



February 16, 2007

SUSAN BROWNELL  
VICE PRESIDENT, SUPPLY MANAGEMENT

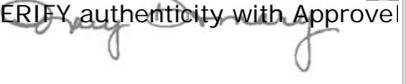
SUBJECT: Audit Report – eBuy Monthly Reconciliation Procedures  
(Report Number CA-AR-07-001)

This report presents the results of our audit of the eBuy reconciliation procedures (Project Number 06YG036CA000). We conducted the audit in response to a request from Postal Service Supply Management to review eBuy reconciliation internal controls and procedures.

The audit confirmed that internal controls over eBuy reconciliations need improvement and that eBuy purchases totaling \$9.7 million (or 90 percent) of the \$10.8 million purchases reviewed were at risk. We will report the \$9.7 million in non-monetary benefits as assets at risk in our *Semiannual Report to Congress*.

Management agreed with all of our findings and recommendations and has initiatives in progress or planned to improve payment reconciliation compliance. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Judy Leonhardt, Director, Supply Management and Facilities, or me at (703) 248-2100.

E-Signed by Mary Demory   
VERIFY authenticity with ApproveIt  


Mary W. Demory  
Deputy Assistant Inspector General  
for Headquarters Operations

Attachments

cc: Marie K. Martinez  
Deborah Kendall

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## EXECUTIVE SUMMARY

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### Introduction

The U.S. Postal Service Office of Inspector General conducted this audit of eBuy reconciliation procedures in response to a request from Supply Management. Our overall audit objective was to determine if eBuy users performed reconciliations each month in accordance with required procedures.

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### Results in Brief

Procedures for reconciling monthly eBuy billing summaries to receipt reports need improvement. Specifically, 85 percent of the eBuy FEDSTRIP accounts reviewed were not reconciled and did not have adequate support documentation associated with the billing summaries. *Administrative Support Manual* (Issue 13), Chapter 7, and Material Logistics Bulletins (MLBs) require summaries to be reconciled with receipt reports and the supporting documentation to be retained for 2 years. The majority of eBuy users were not aware of these requirements and did not retain adequate support documentation associated with the monthly billing summary report. As a result, \$9.7 million (or 90 percent) of the \$10.8 million total purchases reviewed were at risk.

MLBs for eBuy supplies and services did not contain the reconciliation requirements because some contracting officers and representatives from Supply Management Operations were not aware of the MLB template requirement. As a result, MLBs did not consistently include the requirements to reconcile monthly billing summaries to receipt reports.

In addition, relevant MLBs were not kept current on the Postal Service's Active Material Logistics Bulletin Index Web page. Several MLBs for active national contracts listed on the web page had expired, leading users to conclude active contracts had also expired. Contracting officers and representatives from National Materials Customer Service did not monitor the web page to ensure management was updating MLBs. As a result, expired MLBs for national contracts could lead eBuy users to mistakenly conclude they were no longer required to use these contracts.

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**Summary of Recommendations**

We made seven recommendations to the Vice President (VP), Supply Management, to improve the controls surrounding the eBuy reconciliation process and ensure compliance with current internal control requirements. We recommended that the VP, Supply Management, coordinate with the VP, Controller, the VP, Chief Technology Officer, and with Financial Control and Support to: (1) add detailed reconciliation instructions to the eBuy monthly billing summary cover page; (2) add reconciliation requirements to the eBuy tutorial for e-catalog purchases; (3) conduct a feasibility assessment for adding a reconciliation official sign-off requirement within eBuy, and (4) ensure random compliance monitoring and evaluation of eBuy billing reconciliations. We also recommended that the VP, Supply Management: (5) require contracting officers responsible for preparing the MLBs and representatives from Supply Management Operations (including National Materials Customer Service) to consistently use the required format; (6) require contracting officers and representatives from National Materials Customer Service to periodically monitor and remove expired MLBs and update MLBs when contracts have been extended; and (7) include an accurate index of national contracts on the MLB Web page.

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**Summary of Management's Comments**

Management agreed with the recommendations and associated assets at risk. They have initiatives in progress and corrective actions planned to address the issues in this report. Management indicated that both the eBuy monthly billing summary cover page and the tutorial will be modified and the feasibility for adding a sign-off requirement within eBuy will be assessed. Also, management confirmed that Financial Control and Support will oversee eBuy billing reconciliations.

Management has established procedures for key personnel to verify that posted Material Logistics Bulletins contain all appropriate information and include the required monthly reconciliation action requirements.

Management will establish reminders for maintaining the "Active Material Logistics Bulletin Index" and they will redesign the Material Logistics Bulletins Web page.

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**Overall Evaluation of  
Management's  
Comments**

Management's actions taken or planned are responsive to the recommendations and should correct the issues identified in the findings.

## INTRODUCTION

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### Background

On July 16, 2001, the Postal Service, through the Supply Chain Management discipline, introduced eBuy as a new way to buy supplies and services using the Postal Service Intranet. eBuy automates the buying process end-to-end from ordering to payment, making the process more efficient. The first catalogs implemented for eBuy were office supplies, computer hardware, and cluster box units. More recently, utilities and telecommunications have been added. Training for eBuy is web-based, modular, and self-paced.

On December 23, 2002, the Postal Service's Chief Financial Officer and Chief Operating Officer issued a letter advising all employees who have web access that they must use eBuy for all requisitions effective January 11, 2003, and outlining basic internal controls for reconciliation requirements.

As of November 2006, there were approximately 97 active catalogs established on eBuy offering thousands of items eBuy users can purchase. More than 70,000 postal requisitioners and approval managers regularly make requests, obtain approvals, and receive advanced shipping notices for online e-catalog supplies and services. The eBuy system also enables supplier collaboration (via e-mail messages) and uses online electronic invoicing, invoice certification, and payment processes. During fiscal year (FY) 2005, eBuy processed \$503 million in e-catalog requisitions. eBuy also supports invoice certification for paperless invoices from utility companies and telecommunications suppliers.

eBuy puts buying in the hands of the person needing goods or services, while retaining control of authorization policies, business rules, and supplier relationships and agreements. The December 23, 2002, letter also stated buyers have online reports (monthly billing summaries) to reconcile the price of the delivered goods with what the Postal Service paid. This is the final step in the reconciliation certification process. This basic internal control is similar to the Postal Service's credit card purchase reconciliation process.

Before placing an order, employees must have a valid Federal Standard Requisitioning and Issue Procedures

(FEDSTRIP) number. The Postal Service has established FEDSTRIP numbers identifying each of the almost 45,000 ordering locations.

Invoicing and payments are made through the Electronic Data Interchange using the FEDSTRIP account and are automatically charged to the associated finance number through the San Mateo Accounting Service Center (ASC). An eBuy monthly billing summary report can be generated online at any time for a specified month, fiscal year, and FEDSTRIP.

Material Logistic Bulletins (MLBs) are used to communicate contract award, ordering information, and material management policies and procedures to eBuy users. They also provide detailed information on the use of national contracts and are to contain summary reconciliation requirements.

Supply Management's MLBs require eBuy users to reconcile the summary for orders placed during the month with receipt reports. At the end of each month, the San Mateo ASC sends each receiving office a hard-copy summary report, which shows itemized eBuy orders. After the user reconciles each line item, the summary must be signed and dated to indicate its accuracy. The office must maintain all reconciliation documentation together (packing slips, credit memos, and summaries) for a 2-year period.

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**Objective, Scope, and Methodology**

Our audit objective was to determine if users performed eBuy reconciliations each month in accordance with the required accounting reconciliation procedures. Specifically, we determined whether users reconciled monthly eBuy billing summary reports with the receipt reports.

To accomplish our audit objective, we judgmentally selected 218 FEDSTRIP accounts for on-site review. We visited Postal Service installations nationwide to obtain and analyze summaries dated from April 1, 2005, through March 31, 2006. Our analysis of reconciliation procedures included a review of monthly billing summaries, supporting documentation, and interviews with ordering officials to identify root causes for non-performance of reconciliations.

We conducted this audit from May 2006 through February 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

To perform our analysis, we used Postal Service computer-processed data contained in the eBuy system and Postal Service records available on the Postal Service Blue Pages' Supply Management Web site. Specifically, we matched FEDSTRIP numbers for locations visited to invoice data in the eBuy system and on the Blue Pages' Supply Management Web site. We did not audit or comprehensively validate the data because our conclusions and recommendations were based on our examination of documentation and interviews, while computer-processed data was used to calculate non-monetary benefits (assets at risk). We believe the computer-processed data was sufficiently reliable to report the amount of assets at risk.

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**Prior Audit Coverage**

The U.S. Postal Service Office of Inspector General issued a financial audit report titled *Fiscal Year 2002 Postal Service Financial Statements Audit - San Mateo IT/ASC*, Report Number FT-AR-03-006, dated January 23, 2003. The report disclosed internal control and compliance issues relating to the validation and reconciliation of goods and services purchased through eBuy and other electronic invoicing systems. Management agreed with the findings, stating that the issuance of a letter and a *Postal Bulletin* notice conveying the importance of documenting the receipt of goods and services and performing monthly reconciliation should correct the issues. In addition, they agreed to a format which required MLBs to contain monthly billing summary reconciliation requirements. For more details, see Appendix C.

## AUDIT RESULTS

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The Postal Service needs to improve its monthly reconciliation procedures for eBuy purchases and ensure eBuy users complete reconciliations as required. Of the 218 FEDSTRIP accounts reviewed, 186 (or 85 percent) did not perform the required monthly eBuy reconciliations. In addition, during a prior audit, the Postal Service agreed that MLBs should contain the required reconciliation procedures. A review of current MLBs disclosed that 17 of 53 MLBs did not contain these requirements. Management did not update the Active Material Logistics Bulletin Index Web page for changes when contracts were extended or no longer active. The web page listed 11 expired MLBs; however, we determined eight of these contracts were still active.

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### **eBuy Monthly Reconciliation Procedures Could Be Improved**

Our audit disclosed significant weaknesses in the reconciliation process for purchases made through eBuy. Specifically, we found that users:

- Did not perform monthly reconciliations as required,
- Did not adequately maintain supporting documentation, and
- Were unaware of the reconciliation requirement or insufficiently trained to conduct the reconciliations in compliance with the requirement.

We reviewed 218 FEDSTRIP accounts nationwide. During the period from April 2005 through March 2006, FEDSTRIP purchases for these accounts totaled \$10.8 million.

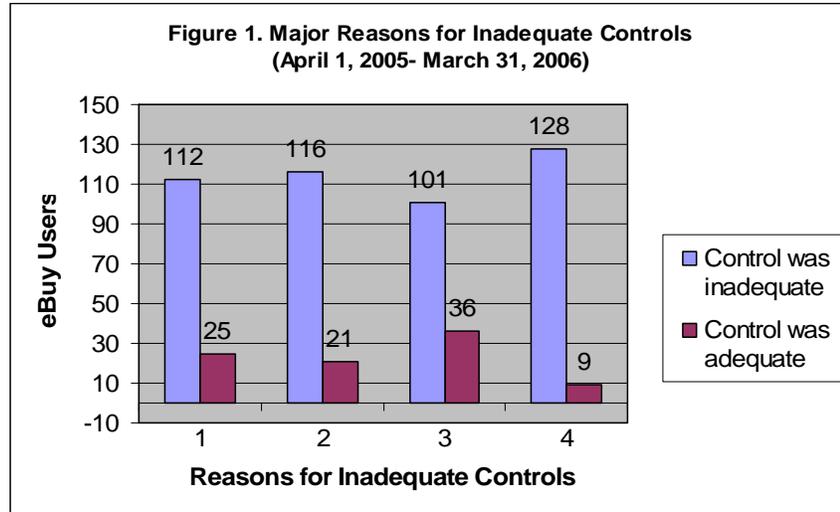
We determined that 186 (or 85 percent) did not perform the required monthly reconciliations. Further, 117 eBuy users did not maintain adequate supporting documentation to show that goods and services were received.

The December 23, 2002, letter from the Chief Financial Officer and Chief Operating Officer made the use of eBuy mandatory and established several payment controls. These controls included the required use of summary reports to reconcile receipt of goods with amounts paid.

The *Administrative Support Manual* (Issue 13), Chapter 7, Section 72, paragraph 722.64 - Documentation and Reconciliation, requires eBuy users to reconcile purchases to payment summaries and retain supporting documentation. Documentation includes sales and credit receipts, delivery tickets or packing slips, buying logs, dispute documentation, and payment records.

In addition, Supply Management's MLBs require eBuy users to reconcile the summary for orders placed during the month with receipt reports. At the end of each month, San Mateo ASC sends each receiving office a hard-copy summary report, which shows itemized eBuy orders. After the user reconciles each line item, the summary must be signed and dated to indicate its accuracy. All reconciliation documentation (packing slips, credit memos, and summaries) must be retained together for a 2-year period.

These conditions occurred for several reasons. First, interviews of 137 FEDSTRIP account users showed that 112 (or 82 percent) were unaware of the reconciliation requirements and 2-year file retention guidelines outlined in the MLBs, and 116 (or 85 percent) had not received any type of orientation or training for reconciliation requirements (see figure 1). Further, reconciliation instructions were not readily available on the Summary Cover Page or the eBuy tutorial. We also found that receipt reports were not maintained together with summaries, as required, because users either discarded or filed the receipts somewhere else. Finally, there are no requirements for supervisors to ensure users are conducting the summary reconciliation in compliance with Postal Service procedures.



| Results of Interviews with 137 eBuy Users: |  |
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| 1.   | 112 of 137 (82%) eBuy users were unaware of reconciliation requirements.                 |
| 2.   | 116 of 137 (85%) eBuy users had not received proper training.                            |
| 3.   | 101 of 137 (74%) eBuy users were unaware of Material Logistics Bulletins.                |
| 4.   | 128 of 137 (93%) eBuy users performed purchasing, receiving, and reconciliation actions. |

The purchases for unreconciled accounts totaled \$9.7 million (or 90 percent) of the \$10.8 million reviewed. Because of the significant internal control weakness, we considered \$9.7 million of assets to be at risk for loss.

**Recommendations**

We recommend the Vice President, Supply Management, coordinate with:

1. The Vice President, Controller, to add detailed reconciliation instructions to the eBuy monthly billing summary cover page.
2. The Vice President, Chief Technology Officer, to add reconciliation requirements to the eBuy tutorial for e-catalog purchases.
3. The Vice President, Chief Technology Officer, to conduct a feasibility assessment for adding a reconciliation official sign-off requirement within eBuy.

4. Financial Control and Support to ensure random compliance monitoring and evaluation of eBuy billing reconciliations.

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| <b>Management's Comments</b>  | <p>Management agreed with our finding, recommendations, and associated assets at risk. Management indicated they will engage responsible personnel to modify both the eBuy monthly billing summary cover page and the tutorial. Responsible personnel will also assess the feasibility for adding a sign-off requirement within eBuy. In addition, management has confirmed that Financial Control and Support will oversee eBuy billing reconciliations.</p>  |
| <b>Evaluation of Management's Comments</b>                                      | <p>Management's comments are responsive to the audit finding and recommendations. Management's actions taken or planned should correct the issues identified in the finding.</p>   |
| <b>Reconciliation Requirements in Material Logistics Bulletins Were Missing</b> | <p>Some MLBs for eBuy supplies and services did not contain the required summary reconciliation requirements because contracting officers and representatives from National Materials Customer Service (NMCS) were not aware of the MLB template. As a result, eBuy users were not uniformly informed of the requirement to reconcile summaries to receipt reports.</p> <p>The Postal Service uses MLBs to communicate contract award, ordering information, and material management policies and procedures. We determined 17 MLBs for eBuy supplies or services did not contain summary reconciliation requirements. We interviewed contracting officers and representatives from NMCS. The representatives are responsible for reviewing and approving MLBs prior to placement on the Supply Management Active Material Logistics Bulletin Index Web page. (See Appendix A for the process.) They were not aware of the MLB template and the required monthly reconciliation action requirements.</p> <p>The Postal Service included the reconciliation requirements in the MLB template, which was created on July 22, 2003. The requirements state that: (1) packing slips must be signed and dated to evidence receipt of goods; (2) summaries must be reconciled with receipt reports; and (3) reconciliation documentation must be retained for 2 years. (See Appendix B for the process).</p> |

The Supply Management MLB Web site listed 80 MLBs, 53 of which should have contained reconciliation requirements. We excluded the other 27 MLBs from our review because they were related to policy changes, procedures for turning in excess equipment, disposition instructions, etc. Reconciliation requirements were included in 36 of the 53 MLBs. However, 17 of the 53 MLBs did not contain the requirements and 12 of the 17 were issued after the MLB template was created on July 22, 2003.

The critical messages conveyed through the MLBs concerning monthly reconciliation requirements were not reaching the intended audience. As shown in figure 1, 101 FEDSTRIP users out of 137 (or 74 percent) were unaware of the MLBs. As a result, eBuy users were not uniformly informed of the requirement to reconcile summaries to receipt reports.

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| <p><b>Recommendation</b></p>                      | <p>We recommend the Vice President, Supply Management, take steps, such as reminder policy bulletins or memorandums, to ensure:</p> <ol style="list-style-type: none"> <li>5. Contracting officers who are responsible for preparing the Material Logistics Bulletins and representatives from National Materials Customer Service who are responsible for reviewing and approving the bulletins are aware of the template and the monthly reconciliation action requirements.</li> </ol> |
| <p><b>Management's Comments</b></p>               | <p>Management agreed with our finding and recommendation. Management indicated they have established review procedures to verify that posted Material Logistics Bulletins include all appropriate information. In addition, management will provide this report to key personnel to ensure they are aware of the template and the monthly reconciliation action requirements.</p>   |
| <p><b>Evaluation of Management's Comments</b></p> | <p>Management's comments are responsive to the audit finding and recommendations. Management's actions taken or planned should correct the issues identified in the finding.</p>  |

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**Active Material  
Logistics Bulletin  
Index Web Page  
Could Be Improved**

The Postal Service did not update its Active Material Logistics Bulletin Index Web page in a timely manner and we found it was not easy to use as a tool in identifying national contracts. The web page included 11 expired MLBs and it was difficult to locate MLBs for specific contracts. This occurred because contracting officers and representatives from NMCS generally did not monitor the web page. As a result, eBuy users could mistakenly conclude that use of national contracts was no longer required because it appeared the contracts were no longer active.

Contracting officers are responsible for ensuring the accuracy of the MLBs related to their contracts. In addition, the MLB revised procedures, dated May 20, 2005, outlined the "Procedures for the Preparation and Issuance of MLBs" and designated the responsibility for maintaining the index of active MLBs to representatives from NMCS. Contracting officers and representatives from NMCS stated they generally did not monitor the status of the MLBs and/or format requirements as outlined on the MLB template.

While attempting to identify specific MLBs, we found the design of the MLB Web page did not allow easy identification of national contracts. We located the active MLB index, but the index only showed MLB numbers rather than contract numbers, making it difficult for eBuy users to locate national contracts. The index included 11 expired MLBs; however, 8 of the 11 were still active. The other two MLBs were closed and we could not determine the status of one MLB because it did not include a contract number.

When MLBs are not updated on the "Active Material Logistics Bulletin Index" Web page for contracts that have actually been extended, it appears to purchasers that use of these national contracts is no longer required. As a result, ordering officials may resort to procuring goods and services from local vendors at higher costs.

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| <b>Recommendations</b>                     | <p>We recommend the Vice President, Supply Management:</p> <ol style="list-style-type: none"> <li data-bbox="659 348 1382 596">6. Establish a mechanism to remind contracting officers and representatives from National Materials Customer Service to remove expired Material Logistics Bulletins from the "Active Material Logistics Bulletin Index" Web page and update these bulletins when contacts have been extended.</li> <li data-bbox="659 642 1409 814">7. Require representatives from National Materials Customer Service to redesign the Material Logistics Bulletins Web page to allow easy identification of the goods or services offered from national contracts.</li> </ol> |
| <b>Management's Comments</b>               | <p>Management agreed with our finding and recommendations. Management indicated they will establish reminders for maintaining the "Active Material Logistics Bulletin Index" and they will redesign the Material Logistics Bulletins Web page.</p>   |
| <b>Evaluation of Management's Comments</b> | <p>Although management's comments are responsive to the audit recommendations, they did not adequately address all the issues identified in the finding. Management plans to direct staff to remove expired MLBs from the Web site if originators do not respond to reminder notices within 30 days. However, this could result in employees erroneously removing MLBs for extended contracts. We would suggest that management require a response from MLB originators prior to removing an MLB on the Web site.</p>  |
| <b>Other Issue</b>                         | <p>During the audit, we noted an internal control weakness related to eBuy purchasing, receiving, and reconciliation duties. Specifically, the majority of FEDSTRIP account holders submitted eBuy orders for goods, received these goods, and were responsible for the reconciliation actions pertaining to the same orders. As shown in figure 1 above, 128 of 137 (or 93 percent) of eBuy ordering officials received goods and services and performed the summary reconciliation procedures.</p> <p>Effective internal control activities play an important role in reducing risk of error, waste or fraud. Government Accountability Office (GAO) Standards for Internal Control in</p>   |

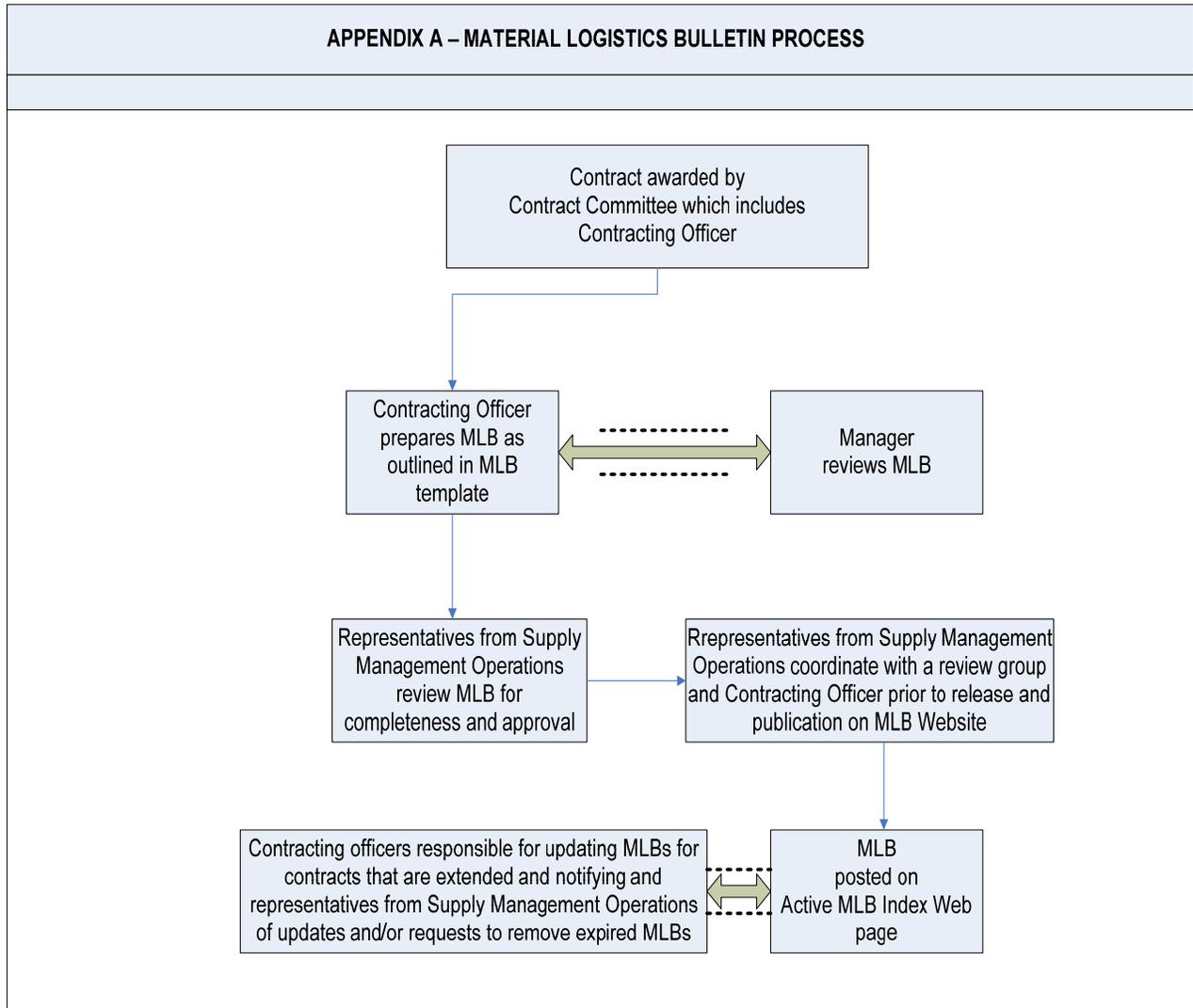
the Federal Government (GAO/AIMD-00-21.3.1), November 1999, require management to separate key duties to reduce the risk of fraud, waste, or abuse.

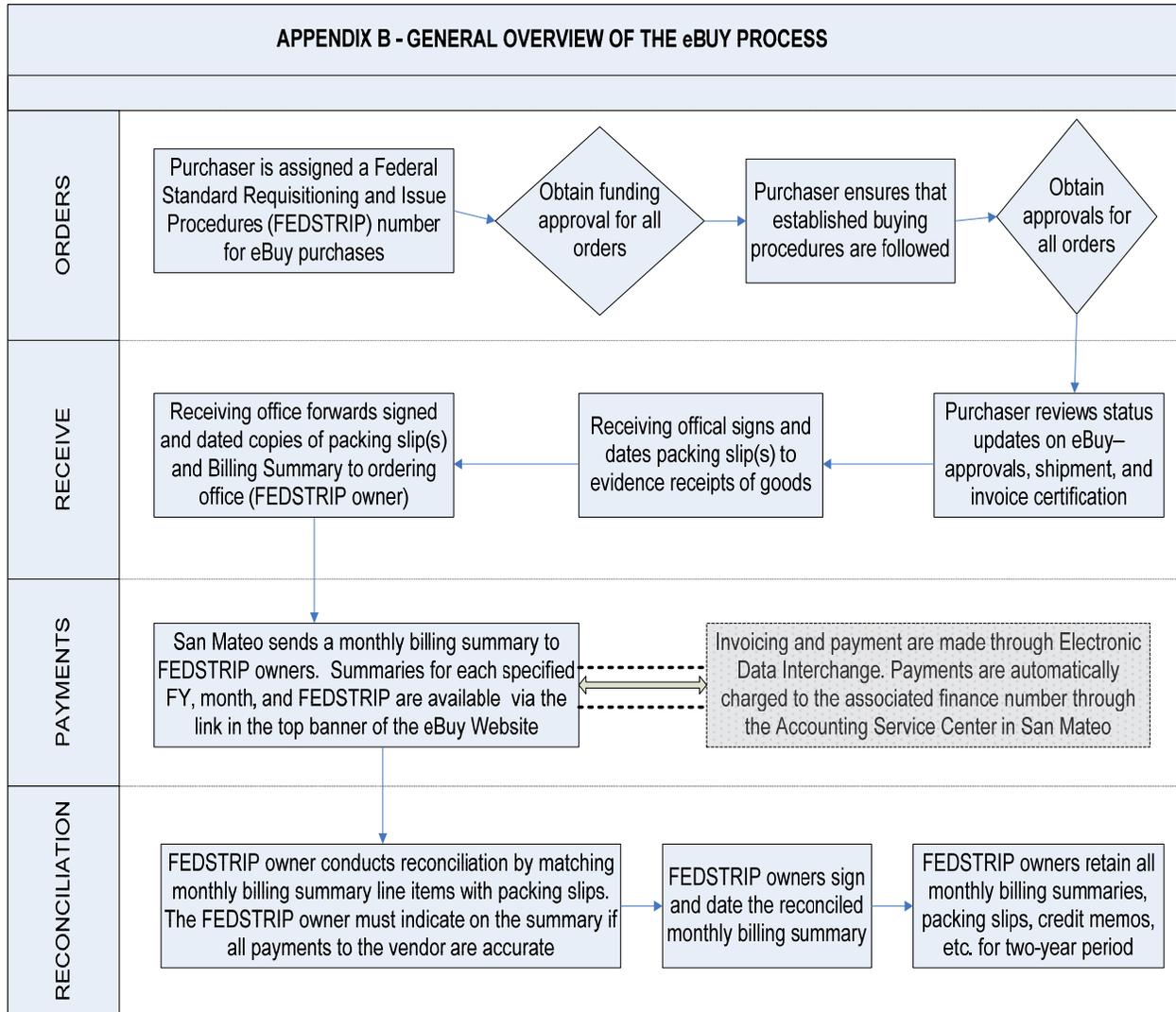
In addition, Postal Service Handbook AS-701, *Material Management*, June 2005, recognizes the importance of separating duties as resources allow. This handbook outlines the basic concept of material management and contains criteria applicable to the separation of duties. Specifically, Section 244-21, states “The person who purchased the item should not be authorized to receive the item.”

Allowing one person to order via eBuy, receive goods and services, and reconcile summaries to receipt reports increases the risk of fraud, waste or abuse. The advantages associated with this control could be realized at installations large enough to accommodate separation of duties.

Accordingly, the Postal Service should consider separating eBuy purchasing, receiving, and reconciliation duties at installations large enough to accommodate such separation of duties.

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| <b>Management’s Comments</b>               | Management took exception with this suggestion. They stated that they believe the Postal Service achieves the necessary checks and balances through the ordering, approval, and budgeting processes.   |
| <b>Evaluation of Management’s Comments</b> | We recognize management’s concern regarding the impact of separation of duties on costs, particularly at smaller installations. However, the Postal Service recognized the importance of this control in its Handbook AS-701, which prohibits the person who purchased the item from receiving the item. In addition, other businesses, government agencies, and the GAO recognize separation of duties as a key internal control. Thus, we continue to believe management should implement this control where installation size and staff permit. |





## APPENDIX C – PRIOR AUDIT COVERAGE

The OIG San Mateo Financial Statement team conducted work related to eBuy reconciliation procedures as part of the fiscal year (FY) 2002 Financial Statement audit. The results were disclosed in the financial audit report entitled, *Fiscal Year 2002 Postal Service Financial Statements Audit - San Mateo IT/ASC* (Report Number FT-AR-03-006, dated January 23, 2003). The report disclosed that Postal Service personnel did not maintain documentation to confirm receipt of goods ordered in 19 of 38 electronic invoices. Without this supporting documentation, Postal Service personnel could not verify that goods paid for were received.

Management agreed with the report's recommendations and agreed to take corrective action by the end of Postal Quarter III, FY 2003 as follows:

- Reinforce the concerns raised in the audit and the existence of the procedures to Supply Management staff via the Supply Management Infrastructure (SMI) electronic newsletter. Specifically, the eBuy MLB template would be attached to the next newsletter. (Issued July 18, 2003.)
- Issue a letter to all officers mandating the use of eBuy. (Issued December 23, 2002.)
- Issue a Postal Bulletin notice covering the existing procedures and relay the importance of always documenting that goods and services paid for were actually received. (Issued June 26, 2003.)
- Cover the importance of sound reconciliation procedures in the upcoming revision to Administrative Support Manual, Section 722, Local Buying Authority. (All actions were scheduled to be completed by Postal Quarter 3, FY 2003.)

## APPENDIX D. MANAGEMENT'S COMMENTS

SUSAN M. BROWNELL  
Vice President, Supply Management



January 22, 2007

MARY W. DEMORY

SUBJECT: Draft Audit Report – Audit of eBuy Monthly Reconciliation Procedures (Report Number CA-AR-07-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report. We do agree that enhancing communications and associated training is necessary to promote timely eBuy reconciliations and to improve national contract compliance. In fact, we have recently completed Supply Management's three-year strategic plan where one of our strategic initiatives focuses on cost reductions that will return quantifiable dollar savings to the Postal Service's bottom line. One supporting project team is chartered with increasing national contract compliance and the findings in this report will provide valuable input to the team.

The attachment to this response provides our agreement with the report's seven recommendations and details our planned actions for implementation. Based on the high incidence of eBuy users not reconciling, we cannot dispute your classification of \$9.7 million in nonmonetary benefits as assets at risk. However, we cannot concur with your finding that an internal control weakness exists because eBuy ordering personnel also may receive and reconcile purchases. What we have found over the past 15 years, through the similar purchase card ordering and reconciliation process, is that organizational costs are reduced at many levels and internal controls are actually improved when the individual ordering also receives and reconciles the purchase payment. Necessary checks and balances are still achieved through our electronic ordering, approval, and budgeting processes. Since this report did not provide any compelling facts or data associated with this perceived risk, we will focus our efforts on improving payment reconciliation compliance as covered in your recommendations.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act. You may contact Marie Martinez, Supply Management, if you have any questions regarding actions taken to satisfy the report's recommendations. She can be reached at (202) 268-4117.

A handwritten signature in cursive script that reads "Susan M. Brownell".

Attachment

cc: H. Glen Walker (all w/attachment)  
Lynn Malcolm  
Robert L. Otto  
Marie K. Martinez  
Steven R. Phelps

475 L'ENFANT ROAD, SW  
WASHINGTON, DC 20260-6201  
202-268-4040  
FAX: 202-268-2750  
WWW.USPS.COM

**ATTACHMENT**  
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### RESPONSES TO OIG REPORT RECOMMENDATIONS

***We recommend the Vice President, Supply Management, coordinate with:***

*1. The Vice President, Controller, to add detailed reconciliation instructions to the eBuy monthly billing summary cover page.*

**Management Response:** Management agrees with this recommendation. Supply Management will engage responsible National Accounting personnel to add a reconciliation requirement statement to the eBuy monthly billing summary cover page. Implementation is targeted during Postal Quarter 2.

*2. The Vice President, Information Technology, to add reconciliation requirements to the eBuy tutorial for e-catalog purchases.*

**Management Response:** Management agrees with this recommendation. Supply Management will engage responsible Information Technology personnel to add reconciliation instructions to the eBuy tutorial. Implementation is targeted during Postal Quarter 2.

*3. The Vice President, Information Technology, to conduct a feasibility assessment for adding a reconciliation official sign-off requirement within eBuy.*

**Management Response:** Management agrees with this recommendation. Supply Management will engage responsible Information Technology personnel to complete a feasibility assessment. Completion of the assessment is planned by Postal Quarter 4.

*4. The Internal Control Group to ensure random compliance monitoring and evaluation of eBuy billing reconciliations.*

**Management Response:** Management agrees with this recommendation. Supply Management has confirmed with the Internal Control Group that eBuy reconciliations will be monitored during field site reviews. Two work steps have been added to the Financial Programs Disbursements 8000 Review (see below) that will randomly monitor field eBuy compliance with billing reconciliation processes and the maintenance of eBuy support documentation for two years. No further action will be taken in response to this recommendation.

1. Determine if eBuy account users are performing eBuy reconciliation procedures each month by comparing the monthly billing summary reports to the receipt reports.  
Guidance: eBuy users must maintain appropriate documentation to reconcile all local purchases. Reconciliation requires verifying that the item or service ordered was received and paid at the agreed upon price.
2. Ensure that eBuy account holders are retaining for two years, the proper support documentation (electronic and/or hard copy) to support this reconciliation process.  
Guidance: This typically includes sales and credit receipts, delivery tickets or packing slips, buying logs, capital property records, dispute documentation, and payment records.

**ATTACHMENT**

Supply Management Response  
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***We recommend the Vice President, Supply Management, take steps, such as reminder policy bulletins or memos, to ensure:***

*5. Contracting officers who are responsible for preparing the Material Logistics Bulletins and representatives from National Materials Customer Service who are responsible for reviewing and approving the bulletins are aware of the template and the required monthly reconciliation action requirements.*

**Management Response:** Management agrees with this recommendation. The Material Logistics Bulletin (MLB) form on Supply Management's web site includes the correct template. Upon submittal by contracting officers, the National Materials Customer Service (NMCS) MLB contact will verify that the correct template was used, returning, if necessary, for correction. Once in the correct form, the MLB is submitted to the review committee for approval. Thereafter, NMCS staff will verify that all appropriate information is included before posting at the web site. In addition, to communicate this recommendation, we will cascade your report under Supply Management's Review for Excellence Program (SM REP) to all managers within Supply Management. In turn, these managers will be required to review the report and further cascade it within their organizations to ensure that, when appropriate, your recommendation is followed. The SM REP cascade request will be issued within 30 calendar days following receipt of your final report.

**We recommend the Vice President, Supply Management:**

*6. Establish a mechanism to remind contracting officers and representatives from National Materials Customer Service to remove expired Material Logistics Bulletins from the "Active Material Logistics Bulletin Index" Web page and update these bulletins when contacts have been extended.*

**Management Response:** Management agrees with this recommendation. NMCS will establish alarm notifications 30 days prior to an MLB expiration date and that will trigger the NMCS Tier 2 staff to forward the MLB to the originator for direction on removal or extension. If there is no response in 30 calendar days, the NMCS Tier 2 staff will remove the MLB from the web site. Implementation is targeted during Postal Quarter 2.

*7. Require representatives from National Materials Customer Service to redesign the Material Logistics Bulletins Web page to allow easy identification of the goods or services offered from mandatory national contracts.*

**Management Response:** Management agrees with recommendation. First, NMCS will review all MLB's to ensure the national contract number is included and update all lists and MLB indices accordingly. These actions will be completed during Postal Quarter 2. Second, an indicator was added to our Contract Authoring and Management System (CAMS) to promote easy identification and reporting of national contracts. An updated listing will be available to post at the Supply Management web site during Postal Quarter 2 with semiannual update thereafter. In addition, NMCS will review the national contracts report listing to help design logical MLB Web search functions and implement changes during Postal Quarter 2. Third, this report was shared with Supply Management's *Increase National Contract Compliance* project team to review for other process improvements, including possible update to the MLB web page and communication enhancements to promote contract compliance.