



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

---

**Do Not Pay List**

**Audit Report**

July 26, 2012

---

**Report Number CA-AR-12-003**



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

---

# HIGHLIGHTS

---

July 26, 2012

## Do Not Pay List

Report Number CA-AR-12-003

### **BACKGROUND:**

On June 18, 2010, President Obama issued a memorandum titled *Enhancing Payment Accuracy Through a "Do Not Pay List"* that requires all government agencies to participate in a centralized database or portal which would allow contracting officers to check one database before awarding contracts and releasing federal funds.

Subsequently, Office of Management and Budget Memorandum M-12-11, *Reducing Improper Payments Through the 'Do Not Pay List,'* dated April 12, 2012, directed the development of agency plans for using the Do Not Pay portal to help ensure the federal government does business with responsible parties.

Although the U.S. Postal Service is not required to comply with the processes prescribed in the memoranda, it is required to ensure that contracts are not awarded to debarred, suspended, or ineligible suppliers and it could potentially benefit from implementation of these processes.

Our objective was to determine whether the Postal Service established processes similar to those required in the presidential memorandum.

### **WHAT THE OIG FOUND:**

Although the Postal Service does not use the Do Not Pay portal, it has procedures in place to ensure that it does not award contracts to debarred, suspended, or ineligible suppliers; and to confirm debts with the U.S. Department of the Treasury (Treasury) before making payments to suppliers. Additionally, our work identified no improper payments to deceased persons on the U.S. Social Security Administration's Death Master File.

Treasury personnel responsible for implementing the portal informed Postal Service personnel that they were focusing on providing portal access to appropriated federal agencies and that, presently, they will not provide access to the Postal Service. It would benefit the Postal Service if it continued to discuss the status with portal personnel and, if appropriate, work with them to obtain access. Because of the Postal Service's inability to obtain access to the Do Not Pay portal, we are not making recommendations at this time.

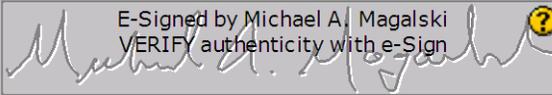
[Link to review the entire report](#)



July 26, 2012

MEMORANDUM FOR: SUSAN M. BROWNELL  
VICE PRESIDENT, SUPPLY MANAGEMENT

E-Signed by Michael A. Magalski  
VERIFY authenticity with e-Sign 



**FROM:** Michael A. Magalski  
Deputy Assistant Inspector General  
for Support Operations

**SUBJECT:** Audit Report – Do Not Pay List  
(Report Number CA-AR-12-003)

This report presents the results of our audit of the Do Not Pay List (Project Number 11YG034CA000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Judith Leonhardt, director, Supply Management, or me at 703-248-2100.

Attachments

cc: Stephen Masse  
Susan Witt  
Corporate Audit and Response Management

**TABLE OF CONTENTS**

Introduction ..... 1

Conclusion ..... 1

Postal Service Procedures Related to Do Not Pay Portal ..... 2

Management’s Comments ..... 3

Evaluation of Management’s Comments ..... 4

Appendix A: Additional Information ..... 5

    Background ..... 5

    Objective, Scope, and Methodology ..... 6

    Prior Audit Coverage ..... 7

Appendix B: Management’s Comments ..... 8

## Introduction

This report presents the results of our audit of the Do Not Pay List (Project Number 11YG034CA000). The objective was to determine whether the U.S. Postal Service established processes similar to those required in the presidential memorandum, *Enhancing Payment Accuracy Through a 'Do Not Pay List,'* dated June 18, 2010.<sup>1</sup> The Postal Service spent about \$12.3 billion dollars in fiscal year 2011 on the purchase of goods and services to support all aspects of its operations. This self-initiated audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

The 2010 presidential and 2012 Office of Management and Budget (OMB) memoranda require federal agencies to develop and use a Do Not Pay portal to help ensure the federal government does business with responsible parties. Although the Postal Service does not have to comply with the memoranda, it is required<sup>2</sup> to ensure that it does not award contracts to debarred, suspended, or ineligible suppliers; therefore, it could potentially benefit from using the Do Not Pay portal.

## Conclusion

Although the Postal Service does not use the Do Not Pay portal, it has procedures in place to ensure that it does not award contracts to debarred, suspended, or ineligible suppliers and to confirm debts with the U.S. Department of the Treasury (Treasury) before making payments to suppliers. Additionally, our work identified no improper payments to persons on the U.S. Social Security Administration's (SSA) Death Master File (SSDMF).<sup>3</sup> Treasury personnel responsible for implementation of the portal informed Postal Service personnel that they were focusing on providing portal access to appropriated federal agencies and that, presently, they will not provide access to the Postal Service. It would benefit the Postal Service if its personnel would continue to discuss the status with portal personnel and, if appropriate, work with them to obtain access. Because of the Postal Service's inability to obtain access to the Do Not Pay portal, we are not making recommendations at this time.

---

<sup>1</sup> OMB Memorandum M-12-11, *Reducing Improper Payments through the 'Do Not Pay List,'* dated April 12, 2012, requires agencies to develop plans to comply with the presidential memorandum.

<sup>2</sup> Title 39 CFR §601.113(a), *Debarment, suspension and eligibility*, states that, except as provided otherwise in this part, contracting officers (COs) may not solicit proposals from, award contracts to, or consent to subcontracts with debarred, suspended, or ineligible suppliers.

<sup>3</sup> Leading government, financial, investigative, credit reporting, medical research, and other organizations use the SSDMF to verify death as well as to prevent fraud. It includes the following information on each deceased person, if the data are available to the SSA: Social Security number (SSN), name, date of birth, date of death, state or country of residence, ZIP Code of last residence, and ZIP Code of lump sum SSA payment. The SSA does not have a death record for all persons; therefore, it does not guarantee the veracity of the file. Thus, the absence of a particular person is not proof this person is alive.

## Postal Service Procedures Related to Do Not Pay Portal

Using the Do Not Pay portal would simplify the Postal Service's pre-award process by allowing personnel to check several data sources at one time, rather than checking individual data sources as currently required. Table 1 details the data sources currently included in the Do Not Pay portal and whether Postal Service personnel are currently required to check them. In addition, Treasury plans to continue to add other high-value data sources to the portal.

**Table 1: Comparison of Do Not Pay Portal  
With Postal Service Contracting and Payment Process**

Data Sources Currently Included in the Do Not Pay Portal	Currently Required to be Checked by Postal Service Supply Management Personnel
U.S. General Services Administration's (GSA) Excluded Party List System (EPLS) (public) <sup>4</sup>	Yes
Treasury's Debt Check (private)	Yes
EPLS with an Office of Foreign Asset Controls (OFAC) (private) <sup>5</sup>	No
List of Excluded Individuals/Entities (LEIE) (public) <sup>6</sup>	No
SSDMF (public)	No
Central Contractor Registration (CCR) (public) <sup>7</sup>	No
The Work Number (public) <sup>8</sup>	No

Source: Do Not Pay List website and Postal Service data.

Before awarding contracts, Postal Service COs are required<sup>9</sup> to check the following lists to help prevent improper payments to suppliers:

- The GSA's EPLS.
- The Postal Service List of Suppliers Debarred, Suspended, and Ineligible.<sup>10</sup>

<sup>4</sup> The GSA's EPLS (public) contains a list of individuals and firms excluded by federal government agencies from receiving new federal contracts.

<sup>5</sup> The EPLS with an OFAC (private) contains information that is included in the GSA's EPLS (public) file, as well as the taxpayer identification number (TIN) for those entities included on the list.

<sup>6</sup> The LEIE (public) is the U.S. Department of Health and Human Services Office of Inspector General's (DHHS OIG) database of individuals and entities currently excluded from participation in federal health care programs, such as Medicare and Medicaid.

<sup>7</sup> The CCR (public) is the primary registrant database for the U.S. federal government. The CCR collects, validates, stores, and disseminates data in support of agency acquisition missions, including federal agency contract and assistance awards. This system was not identified in the June 18, 2010, presidential memorandum.

<sup>8</sup> The Work Number (public), a service of Equifax, is a single source for employer-direct and government-direct data. It has a complete offering of current and historical employment and identity information. The June 18, 2010, presidential memorandum did not identify this system.

<sup>9</sup> Supplying Practices, Process Step 7-11.4, *Supplier Capability Analysis*.

<sup>10</sup> Information on the list must be reported to the GSA for inclusion on the EPLS. The Postal Service plans to eliminate its internal list and only use the GSA list as the official suspension and debarment reference for Postal Service purposes.

- The List of Suppliers from Which the Postal Service has Declined to Accept or Consider Proposals.

Our recent report, *Suspension and Debarment Program* (Report Number CA-AR-12-002, dated May 30, 2012), found that no suspended or debarred suppliers were currently under contract with the Postal Service.

Also, the Postal Service began participating in the Treasury Offset Program (TOP) on June 1, 2009. The TOP is a centralized program, administered by the Financial Management Service's Debt Management Services, to collect delinquent debts owed to federal agencies and states. It is a component of Treasury's Debt Check Database which the Postal Service checks for delinquent debts before making payments to suppliers. As of April 10, 2012, the Postal Service has offset \$30,767,735 under the TOP.

The Postal Service did not have a process for checking the SSDMF before awarding a contract or making payments. Therefore, to identify improper payments, we compared the SSDMF to the Contract Authoring and Management System (CAMS) and Transportation Contract Support System (TCSS) vendor files to determine whether any SSN on the vendor files matched an individual's SSN on the SSDMF. We identified 61 CAMS contracts and six TCSS contracts in which the suppliers' SSN in the vendor files matched information in the SSDMF and payments were made after the date of death. However, we determined the payments were proper and, as appropriate, the Postal Service ensured the appropriate vendor was identified as the payee for the contracts. We did not identify any other potential improper payments. We also noted that validating information in the financial supplier type field in CAMS is very cumbersome. Our initial comparison resulted in numerous false positive results. Therefore, we are not making a recommendation related to the SSDMF.

Treasury personnel responsible for the implementing the Do Not Pay portal informed Postal Service personnel that they were focusing on providing portal access to appropriated federal agencies and that, presently, they will not provide access to the Postal Service. It would benefit the Postal Service if its personnel would continue to discuss the status with portal personnel and, if appropriate, work with them to obtain access. Because of the Postal Service's inability to obtain access to the Do Not Pay portal, we are not making recommendations at this time.

### **Management's Comments**

Management agreed with the report's findings and confirmed that access to the Do Not Pay portal is not available to non-appropriated agencies at this time. See [Appendix B](#) for management's comments, in their entirety.

## **Evaluation of Management's Comments**

Although the report does not contain any recommendations, the U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive.

## Appendix A: Additional Information

### Background

On June 18, 2010, President Obama issued a memorandum titled *Enhancing Payment Accuracy Through a 'Do Not Pay List.'* The purpose of this memorandum is to require all government agencies to participate in a centralized database, which would give COs one database to check before awarding contracts and releasing any federal funds. The five systems identified for consolidation into the Do Not Pay List portal are:

- SSDMF.
- The GSA's EPLS.
- Treasury's Debt Check Database.
- U.S. Department of Housing and Urban Development's Credit Alert System or Credit Alert Interactive Voice Response System.<sup>11</sup>
- The DHHS OIG's LEIE.

Subsequently, OMB Memorandum M-12-11 directed the development of agency plans for using the Do Not Pay portal for pre-payment eligibility reviews and required the plans to be submitted by June 30, 2012. The Do Not Pay portal will be comprised of two components geared toward reducing improper payments:

- A web-based, single-entry access portal that enables agencies to access the data sources identified in the June 18, 2010 presidential memorandum, including the SSDMF, the GSA's EPLS, Treasury's Debt Check Database, and DHHS' LEIE. In addition, Treasury will continue to add other high-value data sources to the portal.
- Data Analytics Services that use additional data sources not available through the portal. These include Treasury's OFAC List, ZIP Code data, prison information, and several privately available sources. The sources are augmented by advanced data analytic activities for identifying trends, risks, and patterns of behavior that might warrant further review by the agency.

The memorandum states that, to the extent that additional information provided by the Do Not Pay portal is helpful to COs trying to ensure the federal government does business with responsible parties, COs are encouraged (but not required) to review the Do Not Pay portal. It further requires an agency's chief acquisition officer to work with its chief financial officer (or the official accountable for complying with the president's 'Do Not Pay List' directive) to evaluate the extent to which the information provided by the Do Not Pay portal can assist COs as a complement to the Federal Awardee

---

<sup>11</sup> As of June 6, 2012, the system was not included in the Do Not Pay List portal.

Performance and Integrity Information System. Acquisition officials are encouraged to periodically review the Do Not Pay portal to determine whether the information provided would be useful in the agency's acquisition process.

Although the Postal Service is not required to follow these memoranda, Title 39 CFR §601.113 requires the Postal Service to ensure it does not award contracts to debarred, suspended, or ineligible suppliers.

### Objective, Scope, and Methodology

Our objective was to determine whether the U.S. Postal Service established processes similar to those required in the presidential memorandum. To accomplish our objective, we reviewed applicable guidance regarding the Do Not Pay list and the systems to be included, and interviewed various OMB officials regarding the list's status. We also reviewed the Postal Service's *Supplying Principles and Practices* to determine the Postal Service's process for awarding contracts and interviewed various Postal Service officials regarding the process. In addition, we obtained information regarding the Postal Service's participation in the TOP.

We also purchased a copy of the SSDMF<sup>12</sup> as of August 31, 2011, and matched it to the open contracts in CAMS as of November 17, 2011. We limited the match by focusing on the 'financial supplier type' field in CAMS where the field indicates payments made to a Postal Service employee or a self-employed person (that is, those using a SSN as a TIN) or where the field was blank. We identified 61 contracts with the potential for making payments to deceased suppliers. We researched contract and payment history, Internal Revenue Service Forms W-9, Request for TIN and Certification, and LexisNexis<sup>®</sup> information<sup>13</sup>; and interviewed applicable COs for information on the contracts. We also matched the SSDMF to open contracts in TCSS as of February 23, 2012, and found six contracts with the potential for making payments to deceased suppliers. For the six contracts, we researched contract and payment history and interviewed applicable COs.

The SSA provided a caution/disclosure with the SSDMF that it may contain errors. Based on our matching of the data and review of applicable information, we determined the data were sufficiently reliable for the purposes of our report.

We conducted this performance audit from June 2011 through July 2012<sup>14</sup> 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 conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our

---

<sup>12</sup> The file contained 90 million records dating back to 1936.

<sup>13</sup> LexisNexis is a leading global provider of content-enabled workflow solutions designed specifically for professionals in the legal, corporate, government, and accounting markets or fields. The information was gathered from public, proprietary, criminal, and background records pulled from independent data sources.

<sup>14</sup> Based on a delay in the receipt of critical data, our audit was suspended from January 19 to February 6, 2012.

conclusions based on our audit objective. We discussed our observations and conclusions with management on June 27, 2012, and included their comments where appropriate.

### [Prior Audit Coverage](#)

The OIG issued the report *Suspension and Debarment Program* (Report Number [CA-AR-12-002](#), dated May 30, 2012), which disclosed that, although no suspended or debarred suppliers were currently under contract with the Postal Service, opportunities existed for the Postal Service to improve its suspension and debarment program. We identified best practices that, if implemented, could help strengthen the program. The Postal Service agreed with our findings and recommendations and took immediate corrective action to improve its program. We were able to close our recommendations upon issuance of the report.

## Appendix B: Management's Comments

SUSAN M. BROWNELL  
VICE PRESIDENT, SUPPLY MANAGEMENT



July 23, 2012

LUCINE M. WILLIS

SUBJECT: Draft Audit Report – Do Not Pay List (Report Number CA-AR-12-DRAFT)

Thank you for the opportunity to review and comment on the subject draft report. We appreciate that the Office of Inspector General (OIG) performed this audit and agree with its findings. As noted in the report, the Postal Service confirmed that access to the Do Not Pay portal is not available to nonappropriated agencies at this time. However, we have procedures in place to ensure that the Postal Service does not award contracts to debarred, suspended, or ineligible suppliers and confirm debts with the U.S. Department of the Treasury before making payments to suppliers.

Our use of the General Services Administration's Extended Parties Listing System, soon to come under the System for Award Management, for determining an element of supplier capability has adequately protected the Postal Service from awarding contracts to suspended, debarred, or ineligible suppliers. A recent audit report dated May 30, 2012, *Suspension and Debarment Program*, found that no suspended or debarred suppliers were currently under contract with the Postal Service. In addition, the OIG's review of the U.S. Social Security Administration's Death Master File against our supplier files identified that no improper payments were made to persons on that list. Since participating in the Treasury Offset Program, a component of the Treasury's Debt Check Database, the Postal Service has successfully offset approximately \$30.8 million for the period of June 2009 through April 2012. Moreover, the Postal Service has subscription database access to Equifax reports, Business Source Complete, and LexisNexis for business and financial information.

This report does not contain any proprietary or business sensitive information and may be disclosed pursuant to the Freedom of Information Act. If you have any questions about this response, please contact Susan Witt at (202) 268-4833.

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

cc: Stephen Masse  
Susan Witt  
Corporate Audit and Response Management

475 L'ENFANT PLAZA SW  
WASHINGTON, DC 20260-6200  
202-268-4040  
FAX: 202-268-2755  
WWW.USPS.COM