant names to determine if the supporting documentation validates the purchases for compliance and proper use (see Table 2).

Table 2. Questionable Transaction Sample

Merchant Category Code	Transactions
Amusement Parks and Circuses	1
Aquariums	2
Art Dealers and Galleries	1
Bands, Orchestras, Other	9
Beauty and Barber Shops	6
Charitable	1
Child Care Services	3
Cigar Stores and Stands	4
Civil, Social, and Fraternal	1
Cosmetic Stores	1
Drinking Places (Alcohol)	8
Florists	1
Gift Card and Novelty	15
Harrah's Hotels and Casinos	1
Health and Beauty Spas	10
Hobby, Toy, and Game Shops	3
Jewelry, Watches, and Clocks	4

⁶ Transactions that appear to be noncompliant and improper due to MCC categories and corresponding merchant names that are not consistent with goods and services to support Postal Service operations. And upon further review, may be compliant and proper due to merchants providing various goods and services under one MCC category.

Merchant Category Code	Transactions
MGM Grand Hotel	1
Motion Picture Theaters	1
Music Stores	8
Package Stores, Beer, Liquor	13
Tax Preparation Services	5
Watch, Clock, and Jeweler	1
Total	100

Source: OIG analysis of U.S. Bank purchase card data.

Background

U.S. Postal Service purchase cards are local buying credit cards employees may use when operational needs are not purchased through priority sources.⁷ Postal Service employees with delegated purchase card local buying authority (cardholders) may use the expense purchase card in accordance with purchase card policies and procedures and are required to obtain approval for purchases. Purchase card local buying authority is the authority to buy and pay for day-to-day operational needs up to \$10,000. One of the primary controls⁸ to prevent misuse of the purchase card under local buying authority are the daily Purchasing Shared Services Center⁹ (PSSC) questionable purchase card audits.¹⁰ Cardholders should provide supporting documentation of purchases when requested by the PSSC, such as an approved eBuy request,¹¹ credit and sales receipt, and delivery documentation.

When purchasing goods or services, cardholders are required to maintain accurate and complete records of all purchase card transactions for three years.

⁷ Existing Postal Service assets with volume discounts and other supply chain savings which include in-house excess material, eBuy, and orders against existing Postal Service contracts or agreements.

⁸ Other controls include the cardholder spending limits and the proper MCC.

⁹ Responsible for administering the Purchase Card Program for Postal Service.

¹⁰ Daily audits to primarily detect purchase card fraud and misuse and to secondarily query these same suspicious transactions for compliance with purchase card local buying policies and procedures.

¹¹ eBuy supports the accurate processing and management of invoices.

¹² Responsible for reviewing the cardholder's electronic transactions and monthly managing account statement for approval. A cardholder may be designated as a CCAO, but never for his or her own purchase card.

Supporting documentation must provide a clear audit trail to ensure proper use of Postal Service funds and provide a basis of support for any disputed charges. Cardholders are required to obtain an approved eBuy request for purchases. The eBuy approval process ensures that finance officials approve and budget funds prior to purchases.

Cardholders are also required to reconcile their bank statements each month. Cardholder statements with detailed purchase card spending activity are available on the bank provider's secured website. Cardholders must reconcile their statements electronically upon receipt and certify that transactions are valid and for official use. The cardholder's electronic reconciliation is then available to the Credit Card Approving Official¹² (CCAO) for review, final approval, and certification. CCAOs are not required to review supporting documentation when approving cardholder certifications.

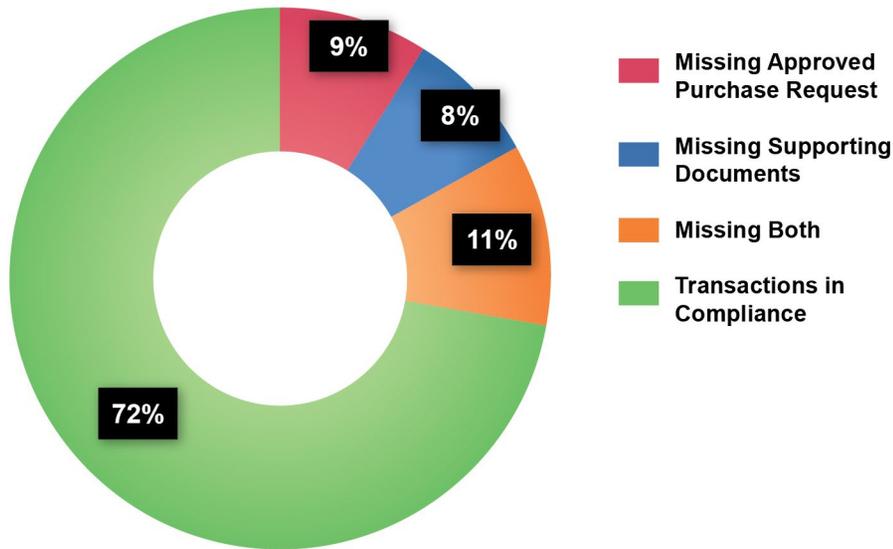
“Postal Service employees with delegated purchase card local buying authority (cardholders) may use the expense purchase card in accordance with purchase card policies and procedures and are required to obtain approval for purchases.”

Finding #1: Purchase Card Documentation

We reviewed 208 high-risk, 208 non-high-risk, and 100 judgmentally selected transactions (516 transactions total). Postal Service cardholders made 369 purchase card transactions (72 percent) that were proper and supported. However, cardholders made 147 purchases (28 percent) without proper eBuy

approvals and/or did not maintain complete documentation to support their purchases. Specifically, 49 transactions (9 percent) were missing purchase requests, 40 (8 percent) did not have required supporting documentation¹³, and 58 (11 percent) were missing approved purchase requests and supporting documentation (see Figure 2).

Figure 2. Noncompliant Transactions

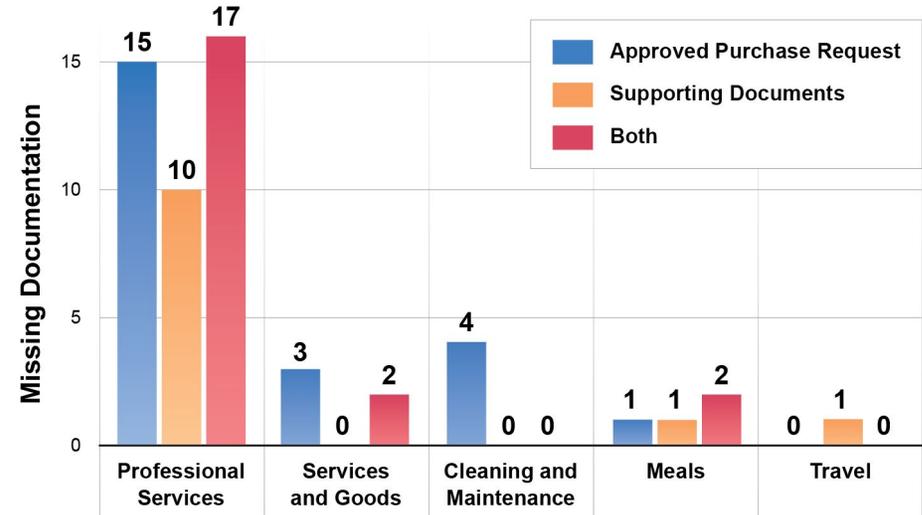


Source: OIG analysis of purchase card transactions.

We reviewed 208 high-risk transactions and identified 56 transactions (27 percent) valued at \$21,434 without the required documentation. Of those 56 transactions, 23 (11 percent) were missing approved purchase requests, 12 (6 percent) were missing supporting documentation, and 21 (10 percent) were missing approved purchase requests and supporting documentation. Further, 42 of the 56 transactions (75 percent) had MCCs that were professional services, five (nine percent) were goods and services, four (seven percent) were cleaning and maintenance, four (seven percent) were meals, and 1 (2 percent) was travel (see Figure 3). Purchase card policy limits or restricts the purchase card for these

MCCs. Additionally, we were unable to determine if the 21 high-risk transactions were compliant and proper due to them missing both the approved purchase request and supporting documentation.

Figure 3. Missing Documentation – High Risk



Source: OIG analysis of purchase card transactions.

Additionally, of the 208 non-high-risk transactions reviewed, we identified 50 (24 percent) valued at \$30,495 that were missing required documentation. Of those 50 transactions, 17 were missing purchase requests, 14 were missing supporting documentation¹⁴, and 19 were missing approved purchase requests and supporting documentation. We were unable to determine if the 19 non-high-risk transactions were compliant and proper due to them missing both the approved purchase request and supporting documentation (see Table 3).

¹³ Supporting documentation includes receipts, invoices or delivery documentation.

¹⁴ Receipt, invoice or delivery documentation.

Table 3. Missing Documentation – Non-High-Risk

Required Documentation	Transactions	Percentage	Value
Purchase Request	17	8%	\$6,812
Supporting Documentation	14	7	7,045
Purchase & Supporting Documentation	19	9	16,638
Total	50	24%	\$30,495

Source: OIG analysis of purchase card transactions.

We also judgmentally selected 100 transactions for review, 52 of which were fully supported and 41 that were missing the required documentation. Of those 41 transactions, nine were missing approved purchase requests, 14 were missing supporting documentation, and 18 were missing approved purchase requests and supporting documentation. Therefore, we were unable to determine if these 18 transactions were compliant and proper (see Table 4).

Table 4. Missing Documentation – Judgmental Sample

Required Documentation	Transactions	Percent
Purchase Request	9	9%
Supporting Documentation	14	14
Purchase & Supporting Documentation	18	18
Total	41	41%

Source: OIG analysis of purchase card transactions.

Additionally, there were five transactions made in error due to cardholders unintentionally using the purchase card. These cardholders proactively made the Postal Service aware of these transactions for resolution. Lastly, the

Postal Service determined two transactions to be fraudulent and the accounts were closed prior to our review.

The Postal Service purchase card policy requires cardholders to maintain accurate and complete records of all purchase card transactions for three years. These records must include an approved purchase request and any other supporting documentation relating to the purchase.

Based on our interviews with cardholders, transactions were unsupported for several reasons, such as changing jobs and relocating, misplacing required documentation, and cardholders leaving the Postal Service and CCAOs being unable to locate the required documentation. The Postal Service purchase card policy outlines cardholder and CCAO responsibilities for employees transferring within or separating from the Postal Service; however, it does not require supporting documentation to be retained when employees transfer or separate.

Without proper eBuy purchase approvals, the Postal Service cannot determine if purchase card transactions are proper. Without accurate and complete records, the Postal Service cannot determine if purchase card transactions are compliant or consist of erroneous payments and it may negatively affect the purchase cardholder’s ability to reconcile their purchase card statements. In addition, document retention could be improved by allowing cardholders to store supporting documentation electronically.

We calculated \$51,929 in expense purchase transactions without proper purchase approvals and supporting documentation, or \$151,288,127 for two years when extrapolated to the FY 2017 and 2018 universes. The Postal Service needs to properly oversee cardholders’ purchases and verify cardholders obtained proper approval to ensure it does not incur unplanned and unauthorized costs.

“The Postal Service purchase card policy requires cardholders to maintain accurate and complete records of all purchase card transactions for three years.”

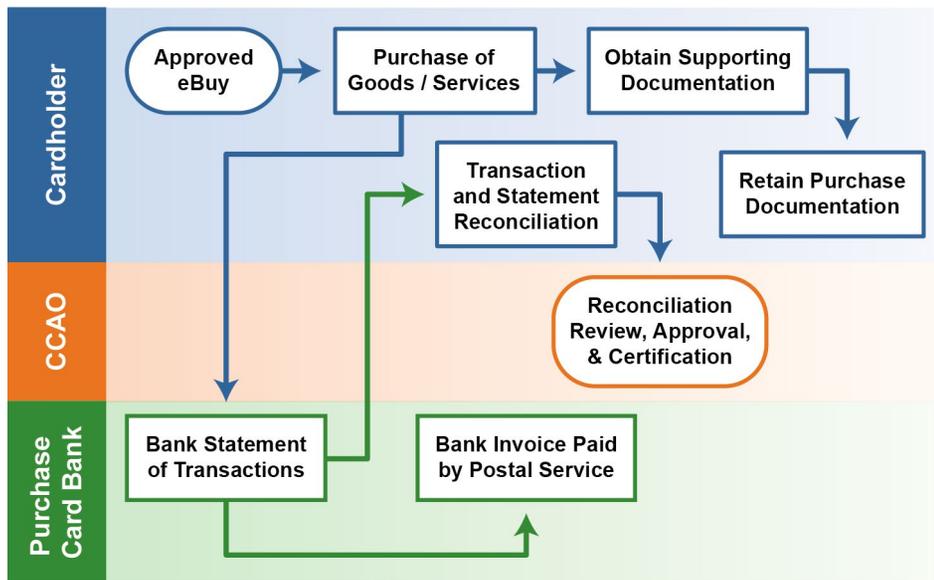
Recommendation #1

We recommend the **Vice President, Supply Management**, reiterate document retention requirements to purchase cardholders and credit card approving officials.

Finding #2: Purchase Card Reconciliation Process

Cardholders are required to reconcile their purchase card statement of account to supporting documentation. During the reconciliation process, cardholders review their purchase card statements and certify that each purchase benefits the Postal Service. CCAOs review the cardholder's certification and are required to review, approve, and certify the reconciliation (see Figure 4).

Figure 4. Current Purchase Card Reconciliation Process



Source: OIG analysis of Handbook AS-709.

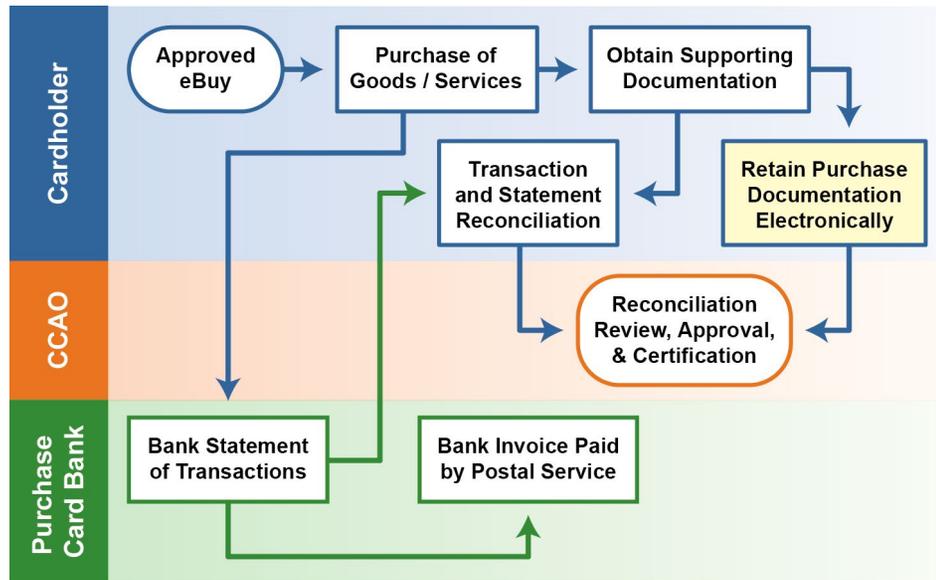
One of the primary controls under the Postal Service purchase card program is the daily PSSC questionable purchase card audit. To validate cardholder purchase card payments, the PSSC requires cardholders to submit supporting documentation for each reviewed transaction. Purchase card policy¹⁵ states CCAOs may request supporting documentation for transaction review but does not require cardholders to provide supporting documentation to CCAOs for approval and certification of all transactions. As a result, CCAOs are not reviewing supporting documentation during their reconciliation process unless transactions seem suspicious. Typically, the PSSC found documentation issues at an exception rate similar to the results of this audit.

“Uploading supporting documentation to an electronic system would also enhance the efficiency of CCAO reconciliations and PSSC daily audits and ensure that required purchase card documentation is retained.”

The purchase card reconciliation review, approval, and certification process could be improved if CCAOs were required to review supporting documentation for transactions when approving cardholder reconciliations. Uploading supporting documentation to an electronic system would also enhance the efficiency of CCAO reconciliations and PSSC daily audits and ensure that required purchase card documentation is retained. Additionally, an electronic process would decrease the risk of purchase card fraud and misuse by ensuring the Postal Service only pays for goods and services received, billing errors do not go undetected, and the bank is not overpaid (see Figure 5).

15 Handbook AS-709, Section 2-6.6(a).

Figure 5. Recommended Purchase Card Reconciliation Process



Source: OIG conclusion based on policy review and analysis.

Recommendation #2

We recommend the **Vice President, Supply Management**, enhance the purchase card policy to require cardholders electronically retain purchase card documentation when possible.

Recommendation #3

We recommend the **Vice President, Supply Management**, explore the benefits of providing electronic documentation to credit card approving officials and update purchase card policy to require credit card approving officials review all purchases over established minimum thresholds and when merchant category codes are questionable.

Management's Comments

Management agreed with recommendations 1 and 2; however, they disagreed with recommendation 3 and the monetary impact.

Regarding recommendation 1, management stated that the PSSC recently reiterated policy through formal written communications regarding purchase card document retention requirements and maintaining accurate records to cardholders, CCAOs, area controllers, accounting managers, district finance managers and agency program coordinators. Management provided written confirmation supporting reiteration of document retention requirements to purchase cardholders and credit card approving officials.

Regarding recommendation 2, management stated that they will update Handbook AS 709 to encourage cardholders to electronically retain purchase card documentation when possible. Management plans to implement this action by December 2020.

Regarding recommendation 3, management stated that Postal Service policy already provides that the CCAO may request supporting documentation from the cardholder at any time to verify the accuracy and integrity of each cardholder's transactions. Further, the PSSC also reviews cardholder transactions weekly with the Visa Intellilink Compliance Management System to assist with identifying purchase card fraud and misuse. Management will increase the number of additional focused Visa Intellilink audits performed at the PSSC(s) by 50 percent for the remainder of FY 2020 to determine whether there are opportunities for further program improvement. Management plans to implement this action by December 2020.

Regarding monetary impact, management stated that the total extrapolated value of unsupported questioned costs was not representative considering the OIG audit sample excluded transactions from their top high spend/high transaction accounts.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments to recommendations 1 and 2 responsive and corrective actions stated should improve the issues identified in the report.

Regarding recommendation 3, management's comments are responsive; however, management's corrective action does not include requiring cardholders to electronically retain supporting documentation and CCAOs to review all purchases over established minimum thresholds when merchant category codes are questionable. However, management's proposed corrective actions include exploring opportunities for further program improvement, which should temporarily increase the number questionable merchant category code purchases selected for review and the controls over those purchases. Management will need to provide documentation to support the actions taken including management's determination on further program improvement.

Regarding the monetary impact, we used a valid statistical methodology to select the non-high-risk and high-risk samples of purchase card transactions for review. Although one sample included high-risk transactions based on MCCs, it was appropriate to extrapolate the unsupported question cost identified over the total universe due to non-compliant transactions from each sample missing required supporting documentation.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 2 and 3 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed. We consider recommendation 1 closed with the issuance of this report.

Appendices

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Appendix A: Additional Information

Scope and Methodology

Our objective was to assess Postal Service purchase card transactions for potential non-compliance, improper or erroneous payments.

To accomplish our objective, we:

- Reviewed Postal Service criteria, guidelines, and procedures for expense purchase cards.
- Obtained a universe of 1,267,693 transactions during FYs 2017 through 2018 valued at \$622 million.
- Statistically selected and reviewed 208 high-risk transactions valued at \$92,944.
- Statistically selected and reviewed 208 non-high-risk transactions valued at \$118,083.
- Judgmentally selected and reviewed 100 questionable MCC transactions.

- Requested and reviewed expense card transaction files for required supporting documentation.
- Interviewed Postal Service purchase card program personnel.

We conducted this performance audit from April 2019 through March 2020 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on February 13, 2020 and included their comments where appropriate.

We assessed the reliability of purchase card transaction data by comparing it to the transaction documentation we received from cardholders. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Oversight of Expense Purchase Cards</i>	Assess the Postal Service's oversight of expense card purchases and payments.	SM-AR-15-006	8/7/2015	\$337.7 million
<i>U.S. Postal Service's High-Risk Purchase Card Transactions</i>	Determine whether the Postal Service made purchase card transactions that were potentially illegal, improper, or erroneous.	FT-AR-18-001	11/7/2017	\$11,119

Appendix B: Management's Comments

MARK A. GUILFOIL
VICE PRESIDENT, SUPPLY MANAGEMENT



March 10, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Controls Over Expense Purchase Card Activity
(Project Number 19SMG009SM000- DRAFT)

Thank you for providing the United States Postal Service (Postal Service) with an opportunity to review and comment on the subject draft audit report, "Controls Over Expense Purchase Card Activity" dated February 18, 2020. Management agrees with the findings in the context of the overall Purchase Card Program. Management agrees with two of the three provided recommendations and requests an alternate action concerning the last recommendation. Finally, management views the basis of calculating the \$151 million in unsupported questioned costs as not representative.

As background, under a similar audit published August 7, 2015 entitled, "Oversight of Expense Purchase Cards", the OIG found that 133 of 209 transactions (74 percent) were missing required documentation such as purchase approvals, receipts, and delivery documents. As discussed together during our meeting, it was very positive to see that in the subject OIG audit, having a sample of 516 purchase card transactions which is more than twice the size of the 2015 sample, the number missing required documentation had dropped to just 28 percent. This significant improvement has resulted from management's targeted actions, which will continue to ensure appropriate card usage under the program.

Concerning the monetary impact of unsupported questioned costs, in this audit, the OIG analyzed approximately \$622 million in transactions, stratifying these into high-risk and non-high-risk transactions. High-risk transactions were identified by the merchant category code (MCC) based on policy limitations. The OIG randomly selected 208 transactions of what they believed to be high-risk. The \$151 million of unsupported costs calculated by the OIG was predicated on the MCC when characterizing purchases as high-risk.

MCC codes are assigned by credit card companies at the time that a merchant begins accepting their card as a form of payment. MCCs may be assigned by

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merchant type, or merchant name. Importantly, the Postal Service does not determine the MCC for a vendor. Having obtained the individual purchase documentation, which was made available to the OIG, the Purchasing Shared Services Center (PSSC) researched each merchant of every transaction within the sample and determined that none of the merchants fell within the high risk category.

The "Professional Services" MCC represents the largest spend category in the OIG's sample (*Monetary Impacts, Table 1. Transaction Universe and Sample*) and was the focus of "Figure 3. Missing Documentation – High-Risk." Section 1-15.10 of *Handbook AS-709, Purchase Card Local Buying Policies and Procedures* states: "Professional, technical, consultant, or personal services may not be purchased using purchase card local buying authority because these commodities require written contracts ensuring that records, studies, and other intellectual property are protected and retained by the Postal Service." In the 42 transactions that had MCCs that were "professional services", our review determined that there was not a single actual professional, technical, consultant or personal services transaction that required a written contract.

The Postal Service has existing controls in place with the bank provider to decline transactions if a card is used at a merchant with a specific MCC. Inaccurate MCC designations may be attributable for several reasons. For example, a merchant may have multiple businesses but will select an MCC based on the sales volume of their primary/main business. Consequently, if a supplier considers itself a "professional" and a service provider in any area of their business, the supplier may select the MCC of "Professional Services" which is wholly inaccurate for the transactions it performs with the Postal Service. In calculating impact within this audit, the OIG did not review the validity of the MCCs when determining which transactions were included in the high-risk population. This in turn has led to a misrepresentative conclusion as to amount.

Management agrees there were missing requisition approvals and/or supporting documentation, but the OIG's conclusion that in such circumstances it should be assumed that approvals were not obtained or items received does not necessarily follow. Accordingly, a "total extrapolated value (\$151 million) of unsupported questioned costs" is not representative considering the OIG audit sample excluded transactions from our top high spend/high transaction accounts.

The Purchase Card Program continues to be a cost effective and efficient means of paying for the day-to-day operational needs of the Postal Service. The PSSC auditors utilize the Visa Intellilink Compliance Management System to further investigate transactions and conduct demand management reviews of local buying off-catalog requisitions. Additionally, they initiate reviews of cardholder files for documentation and compliance. Management will continue to adopt best practices and drive maximum policy compliance in the Purchase Card Program.

OIG Recommendations:

We recommend the Vice President, Supply Management:

Recommendation 1: Reiterate document retention requirements to purchase cardholders and credit card approving officials.

Management Response/Action Plan: Management agrees with this recommendation. The Purchasing Shared Services Center (PSSC) has recently reiterated policy through formal written communications regarding purchase card document retention requirements and maintaining accurate records to Cardholders, CCAOs, Area Controllers, Accounting Managers, District Finance Managers and Agency Program Coordinators.

Target Implementation Date: Implemented

Responsible Official: Manager, Supply Management Infrastructure

Recommendation 2: Enhance the purchase card policy to require cardholders to electronically retain purchase card documentation when possible.

Management Response/Action Plan: Management agrees with this recommendation. The Handbook AS-709 will be updated to encourage cardholders to electronically retain purchase card documentation when possible.

Target Implementation Date: December 2020

Responsible Official: Manager, Supply Management Infrastructure

Recommendation 3: Explore the benefits of providing electronic documentation to credit card approving officials and update purchase card policy to require credit card approving officials review all purchases over established minimum thresholds and when merchant category codes are questionable.

Management Response/Action Plan: Management does not agree with this recommendation as written. Management understands the OIG's objective for this recommendation to improve controls around the documentation of purchases that may require further review based on dollar value or questionable MCCs. Postal Service policy already provides that the credit card approving official (CCAO) may request supporting documentation from the cardholder at any time to verify the accuracy and integrity of each cardholder's transactions. Further, the PSSC also reviews cardholder transactions weekly utilizing the Visa Intellilink Compliance Management System to assist with identifying purchase card fraud and misuse. Management believes this two-tiered control process is sufficient for

continued improvement and compliance to purchase card documentation requirements. However, management will increase by 50% the number of additional focused Visa Intellilink audits performed at the PSSC(s) for the remainder of Fiscal Year 2020 to determine whether there may be opportunities for further program improvement.

Target Implementation Date: December 2020

Responsible Official: Manager, Supply Management Infrastructure

 E-SIGNED by MARK GUILFOIL
on 2020-03-10 19:52:13 CDT

Mark A. Guilfoil

cc: Manager, Corporate Audit Response Management

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