



Office of Inspector General | United States Postal Service

Audit Report

U.S. Postal Service's High-Risk Purchase Card Transactions

Report Number FT-AR-18-001 | November 7, 2017



Table of Contents

Cover	
Highlights.....	1
Objective	1
What the OIG Found.....	1
What the OIG Recommended	2
Transmittal Letter	3
Results.....	4
Finding #1: Purchase Card Approval and Documentation.....	5
Recommendation #1	6
Recommendation #2	6
Management’s Comments.....	7
Evaluation of Management’s Comments	7
Appendices	8
Appendix A: Additional Information.....	9
Scope and Methodology.....	9
Prior Audit Coverage	11
Appendix B: Sampled Transactions	12
Appendix C: Management’s Comments.....	18
Contact Information	20

Highlights

Objective

Our objective was to determine whether the U.S. Postal Service made purchase card transactions that were potentially illegal, improper, or erroneous. We performed this audit in conjunction with a government-wide audit initiated by the Council of the Inspectors General on Integrity and Efficiency, Information Technology Committee, to determine risks associated with government purchase card transactions. The U.S. Postal Service Office of Inspector General (OIG) performed this audit with 22 other Inspectors General, generally using the same audit objective, scope, and methodology.

We obtained purchase card transaction data from U.S. Bank from October 1, 2016, through March 31, 2017. We applied seven algorithms (criteria), by quarter, to identify the Postal Service's high-risk transactions: (1) prohibited/questionable merchant category code purchases; (2) single purchase limits; (3) split transactions; (4) purchases including sales tax; (5) weekend/holiday purchases; (6) purchases made through third-party vendors; and (7) closed accounts.

From those transactions that met at least one of the seven algorithms (criteria), we considered the top 25 percent as high-risk transactions, determined based on a weighted calculation from the number of algorithms (criteria) that a transaction met and by the dollar amount. We removed nonexpense purchase card transactions from the high-risk population (such as vehicle repairs and vehicle parts) and randomly selected 100 transactions for review. Because our sampled transactions were selected from a judgmentally targeted population, the sample was not representative of the universe.

Table 1 shows the populations of purchase card transactions and the related dollars.

Table 1. Transaction Populations and Amounts

Population	Count	Amount
Purchase Card Universe	325,999	\$165,233,608
Algorithm (criteria) Transactions	102,191	\$78,936,568
High-Risk Transactions	22,935	\$41,475,052
Sampled Transactions	100	\$155,846

Source: OIG Analysis.

What the OIG Found

In general, for the transactions sampled, Postal Service cardholders made purchase card transactions that were legal, proper, and correct. However, we found that 19 of the 100 sampled purchase card transactions, totaling \$11,617, did not comply with Postal Service policies. Specifically:

- Cardholders, or other authorized employees, did not submit purchase requests in the requisitioning and approval system for 15 of the 19 transactions, totaling \$11,119.
- Cardholders did not maintain accurate and complete records, including sales receipts or vendor invoices, to support purchases for four of the 19 transactions, totaling \$498.

These issues occurred because approving officials were not required to request and review cardholders' supporting documentation when approving cardholders' monthly bank statements to ensure compliance with policies. Additionally, the current purchase card program does not have the capability to electronically file supporting documentation.

The Postal Service has policies requiring cardholders to obtain requisition approval before making a purchase and to maintain accurate and complete records of all purchase card transactions for three years. These records must include approved requisition requests, receipts, delivery confirmation, and any other related purchase documentation. However, since approving officials are not required to periodically review the cardholder's documentation, greater opportunities exist for illegal, improper, or erroneous purchases.

Beginning April 1, 2017, the Postal Service's Purchasing Shared Services Center (PSSC) performed weekly compliance audits of selected purchase card transactions. As of July 17, 2017, they audited 3,175 purchase card transactions and found 64 percent compliant and 30 percent non-compliant (6 percent were pending). The PSSC suspended 917 purchase cards for noncompliance and reactivated 427 purchase cards after cardholders took corrective actions. The PSSC, however, does not have follow-up procedures for cardholders who are non-responsive to the PSSC's request for corrective actions. The PSSC

is developing the procedures and estimated they would be implemented by October 15, 2017.

These ongoing efforts should help improve cardholder compliance.

What the OIG Recommended

We recommended management:

1. Coordinate with the General Services Administration to request that the purchase card program electronically file purchase card documentation to provide approving officials the ability to periodically review cardholders' supporting documentation.
2. Finalize procedures to resolve outstanding cardholder inquiries from the PSSC, and include in the procedures notification to the OIG for those cardholders who did not respond to the PSSC's requests.

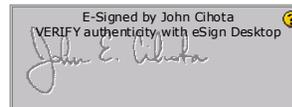
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

November 7, 2017

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



FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Pricing

SUBJECT: Audit Report – U.S. Postal Service's
High-Risk Purchase Card Transactions
(Report Number FT-AR-18-001)

This report presents the results of our audit of the U.S. Postal Service's High-Risk Purchase Card Transactions. (Project Number 17BG014FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, Director, Finance, or me at 703-248-2100.

Attachment

cc: Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our audit of the U.S. Postal Service's Government Purchase Card. This report responds to a government-wide audit initiative from the Council of the Inspectors General on Integrity and Efficiency (CIGIE), Information Technology (IT) Committee, to determine risks associated with government purchase card transactions (Project Number 17BG014FT000). Our objective was to determine whether the Postal Service made purchase card transactions that were potentially illegal, improper, or erroneous. See [Appendix A](#) for additional information about this audit.

Background

The government purchase card is part of the General Services Administration (GSA) SmartPay® Program,¹ which provides charge cards to more than 350 federal agencies, organizations, and Native American tribal governments. The purpose of the program is to streamline the payment process for small purchases, minimize paperwork, and generally simplify the administrative effort associated with procuring goods and services under certain thresholds.

In fiscal year 2016, GSA reported that cardholders made over 20 million purchase card transactions totaling more than \$19 billion. In the same period, the Postal Service made 649,246 purchase card² transactions totaling over \$311 million.

Each government agency has specific policies and procedures regarding the use of the card, eligible purchases, receipt of purchased items, and payment. In general, the following guidance is applied for each single purchase:

- The purchase card must be used for official government business.
- Personal use of the card is never authorized.
- No one other than the authorized cardholder may use the card.
- All purchases must be proper, legal, reasonable, and satisfy the needs of the government.

In October 2016, the CIGIE IT Committee began a government-wide audit initiative to analyze and review government purchase card data to determine risks associated with purchase card transactions. The U.S. Postal Service Office of Inspector General (OIG), a member of CIGIE, agreed to participate in this initiative and reviewed the Postal Service's purchase card use. We will submit results to the CIGIE IT Committee, along with 22 other participating Inspectors General. The

¹ Currently version SmartPay2.

² The Postal Service has five types of purchase cards. Our audit report refers to the EXPENSE purchase card (purchase card) that is used for local buying when needs cannot be satisfied through eBuy2 catalog or through other priority sources.

U.S. Department of Agriculture OIG is leading the effort to compile the results and publish a consolidated CIGIE report in March 2018. All Inspectors General participating in this CIGIE initiative generally followed the same objective, scope, and methodology developed by CIGIE, including the transaction timeframe (October 1, 2016, through March 31, 2017), criteria for high-risk transactions, sampling sizes, and random numbers used to generate samples.

The Postal Service has controls over purchase cards, including dollar spending limits, 30-day cardholder spending limits, merchant category code (MCC) restrictions, cardholders' electronic reconciliations of monthly bank statements, and the Credit Card Approving Official's (CCAO) review of the cardholder's bank reconciliations. These policies and procedures may differ from those of other agencies under audit by their respective Inspectors General.

The Postal Service's Purchasing Shared Services Center (PSSC)³ provides purchasing guidance, oversight, and management of the purchase card program. The PSSC also coordinates mandatory training with the bank provider for CCAOs and cardholders.

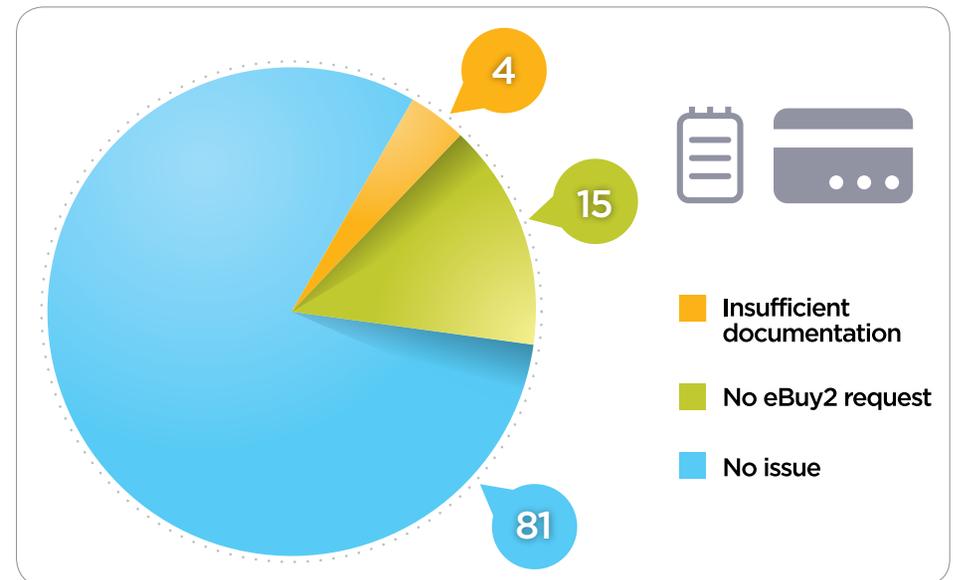
Additionally, the San Mateo Accounting Services, Accounts Payable receives a daily transaction file from the bank vendor. They review all purchase card transactions over \$10,000 and a random sample of four purchase card transactions each day.

Finding #1: Purchase Card Approval and Documentation

In general, for the transactions sample, Postal Service cardholders made purchase card transactions that were legal, proper, and correct. However, we found that 19 of the 100⁴ sampled purchase card transactions, totaling \$11,617, did not comply with Postal Service policies.⁵ Specifically (see Figure 1):

- Cardholders, or other authorized employees, did not submit purchase requests in the eBuy2 system⁶ for 15 of the 19 transactions, totaling \$11,119.
- Cardholders did not maintain accurate and complete records, including sales receipts or vendor invoices, to support purchases for four of the 19 transactions, totaling \$498.

Figure 1. Purchase Card Audit Results For October 1, 2016 through March 31, 2017



Source: OIG analysis.

³ The PSSC offices are located in Windsor, CT and Aurora, CO.

⁴ We reviewed 100 purchase card transactions totaling \$155,846 from October 1, 2016, through March 31, 2017.

⁵ Handbook AS-709 – *Local Buying and Purchase Card Policies and Procedures*, February 2015.

⁶ The eBuy2 system is the Postal Service's web-based electronic requisitioning and approval system.

This occurred because the CCAO was not required to request and review the cardholder's supporting documentation when approving the cardholder's monthly bank statements to ensure compliance with policies. Additionally, the GSA's SmartPay2 program does not have the capability to electronically file supporting documentation. The policies state the CCAO may request supporting documentation from the cardholder to verify accuracy and compliance; however, the policies do not mandate this. As a result, the Postal Service cannot ensure that the 19 transactions totaling \$11,617 were accurate and compliant.

The Postal Service has policies requiring cardholders to obtain eBuy2 approval before making a purchase and to maintain accurate and complete records of all purchase card transactions for three years. These records must include an approved eBuy2 request, credit or sales receipts, delivery documentation, and any other documentation related to the purchase. However, since CCAOs are not required to periodically review the cardholder's documentation, greater opportunities exist for illegal, improper, or erroneous purchases.

“The PSSC’s ongoing efforts should help improve cardholder compliance.”

During our audit, management advised that the GSA will upgrade its current SmartPay2 program, ending November 29, 2018, to SmartPay3. SmartPay3 will include the ability to electronically file purchase documentation, at the agency's request. This technology is a strategic level control that will provide a greater cost benefit, reduce administrative burden, and provide CCAOs easier access to supporting documentation.

Beginning April 1, 2017, the PSSC performed weekly compliance audits of selected purchase card transactions. As of July 17, 2017, they audited 3,175 purchase card transactions and found 64 percent compliant and 30 percent noncompliant.⁷ The PSSC suspended 917 purchase cards for non-compliance and reactivated 427 purchase cards after cardholders took corrective actions, such as submitting eBuy2 requests or providing supporting documentation. The PSSC's ongoing efforts should help improve cardholder compliance.

⁷ The remaining six percent were pending review.

The PSSC, however, does not have follow-up procedures for cardholders who are nonresponsive to the PSSC's requests for corrective actions. The PCCS is developing procedures for additional notices to the cardholder, the CCAO and, potentially, the District Finance Manager. The PSSC estimated these procedures will be operational by October 15, 2017.

When cardholders do not timely respond to PSSC's requests, the possibility of illegal, improper, or erroneous purchases exist. Consequently, we believe it would be appropriate for the PSSC to also notify the OIG of cardholders who did not respond to the PSSC's requests.

Recommendation #1

We recommend the Vice President, Supply Management, coordinate with the General Services Administration to request that SmartPay3 electronically file purchase card documentation to provide Credit Card Approving Officials the ability to periodically review cardholders' supporting documentation.

Recommendation #2

We recommend the Vice President, Supply Management, finalize procedures to resolve outstanding cardholder inquiries from the Purchasing Shared Services Center (PSSC), including notification to the U.S. Postal Service Office of Inspector General for those cardholders who did not respond to the PSSC's requests.

Management's Comments

Management agreed with the finding, recommendations, and monetary impact. Management appreciated that the OIG recognized the efforts of the PSSC and the San Mateo Accounting Services to review purchase card transactions.

Regarding recommendation 1, on September 5, 2017, the GSA awarded SmartPay3 contracts to Citibank and U.S. Bank, which include requirements to electronically file documentation. Regarding recommendation 2, on October 6, 2017, the PSSC updated its procedures for resolving outstanding cardholder inquiries. Management requested both recommendations be closed with final report issuance.

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

Evaluation of Management's Comments

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

For recommendation 1, we reviewed the statement of work (separately provided) and confirmed the requirements for electronically filing documentation, including scanned receipts and electronic purchase logs. Furthermore, an electronic access system will allow Credit Card Approving Officials to view account statements and itemized receipts, upload supporting documentation, and perform inquiries. Therefore, we consider this recommendation closed upon issuance of this report.

For recommendation 2, while updated procedures now require specific actions at 7-day, 15-day, and 20-day intervals, the procedures do not include informing the OIG for those cardholders who do not respond to the PSSC's requests. However, in subsequent correspondence, management provided an agenda for a November 7, 2017, meeting between the PSSC and the OIG. The purpose of the meeting is to discuss best practices and share information. The agenda includes determining the best protocol for referrals and developing beneficial procedures. Therefore, we consider this recommendation closed upon issuance of this report.

Appendices

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information.....	9
Scope and Methodology	9
Prior Audit Coverage	11
Appendix B: Sampled Transactions	12
Appendix C: Management’s Comments.....	18

Appendix A: Additional Information

Scope and Methodology

The CIGIE IT Committee defined October 1, 2016, through March 31, 2017, as the scope of the audit for all participating Inspectors General. See Table 2 for the list of the participating Inspectors General.

Table 2. Participating Inspectors General

Agency Name	Agency Name
1 Defense Intelligence Agency	13 General Services Administration
2 Department of Agriculture	14 National Aeronautics and Space Administration
3 Department of Education	15 National Archives and Records Administration
4 Department of Health and Human Services	16 National Labor Relations Board
5 Department of Housing and Urban Development	17 National Security Agency
6 Department of Interior	18 Office of Personnel Management
7 Department of Labor	19 Peace Corps
8 Department of State	20 Small Business Administration
9 Environmental Protection Agency	21 Social Security Administration
10 Farm Credit Administration	22 U.S. International Trade Commission
11 Federal Election Commission	23 United States Postal Service
12 Federal Reserve Board	

“The CIGIE IT Committee developed criteria for all the participating IGs to follow.”

Source: OIG Analysis.

Additionally, the CIGIE IT Committee developed algorithms (criteria) for data analysis and statistical tools for all the participating Inspectors General to follow, including the criteria for high-risk transactions, sampling sizes, and random numbers used to generate a sample for each quarter.⁸

From October 1, 2016, through March 31, 2017, Postal Service cardholders made 325,999 purchases totaling \$165,233,608 with the U.S. Bank Government Purchase Card.⁹ We obtained purchase card transaction data from

⁸ October 1 through December 31, 2016, represents Quarter 1. January 1 through March 31, 2017, represents Quarter 2.

⁹ Some purchase card transactions from U.S. Bank included other types of transactions, such as vehicle parts and vehicle repair transactions. We removed these transactions from the universe.

U.S. Bank and applied the following algorithms (criteria), by quarter, to identify the Postal Service’s high-risk transactions.

1. Prohibited and Questionable MCC Purchases – Determined if the cardholder purchased items or services from vendors with prohibited or questionable MCCs.¹⁰
2. Single Purchase Limits – Determined if the cardholder spent above their authorized single purchase limit. The cardholder’s buying authority was determined based on their position and associated business needs.
3. Split Transactions – Determined if the cardholder split a purchase into two or more transactions that could have been a single transaction.¹¹
4. Sales Tax – Determined if the cardholder’s purchases included sales tax, and if so, whether the cardholder documented attempts to recover the sales tax.
5. Weekend and Holiday Purchases – Determined whether the cardholder’s purchases that occurred over a weekend or holiday were authorized and valid.¹²
6. Third-Party Vendors – Determined if the cardholder’s purchases were made through third-party vendors.¹³
7. Closed Accounts – Determined if the cardholder made purchases after their account was closed.

We identified 102,191 transactions totaling \$78,936,568 that met at least one of the seven algorithms (criteria). We then calculated the top 25 percent high-risk transactions,¹⁴ which resulted in 22,935 transactions¹⁵ totaling \$41,475,052. We randomly selected 100 transactions totaling \$155,846 for review (see [Appendix B](#)). Because our sampled transactions were selected from

a judgmentally targeted population, the sample was not representative of the universe. Table 3 shows the populations of purchase card transactions and the related dollars.

Table 3. Transaction Populations and Dollar Amounts

Population	Count	Amount
Purchase Card Universe	325,999	\$165,233,608
Algorithm (criteria) Transactions	102,191	\$78,936,568
High-Risk Transactions	22,935	\$41,475,052
Sampled Transactions	100	\$155,846

Source: OIG analysis.

To accomplish our objective, we:

- Obtained and reviewed the Postal Service’s written policies and procedures describing the purchase card program.
- Identified the key policies and procedures for detecting potentially illegal, improper, or erroneous purchase card transactions.
- Interviewed San Mateo Accounting Services, Accounts Payable personnel to learn about their continuous monitoring of purchase card transactions.
- Interviewed a cardholder and a CCAO at the Processing and Distribution Center in St. Louis, MO, to gain an understanding of the purchase card process.

¹⁰ MCCs are established by credit card companies to identify a merchant’s line of business. The MCCs are used to identify questionable or prohibited purchases. For example, Postal Service cardholders would not be expected to have transactions in the MCCs for fast food restaurants, cruise lines or boat dealers.

¹¹ The criteria for identifying potential split transactions were: Transactions occurred by the same cardholder, from the same vendor on the same day, and the total amount exceeded the purchase threshold.

¹² Postal Service operates on Saturday and Sunday. This algorithm (criteria) was modified to pull transactions on holidays only.

¹³ For the purposes of this audit, CIGIE has defined PayPal and Amazon as third-party vendors.

¹⁴ The level of risk is determined by the number of algorithms that a transaction met and by the dollar amount. Transactions that met more than one algorithm will weigh more. We sorted these 102,191 transactions by weight from high to low and then by dollar amount from high to low and selected the top 25 percent as the high risk transactions.

¹⁵ We removed non-expense purchase card transactions from the high risk population, for example, transactions for vehicle repairs and vehicle parts. This resulted in a smaller high-risk population.

- Interviewed Supply Management personnel at the PSSC in Windsor, CT, to discuss controls over purchase cards and to obtain an understanding of their purchase card transaction audits.
- Analyzed U.S. Bank purchase card data and randomly selected 100 transactions to review.
- Requested supporting documentation from the cardholders.
- Reviewed the supporting documentation and purchase requests in the eBuy2 system.

We conducted this performance audit from May through November 2017 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 finding and conclusion based on our audit objective. We discussed our observations and conclusions with management on October 5, 2017, and included their comments where appropriate.

For the purchase card transaction data we obtained from U.S. Bank, we assessed its reliability by testing for missing data, outliers, obvious errors, and logic tests. Additionally, we compared the record count and total dollar amount to the Postal Service's record count and dollar amount for the audit period. Finally, we traced our randomly selected 100 transactions to source documents. We determined that the data was 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>	To assess the Postal Service's oversight of expense card purchases and payments.	SM-AR-15-006	08/07/2015	\$337,738,558

Appendix B: Sampled Transactions



			High-risk Algorithm (Criteria) ¹⁶					Type of Errors			Type of Transaction								
			Over Purchase Limit	Prohibited or Questionable* Merchant	Weekend or Holiday	Sales Tax Paid	Closed Account	Third- party Vendor	Split Transaction	No Issue	Insufficient Document	No eBuy2 Request	Lawn Care	Snow Removal	Cleaning Services	Facility Repair	Training	Vehicle Leasing	Other Purchases
1	12/19/2016	\$1,260.00		○				○		○					○				
2	12/12/2016	35.00		○				○			○			○					
3	10/21/2016	263.00		○				○					○						
4	10/13/2016	40.00		○				○			○		○						
5	10/26/2016	300.00		○				○			○				○				
6	11/29/2016	202.50		○				○			○		○						
7	11/14/2016	111.00		○				○			○		○						
8	12/14/2016	32.00		○				○		○									○
9	10/7/2016	55.00		○				○			○		○						
10	12/7/2016	23.00		○				○		○			○						
11	10/3/2016	230.00		○				○		○			○						
12	12/29/2016	150.00		○				○		○			○						
13	12/7/2016	365.00		○				○		○			○						
14	10/4/2016	5,717.00							○	○						○			
15	11/2/2016	130.00		○*				○		○			○						
16	12/6/2016	4,597.08							○	○							○		
17	12/29/2016	13.70		○*							○								○

¹⁶ More than one high-risk algorithm (criteria) could apply to a single transaction.



			High-risk Algorithm (Criteria) ¹⁶						Type of Errors			Type of Transaction							
			Over Purchase Limit	Prohibited or Questionable* Merchant	Weekend or Holiday	Sales Tax Paid	Closed Account	Third-party Vendor	Split Transaction	No Issue	Insufficient Document	No eBuy2 Request	Lawn Care	Snow Removal	Cleaning Services	Facility Repair	Training	Vehicle Leasing	Other Purchases
18	12/14/2016	\$299.00		○				○			○			○					
19	12/19/2016	9,987.12							○	○						○			
20	10/31/2016	3,300.79		○						○						○			
21	10/26/2016	9,966.00							○	○						○			
22	11/9/2016	1,794.69		○						○						○			
23	10/5/2016	1,460.00		○								○			○				
24	11/23/2016	100.00		○				○		○			○						
25	11/22/2016	40.00		○				○		○			○						
26	11/21/2016	385.00		○				○		○			○						
27	10/5/2016	10.00		○				○		○									○
28	10/31/2016	130.00		○				○		○			○						
29	12/29/2016	1,575.00		○								○		○					
30	11/8/2016	42.00		○				○		○			○						
31	10/17/2016	110.00		○				○		○			○						
32	11/21/2016	1,650.00							○	○						○			
33	12/5/2016	32.50		○				○				○			○				
34	10/13/2016	60.00		○				○		○			○						
35	12/22/2016	300.00		○				○		○			○						
36	11/18/2016	1,945.52							○	○						○			



			High-risk Algorithm (Criteria) ¹⁶						Type of Errors			Type of Transaction							
			Over Purchase Limit	Prohibited or Questionable* Merchant	Weekend or Holiday	Sales Tax Paid	Closed Account	Third-party Vendor	Split Transaction	No Issue	Insufficient Document	No eBuy2 Request	Lawn Care	Snow Removal	Cleaning Services	Facility Repair	Training	Vehicle Leasing	Other Purchases
37	11/8/2016	\$105.00		○				○		○			○						
38	11/22/2016	9,480.00							○	○						○			
39	11/30/2016	4,654.70							○	○						○			
40	12/3/2016	5,733.32		○		○						○						○	
41	10/3/2016	393.32		○				○		○						○			
42	10/5/2016	300.00		○				○		○			○						
43	10/31/2016	87.50		○				○				○	○						
44	12/28/2016	4,003.97							○	○						○			
45	10/28/2016	3,658.88		○						○									○
46	12/12/2016	84.78		○				○		○									○
47	12/6/2016	3,861.97						○		○						○			
48	10/20/2016	1,463.17							○	○						○			
49	10/7/2016	200.00		○				○		○			○						
50	11/11/2016	114.34		○				○		○						○			
51	3/10/2017	30.89		○			○	○		○				○					
52	1/30/2017	100.00		○				○				○		○					
53	2/2/2017	648.93		○				○		○				○					
54	1/30/2017	110.00		○				○		○				○					
55	2/25/2017	720.00		○				○		○				○					



			High-risk Algorithm (Criteria) ¹⁶						Type of Errors			Type of Transaction							
			Over Purchase Limit	Prohibited or Questionable* Merchant	Weekend or Holiday	Sales Tax Paid	Closed Account	Third-party Vendor	Split Transaction	No Issue	Insufficient Document	No eBuy2 Request	Lawn Care	Snow Removal	Cleaning Services	Facility Repair	Training	Vehicle Leasing	Other Purchases
56	2/24/2017	\$500.00		○				○		○				○					
57	2/18/2017	300.00		○				○		○				○					
58	3/6/2017	100.00		○				○		○				○					
59	1/25/2017	150.00		○				○			○			○					
60	3/20/2017	80.00		○				○		○				○					
61	1/5/2017	560.00		○				○				○		○					
62	2/3/2017	369.98		○				○		○						○			
63	1/5/2017	887.50		○				○		○				○					
64	1/3/2017	2,180.00							○	○						○			
65	1/12/2017	1,965.59		○						○						○			
66	3/17/2017	204.00					○		○	○				○					
67	2/27/2017	31.20		○				○		○				○					
68	3/13/2017	36.62					○	○		○						○			
69	1/26/2017	1,784.18		○						○						○			
70	1/3/2017	225.00		○				○		○				○					
71	3/9/2017	2,862.50							○	○						○			
72	3/9/2017	700.00		○					○			○		○					
73	2/6/2017	215.16		○			○			○									○
74	1/6/2017	9,860.00							○	○						○			



			High-risk Algorithm (Criteria) ¹⁶						Type of Errors			Type of Transaction							
			Over Purchase Limit	Prohibited or Questionable* Merchant	Weekend or Holiday	Sales Tax Paid	Closed Account	Third-party Vendor	Split Transaction	No Issue	Insufficient Document	No eBuy2 Request	Lawn Care	Snow Removal	Cleaning Services	Facility Repair	Training	Vehicle Leasing	Other Purchases
75	2/17/2017	\$175.00		⊙*				⊙		⊙					⊙				
76	3/10/2017	5,004.65							⊙	⊙						⊙			
77	2/24/2017	3,715.22							⊙	⊙						⊙			
78	2/2/2017	261.36		⊙					⊙					⊙					
79	3/4/2017	120.00		⊙								⊙		⊙					
80	3/8/2017	940.00		⊙					⊙					⊙					
81	1/18/2017	5,000.00	⊙	⊙						⊙									⊙
82	3/16/2017	1,965.00							⊙	⊙						⊙			
83	3/15/2017	331.25		⊙					⊙	⊙			⊙						
84	2/8/2017	4,165.00							⊙	⊙									⊙
85	2/9/2017	120.00		⊙					⊙				⊙						
86	1/27/2017	2,704.98							⊙	⊙						⊙			
87	3/20/2017	1,996.16							⊙	⊙						⊙			
88	1/18/2017	300.00		⊙					⊙					⊙					
89	2/16/2017	4,460.00		⊙						⊙									⊙
90	3/28/2017	53.00		⊙					⊙				⊙						
91	3/7/2017	50.00		⊙					⊙				⊙						
92	3/20/2017	716.40		⊙					⊙										⊙
93	1/12/2017	6,165.10							⊙	⊙						⊙			



			High-risk Algorithm (Criteria) ¹⁶							Type of Errors			Type of Transaction							
			Over Purchase Limit	Prohibited or Questionable* Merchant	Weekend or Holiday	Sales Tax Paid	Closed Account	Third-party Vendor	Split Transaction	No Issue	Insufficient Document	No eBuy2 Request	Lawn Care	Snow Removal	Cleaning Services	Facility Repair	Training	Vehicle Leasing	Other Purchases	
94	3/4/2017	\$280.00		○				○		○				○						
95	2/20/2017	67.17		○						○			○							
96	2/28/2017	41.68		○*		○						○								○
97	3/15/2017	70.00		○				○		○				○						
98	1/3/2017	950.00		○				○		○				○						
99	3/14/2017	721.00		○				○		○				○						
100	2/2/2017	9,999.00							○	○						○				
TOTALS		\$155,846.37	1	76	1	4	3	62	24	81	4	15	27	26	6	28	3	2	8	

Appendix C: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



October 27, 2017

LORI LAU DILLARD

SUBJECT: U.S. Postal Service's High-Risk Purchase Card Transactions
(Report Number FT-AR-18-DRAFT)

Thank you for providing the United States Postal Service (USPS) with an opportunity to review and comment on the subject Office of the Inspector General (OIG) draft audit report, "U.S. Postal Service's High-Risk Purchase Card Transactions." Management agrees with the report's findings, recommendations, and monetary impact.

Management appreciates that the OIG recognizes that USPS cardholders generally made purchase card transactions that were legal, proper, and correct. Management concurs that, in the select few instances where policy or procedures were not followed, these did not necessarily connote any real damage to the Postal Service.

Management also appreciates that the OIG recognizes the significant efforts of the Purchasing Shared Services Center in performing weekly compliance audits of purchase card transactions, which the OIG acknowledged improves cardholder compliance. The OIG also acknowledged the efforts of the San Mateo Accounting Services Center Accounts Payable team in reviewing all purchase card transactions over \$10,000 and performing a random sample of four purchase card transactions each day.

Management's response to the recommendations included in the draft report may be found below.

We recommend the Vice President, Supply Management:

Recommendation 1: Coordinate with the General Services Administration to request that SmartPay3 electronically file purchase card documentation to provide Credit Card Approving Officials the ability to periodically review cardholders' supporting documentation.

Management Response to Recommendation 1: Management agrees with this recommendation. The General Services Administration (GSA) announced award of its SmartPay3 contracts to Citibank and U.S. Bank on September 5, 2017. SmartPay3 includes the requirement to electronically file purchase card documentation, including scanning of receipts and support for electronic purchase logs. Management will provide under separate cover documentation to support the GSA's inclusion of this requirement. Closure of this recommendation is requested with final report issuance.

Target Implementation Date: Implemented

Responsible Official: Manager, Supply Management Infrastructure

Recommendation 2: Finalize procedures to resolve outstanding cardholder inquiries from the Purchasing Shared Services Center (PSSC), including notification to the U.S. Postal Service Office of Inspector General for those cardholders who did not respond to the PSSC's requests.

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

Management Response to Recommendation 2: Management agrees with this recommendation. As discussed in the report, the PSSC had already been working to finalize these procedures, which were implemented on October 6, 2017. Management will provide under separate cover documentation to support that these procedures have been fully implemented. Closure of this recommendation is requested with final report issuance.

Target Implementation Date: Implemented

Responsible Official: Manager, Supply Management Infrastructure

Handwritten signature of Susan M. Brownell in black ink.

cc: Manager, Corporate Audit & Response Management



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

Contact us via our [Hotline](#) and [FOIA](#) forms.

Follow us on social networks.

Stay informed.

1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100