



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

**Oversight
of Expense
Purchase
Cards**

Audit Report

Report Number
SM-AR-15-006

August 7, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Background

The expense purchase card is the most commonly used purchase card in the U.S. Postal Service. Postal Service personnel use it for purchases under \$10,000 when day-to-day operational needs cannot be met through other sources such as catalogs and contracts. Only employees with a written delegation of authority can use the card. In addition, cardholders are required to obtain prior approval before making purchases and must maintain records to support their purchases for 3 years.

Cardholders and credit card approving officials must also complete expense purchase card training and approving officials must reconcile cardholders' transactions monthly to verify they were made for business purposes. From December 31, 2012, to December 31, 2014, cardholders made 931,926 expense purchase card transactions, totaling \$530.7 million.

Our objective was to assess the Postal Service's oversight of expense card purchases and payments.

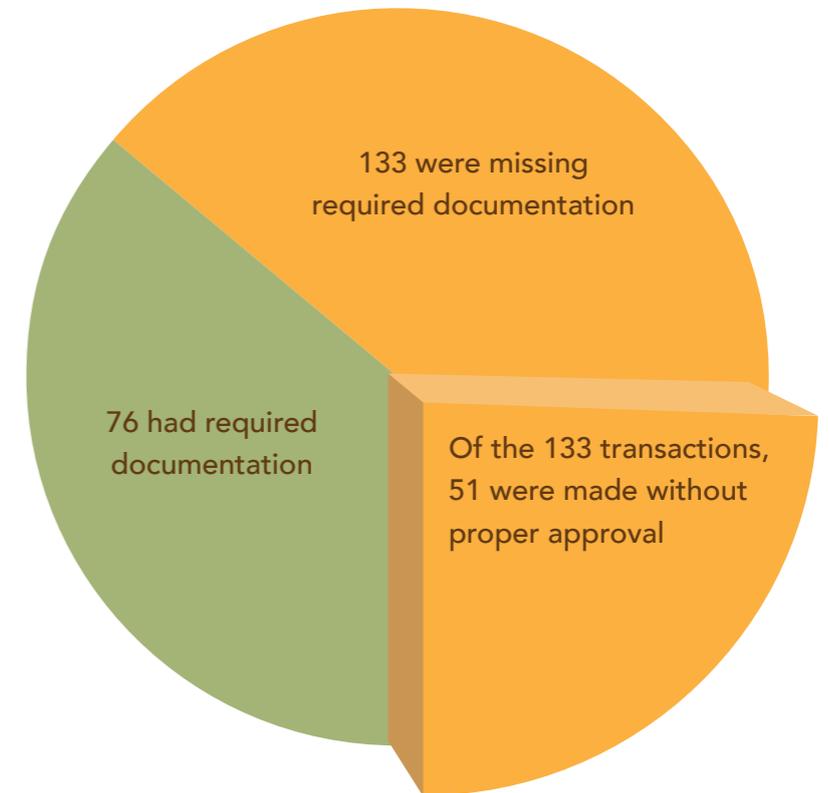
What The OIG Found

The Postal Service did not adequately oversee expense card purchases and payments. Some cardholders made purchases without proper approval and some did not maintain accurate and complete records to support their purchases. Further, cardholders and approving officials did not always provide proof

they completed the required purchase card training and not all cardholders maintained delegations of authority.

Of the 209 transactions we reviewed, 133 were missing required documentation such as purchase approvals, receipts, and delivery documentation. Of the 133 transactions, 51 were made without proper approval.

209 Transactions Reviewed



Some cardholders were informally trained by their predecessors and believed they were maintaining files in accordance with the policy; however, they did not review the policy to confirm the requirements. In addition, approving officials are not required to review purchase documentation for proper approvals when reconciling cardholder statements.

Additionally, cardholders for 87 of 209 transactions (42 percent) and approving officials for 85 transactions (41 percent) either did not take the required expense purchase card training or could not provide proof of completion. Cardholders were not always aware of the training requirements.

Also, cardholders for 78 transactions (37 percent) could not provide a copy of their written delegation of authority, which authorized them to make purchases on behalf of the Postal Service. Cardholders we talked to stated they received written delegations of authority several years ago but were unable to locate their records.

We calculated \$337.7 million in expense purchase card transactions made without proper approvals and not supported by documentation.

The Postal Service needs to improve controls to ensure it is not obligated to pay for improper purchases or purchases that were not properly budgeted for payment.

What The OIG Recommended

We recommended management reiterate the requirements for retaining purchase card records and supporting documentation. We also recommended management require approving officials to verify that each cardholder received approval for his or her purchases. We further recommended that the Postal Service implement a process to verify that all cardholders and approving officials complete required training and that all cardholders have a written delegation of authority.

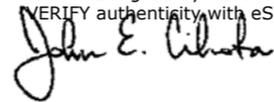
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 7, 2015

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

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop


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

SUBJECT: Oversight of Expense Purchase Cards
(Report Number SM-AR-15-006)

This report presents the results of our audit of the Oversight of Expense Purchase Cards (Project Number 15BG011SM000).

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

Attachment

cc: Corporate Audit and Response Management

Table of Contents

| | |
|--|----|
| Cover | |
| Highlights | 1 |
| Background | 1 |
| What The OIG Found..... | 1 |
| What The OIG Recommended | 2 |
| Transmittal Letter..... | 3 |
| Findings | 5 |
| Introduction | 5 |
| Conclusion | 5 |
| Purchase Card Documentation and Approval..... | 6 |
| Purchase Card Training and Delegation of Authority | 8 |
| Cardholder and Credit Card Approving Officials Training..... | 8 |
| Delegations of Authority | 9 |
| Expense Purchase Card Use..... | 9 |
| Recommendations..... | 10 |
| Management’s Comments | 10 |
| Evaluation of Management’s Comments | 12 |
| Appendices..... | 14 |
| Appendix A: Additional Information | 15 |
| Background | 15 |
| Objective, Scope, and Methodology..... | 16 |
| Prior Audit Coverage | 17 |
| Appendix B: Management’s Comments..... | 18 |
| Contact Information | 22 |

Findings

The Postal Service did not adequately oversee expense card purchases and payments.

Some cardholders made purchases without proper approval and some did not maintain accurate and complete records to support their purchases.

Introduction

This report presents the results of our self-initiated audit of the Oversight of Expense Purchase Cards (Project Number 15BG011SM000). Our objective was to assess the U.S. Postal Service's oversight of expense card purchases and payments. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service Office of Inspector General (OIG) received an anonymous allegation about improper use of the expense purchase card by cardholders in the Detroit District. Cardholders were allegedly not using the card in accordance with the purchase card policy. Specifically, it was alleged that cardholders did not receive proper approval prior to making purchases.

The expense purchase card is the most commonly used purchase card in the Postal Service. Postal Service personnel use the expense purchase card when day-to-day operational needs cannot be met through other sources such as catalogs and contracts. Employees must have written delegation of authority to use the expense purchase card.

Cardholders are required to obtain prior approval before making purchases and must maintain records to support their purchases for 3 years. Cardholders and credit card approving officials (CCAO) are required to acknowledge completion of required expense purchase card training. CCAOs reconcile cardholder transactions monthly to verify they were for business purposes. From December 31, 2012, to December 31, 2014, cardholders made 931,926 expense purchase card transactions totaling \$530.7 million.

What is an Expense Purchase Card?

When day-to-day operational needs cannot be met through catalogs or existing contracts, the Expense Purchase Card can be used to meet those needs.

Cardholders are required to obtain prior approval before making purchases and must maintain records to support their purchases for 3 years.

It is the most commonly used purchase card in the Postal Service

Expense Purchase Card

00/00
0000 0000 0000 0000

APPROVED

Documentation

The infographic features a blue background with white text and icons. It includes a central gear icon, a stack of documents with an 'APPROVED' stamp, and a large white card with a blue border representing an expense purchase card. The card displays the text 'Expense Purchase Card' and '00/00' followed by a series of zeros. The background also shows a grid of smaller purchase card icons.

Conclusion

The Postal Service did not adequately oversee expense card purchases and payments. Some cardholders made purchases without proper approval and some did not maintain accurate and complete records to support their purchases. Further, cardholders did not always provide proof that they completed the required purchase card training or maintain delegations of authority.

Of the 209 transactions that we reviewed, 133 were missing required documentation such as purchase approvals, receipts, and delivery documentation. Of the 133 transactions, 51 were made without proper approval.

This report has not yet been reviewed for release under FOIA or the Privacy Act. Distribution should be limited to those within the Postal Service with a need to know.

Cardholders did not always provide proof that they completed the required purchase card training or maintain delegations of authority.

One hundred thirty-three of 209 transactions (74 percent) were missing required documentation such as purchase approvals, receipts, and delivery documentations.

Some cardholders were informally trained by their predecessors and believed they were maintaining files in accordance with Postal Service policy; however, cardholders did not review the policy to confirm the requirements. Also, CCAOs are not required to review purchase documentation or approvals when reconciling cardholders' statements.

In addition, cardholders for 87 of 209 transactions (42 percent) and CCAOs for 85 transactions (41 percent) were not always aware of the training requirements for expense purchase cards and could not provide proof that they took the training. Also, cardholders for 78 transactions (37 percent) could not provide a copy of their written delegation of authority, allowing them to make purchases on behalf of the Postal Service.

Cardholders were not always aware of the training requirements. Cardholders we talked to stated that they completed the required training and received written delegations of authority several years ago but were unable to locate their records. Effective September 2014, the Postal Service automated the purchase card setup process to electronically verify training and delegations of authority. However, current purchase card policy does not reflect this change.

We calculated \$337.7 million in expense purchase transactions made without proper approvals and supporting documentation. The Postal Service needs to improve controls to ensure it is not obligated to pay for improper purchases or purchases that were not properly budgeted for payment.

Purchase Card Documentation and Approval

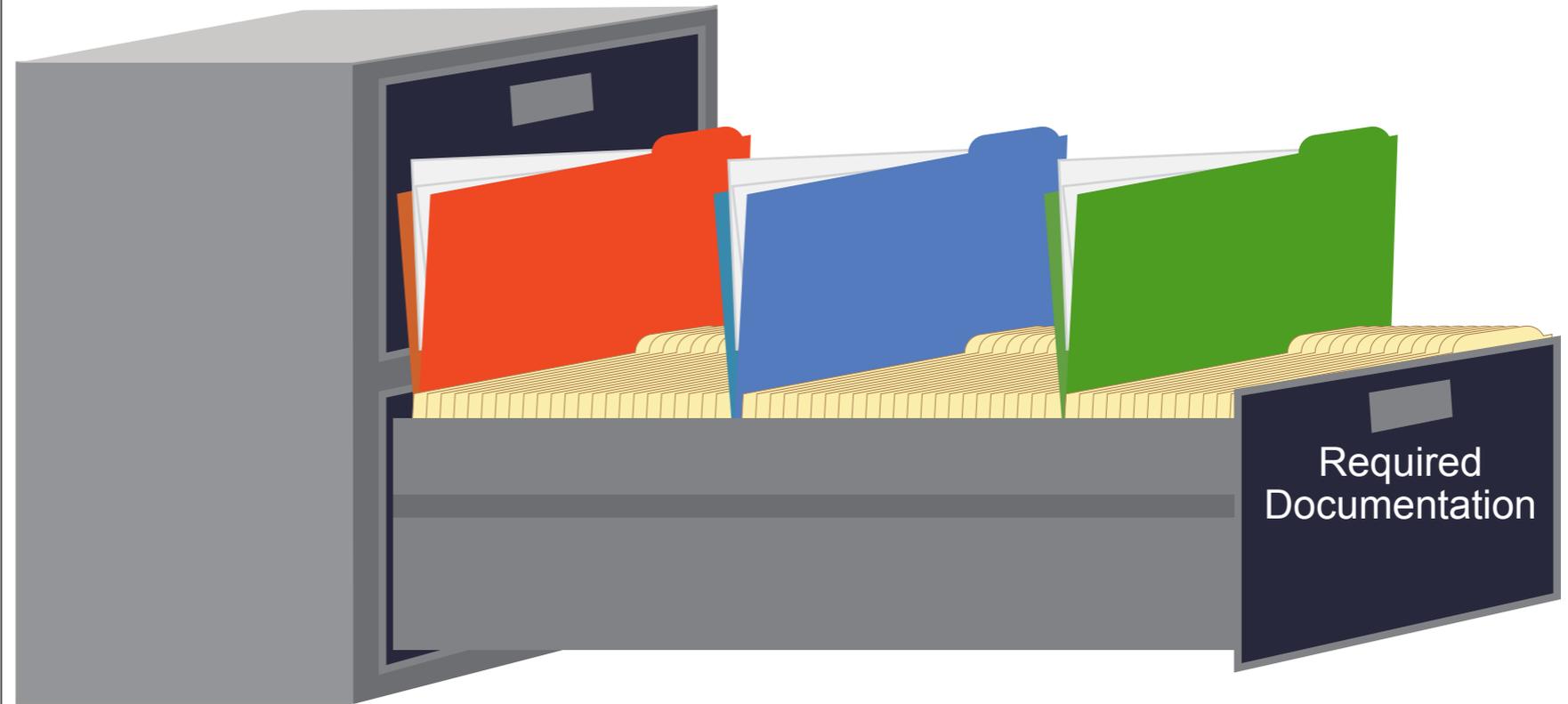
The Postal Service does not have adequate oversight to prevent expense purchase cardholders from making purchases without proper approval. Some cardholders bought goods and services without prior approval through an eBuy2¹ request. Further, cardholders did not always maintain accurate and complete records, including credit receipts and delivery documentation, to support their purchases.

We reviewed a statistical sample of 209 transactions valued at \$72,333. Of these, 133 (74 percent)² valued at \$53,249 were missing required documentation such as purchase approvals, receipts, and delivery documentations. For details of the missing required documentation see [Table 1](#).

¹ A tool the Postal Service uses to order goods and services and request funding for purchases.

² Of these 133 transactions, 73 were missing one required document, 39 were missing two required documents, and 21 were missing three required documents.

Table 1. Instances of Missing Documentation



Source: OIG analysis of purchase card transactions.

Postal Service policy³ requires cardholders to maintain accurate and complete records of all purchase card transactions for 3 years. These records must include an approved eBuy2 request, credit and sales receipts, delivery documentation (delivery ticket or packing slip), and any other documentation relating to the purchase. Cardholders must obtain an approved eBuy2 request before making purchases. The eBuy2 approval process ensures that finance officials in each office have approved and budgeted funds for purchases before they are made.

Some cardholders were informally trained by their predecessors and believed they were maintaining files in accordance with the policy; however, these cardholders did not review the policy to confirm the requirements. In addition, while CCAOs are responsible for reviewing cardholder transactions monthly,⁴ they are not required to review purchase documentation or approvals when reconciling cardholder statements.

We calculated \$337,738,558 in expense purchase transactions made without proper approvals and supporting documentation.⁵ The Postal Service needs to properly oversee cardholder purchases and verify that cardholders obtained proper approval to ensure it does not incur unplanned and unauthorized costs.

³ Handbook AS-709, *Local Buying and Purchase Card Policies and Procedures*, Section 3-2, Documentation, dated January 2014.

⁴ CCAOs certify cardholder statement reconciliations prior to payment.

⁵ We projected \$337,738,558 in unsupported questioned costs across the entire universe of 931,926 transactions valued at \$530,731,972. This amount represents the dollar amount of the probability of purchase card transactions that could be missing one or more required document, such as eBuy2 approvals, receipts, or delivery documentation.

Eighty-seven of 209 cardholders (42 percent) and 85 CCAOs (41 percent) did not provide all required purchase card training documentation.

Purchase Card Training and Delegation of Authority

Cardholders and CCAOs did not always provide proof of required training. Additionally, some cardholders did not provide written delegations of authority to use the purchase card on behalf of the Postal Service.

Cardholder and Credit Card Approving Officials Training

Cardholders and CCAOs did not always provide proof of required training. Eighty-seven of 209 cardholders (42 percent) and 85 CCAOs (41 percent) did not provide all required purchase card training documentation.

Purchase card policy⁶ states that, before a purchase card or CCAO account is issued,⁷ the cardholder and CCAO must:

- Complete purchase card training.
- Complete Standards of Ethical Conduct training.
- Review Handbook AS-709.
- Review the eBuy2 training topics.

Cardholders were not always aware of training requirements for expense purchase cards. Some cardholders stated that they completed the training requirement several years ago but were unable to locate their training records. Prior to September 2014, Postal Service Agency Program Coordinators (APC)⁸ maintained cardholder and CCAO training records. During that time, cardholders attested to completing their training requirements using an Accountability Acknowledgment form,⁹ which the APCs maintained. Effective September 2014, new cardholders and CCAOs complete this form electronically through the eAccess system¹⁰ maintained by the Purchasing Shared Services Center (PSSC).¹¹ The forms can now be stored indefinitely for later verification of training. However, cardholders and CCAOs who received their cards prior to September 2014 are not required to electronically certify their training through eAccess.

Previous Postal Service purchase card policy required cardholders and CCAOs to take purchase card refresher training; however, the 2014 revision of Handbook AS-709 only requires cardholders and CCAOs to take the training if their accounts are suspended. The PSSC issues monthly correspondence to remind cardholders and CCAOs about the purchase card policy requirements, but the PSSC cannot ensure that cardholders and CCAOs read the updates.

Without refresher training, cardholders and CCAOs may not be aware of updated policies and procedures that were designed to improve the Purchase Card Program. This increases the Postal Service's risk of improperly authorized and unsupported transactions.

⁶ Handbook AS-709, Section 2-6, Program Structure.

⁷ The review of Handbook AS-709 and eBuy2 training topics are not formal training courses. The cardholder attests to reviewing these materials during purchase card setup.

⁸ APCs managed the Purchase Card Program for their assigned areas and maintained cardholder and CCAO training records.

⁹ A form completed by cardholders and CCAOs noting completion of training, purchase limits, and acknowledgment of the roles and responsibilities for using the purchase card.

¹⁰ eAccess is the Postal Service's application for managing authorization to information resources. Cardholders and CCAOs use eAccess to fill in information and request a cardholder or CCAO account.

¹¹ A centralized department for maintaining the purchase card program and retaining program documents.

Seventy-eight of 209 cardholders (37 percent) did not provide written delegations of authority.

The Postal Service cannot maintain adequate oversight of the purchase card program if there are no records to show which personnel are delegated authority to use the card.

Delegations of Authority

Cardholders did not always maintain written delegations of authority to use the expense purchase card on behalf of the Postal Service. Specifically, 78 of 209 cardholders (37 percent) did not provide written delegations of authority. These cardholders were unable to locate the document, stating that it had been years since their cards were established.

The purchase card policy¹² states that only individuals who are delegated local buying authority¹³ in writing may make purchases using the expense purchase card. The policy delegates local buying authority up to a specified amount, to specific positions within the Postal Service. Personnel in these positions may re-delegate local buying authority as necessary to their employees. All re-delegations must be made in writing and retained by the cardholder.

The Postal Service cannot maintain adequate oversight of the purchase card program if there are no records to show which personnel are delegated authority to use the card. Cardholders without proper authority may still obligate the Postal Service to pay for these unauthorized transactions.

Effective September 2014, the Postal Service automated the purchase card setup process to electronically verify training and delegations of authority through eAccess. Because managers approve cardholders for expense purchase card accounts through eAccess, this system replaces the need for a separate document authorizing cardholders to make local buys. However, the current version of Handbook AS-709 does not reflect this change.

Expense Purchase Card Use

In response to an anonymous allegation in the Detroit District, we judgmentally selected and reviewed eight cardholder transactions in that district based on the type of purchase and vendor used.¹⁴ Similar to our nationwide statistical sample, seven of eight cardholders did not have all required documentation and six of eight cardholders did not have approved eBuy2 purchase requests.

In addition, we judgmentally selected six cardholders in the Pacific Area based on the type of purchase and vendor used. We identified one cardholder who improperly used the expense purchase card to make purchases for personal use.¹⁵ Specifically, the cardholder made 110 transactions valued at \$4,416 with Amazon.com without obtaining eBuy2 approval. At least three of these transactions were for personal use. We notified the Postal Service and it suspended the cardholder's account. We also referred the cardholder's name to the OIG's Office of Investigations for further review. Effective March 2015, the Postal Service prohibited cardholders from using the purchase card for transactions with companies such as Amazon Prime and Google Wallet.

¹² Handbook AS-709, Section 1-3, Local Buying Authority.

¹³ Local buying authority is the authority to buy and pay for day-to-day operational needs. A local buy is a purchase made under local buying authority. No single local buy may exceed \$10,000.

¹⁴ These judgmentally selected cardholders were not included in our statistically selected sample.

¹⁵ Three transactions were for Amazon Prime Membership and Amazon Video. One transaction for Amazon had an eBuy2 request that was declined.

Recommendations

We recommend management reiterate the requirements for retaining purchase card records and supporting documentation and require approving officials to verify that cardholders received approval for their purchases.

We recommend the vice president, Supply Management:

1. Reiterate to cardholders and credit card approving officials the requirements for retaining purchase card transaction records and supporting documentation.
2. Update Handbook AS-709, *Local Buying and Purchase Card Policies and Procedures*, to:
 - a. Require refresher training for all cardholders and credit card approving officials.
 - b. Require credit card approving officials to verify and certify their review of approved eBuy2 requests prior to approving cardholder expense purchase card monthly statements.
 - c. Incorporate the new eAccess purchase card account setup process.
 - d. Implement a process to verify that all cardholders and credit card approving officials have completed required training and all cardholders have a delegation of authority.

Management's Comments

Management did not state whether they agreed or disagreed with the findings; however, they agreed with recommendations 1, 2a, 2c, and 2d. Management disagreed with recommendation 2b and the projected monetary impact of \$337,738,558.

Management stated the purchase card program is a cost effective and efficient means of meeting Postal Service needs throughout the country. They referenced an RPMG Research Corporation's *2014 Purchasing Card Benchmark Survey Report*, which concluded that purchase cards generate administrative cost savings of about \$70 per transaction when compared to traditional purchase order/payment methods. Management pointed out that based on the OIG's universe of transactions for this audit report, this translates into estimated cost avoidance for the Postal Service of over \$65 million.

Management stated the OIG's objective was to assess the Postal Service's oversight of expense card purchases and payments; however, the findings and recommendations primarily concentrated on the administration of hardcopy documentation by the cardholder. Management acknowledged that certain files are missing documentation, but noted that documentation retention is not the primary means to determine if card use is proper. Rather, CCAO oversight of cardholder activity is the principle control. CCAOs ensure the card is not misused and that purchases are consistent with Postal Service policy.

Management stated that the OIG report's conclusions do not adequately acknowledge many of the program-wide controls that have been put in place to ensure Postal Service funds are properly used to meet operational needs. For example, the PSSC conducts reviews of goods or services (valued at \$25,000 or less) purchased using local buying authority and the purchase card. These reviews are conducted to ensure the purchases are in accordance with policies, and the PSSC is empowered to decline requisitions that do not comply. The PSSC has initiated reviews of cardholder file documentation and will continue these reviews on a quarterly basis to reinforce compliance.

Management also stated the PSSC monitors and reports timeliness of cardholder reconciliation and the CCAO's review of cardholder activities. Based on the circumstances, the PSSC can suspend either the cardholder or the CCAO for failure to

perform the required actions in a timely manner. Management further noted that the accounting service center conducts reviews of cardholder transactions to detect instances of stolen cards, fraud, personal use, overpayments, duplicate payments and compliance with policies.

While management agreed that a number of employee transactions were not properly documented within policy, management believes the OIG estimates of noncompliance are significantly overstated. Management stated the sample used for this audit is overly weighted toward the most infrequently used card accounts, from the most inexperienced cardholders. They further stated that although the OIG used a random sample for this audit, the sample and resultant findings are not representative of all cardholders, particularly the largest accounts representing the largest spend.

Management stated that the PSSC conducted a review of the top 20 highest volume accounts and found no documentation deficiencies within the 52 transactions sampled. Management asserted that even if the OIG's conclusions were correct regarding the infrequently used accounts, it is not appropriate to apply the same findings and associated recommendations to all accounts within the purchase card program.

Management further stated the projected monetary impact of \$337,738,558 is unreasonable. They stated the sample is biased towards infrequent small dollar users and the finding should not be a basis to project unsupported questioned costs across the universe of transactions.

Regarding recommendation 1, management agreed to reiterate to cardholders and CCAOs the current policy for retaining purchase card records and documentation. Management also stated they will use this report to benchmark other organizations with the objective of seeking improvements that further the Postal Service's business interests. They expect to complete the benchmarking by December 31, 2015. In the meantime, on July 20, 2015, the PSSC issued a communication nationally to cardholders and CCAOs to address proper purchase card documentation and retention and will continue to provide quarterly communications and alerts to reinforce the policy.

Regarding recommendation 2a, management agreed to reinstate the requirement for periodic refresher training for all account holders. Management's prior policy required refresher training every 3 years; however, the current policy requires refresher training when a card is suspended. Cardholders and CCAOs will now be required to complete refresher training when they reestablish their accounts through the eAccess system. The PSSC has already started this process in the Pacific Area and expects to complete the process nationally by December 31, 2016. Postal Service policy will be updated to include this requirement by March 31, 2016.

Regarding recommendation 2b, management disagreed with requiring CCAOs to verify and certify their review of approved eBuy2 requests prior to approving cardholders' purchase card monthly statements. They stated this requirement would be impractical for many CCAOs who are not co-located with the cardholders. Management reiterated current policy that requires cardholders to have an approved requisition before making a purchase and plans to continue to emphasize the CCAO's critical role in ensuring the expense card is used properly. Management also plans to benchmark other organizations and to review, assess and modify their policies and controls to seek improvements for the Postal Service. Benchmarking activities are to be completed by December 31, 2015. Policy updates, which would be contingent upon benchmarking results, would be included within the March 31, 2016 update.

Regarding recommendation 2c, management updated the Handbook AS-709 in February 2015 to incorporate the new eAccess purchase card account setup process. As a result of their corrective actions, management requested this recommendation be closed upon issuance of this report.

Regarding recommendation 2d, management agreed to use the eAccess system to track training requirements. The requirement will be rolled out nationally for all cardholders and CCAOs during fiscal years 2015 and 2016. Management estimates having all cardholders and CCAOs in the system by December 31, 2016. Approval or modification of a cardholder setup within eAccess will serve as the delegation of authority for the cardholder. The target implementation date is March 31, 2016.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1, 2a, 2c, and 2d in the report. Corrective actions in response to recommendations 1 and 2c have been completed and planned corrective actions for 2a and 2d should resolve the issues identified in the report.

Regarding recommendation 2b, we recognize management's continued emphasis on the CCAO's critical role in ensuring the expense card is used properly. We also agree with management's plan to benchmark other organizations and to review, assess, and update their policy with best practices. However, we believe management could further ensure purchases are proper by requiring CCAOs to verify and certify their review of all approved eBuy2 requests prior to approving purchase card monthly statements. More than 50 percent of the transactions we sampled were missing approved eBuy requests. These transactions were approved for payment by the CCAOs. Without such verifications, the Postal Service is at an increased risk of incurring unplanned and unauthorized costs. Based on management's proposed alternative action, we do not plan to take this recommendation to audit resolution. Rather, once management's benchmarking efforts are complete, we will evaluate the resulting actions.

Management stated that document retention is not the primary means of determining whether a purchase is proper but rather CCAO oversight of cardholder activity is the principle control. We agree that CCAO oversight is a key control for ensuring proper transactions; however, document retention plays an integral role in reducing the risk of improper or fraudulent purchase card usage.

Postal Service's purchase card policy requires cardholders to retain all supporting purchase documentation for 3 years from the date of each statement to prevent improper purchases. Under the current policy, CCAOs are not required to review all documentation for purchases but rather review the cardholder's monthly account statements and may request supporting documentation. Without reviewing the supporting documentation, CCAOs are not able to ensure purchases are made in accordance with policy. In addition, management stated their internal reviews also analyze supporting documentation for compliance with purchase card policy.

We support the program-wide controls management has put in place to ensure Postal Service funds are properly used to meet operational needs. We agree that internal reviews of purchase requests, file documentation and transactions should help improve program oversight. However, management did not provide documentation of these internal reviews or review results until after the audit concluded. Therefore, we could not assess the effectiveness of these reviews.

Regarding the monetary impact, our methodology involved transactions and not accounts or expenditures. We selected a random sample of transactions to determine the proportion of all transactions that had missing or incomplete documentation. To ensure equity and objectivity, we distributed the sample size proportionally by number of transactions per Postal Service area nationally. Specifically, our projected monetary impact calculation was based on 209 statistically selected transactions, of which 103 were missing required documents to support purchases.

We agree with management's corrective actions in response to recommendation 1 and we will close this significant recommendation with the issuance of this report. The OIG considers the remaining recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

*Click on the appendix title
to the right to navigate to
the section content.*

| | |
|---|----|
| Appendix A: Additional Information..... | 15 |
| Background | 15 |
| Objective, Scope, and Methodology | 16 |
| Prior Audit Coverage..... | 17 |
| Appendix B: Management’s Comments | 18 |

Appendix A: Additional Information

Background

The OIG received an anonymous allegation about improper use of the expense purchase card by cardholders in the Detroit District. Allegedly, cardholders were not using the card in accordance with the purchase card policy. Specifically, it was alleged that cardholders did not receive proper approval prior to making purchases.

The expense purchase card is the most commonly used purchase card in the Postal Service. Postal Service departments and post offices use the expense purchase card when day-to-day operational needs cannot be met through other sources such as catalogs and contracts. The expense purchase card can only be used by employees with a written delegation of authority to make local buys.

Local buying authority is the right to buy and pay for day-to-day operational needs. Such authority is available for purchases under \$10,000 that are not available through other sources. Local purchases may be made by employees who maintain written delegated local buying authority and with a properly approved purchase request from eBuy2. Using eBuy2 is mandatory for all purchase card transactions.

Prior to creating a purchase card account, cardholders and CCAOs must complete a series of training courses. Training course material covers purchase card policies and procedures as well as ethics and eBuy2 use. Handbook AS-709, the policy governing the purchase card program, gives authority to make purchases to certain higher ranking employees. The policy also requires a re-delegation of authority in writing when individuals in these positions assign others to make local buys.

Effective September 2014, the Postal Service automated the purchase card setup process to electronically verify training and delegations of authority through eAccess. Managers now electronically approve cardholders for expense purchase card accounts and submit the approval to the PSSC. Prior to that date, cardholders and their supervisors submitted requests to an APC for review and submission to the bank provider, U.S. Bank. The APC served as liaison between the Postal Service and U.S. Bank and was required to ensure that cardholders and CCAOs completed training prior to opening an account. The APC was also responsible for setting up accounts and maintaining cardholder account documentation.

Cardholders should keep accurate and complete records for all purchase card transactions for 3 years. These records must include an approved eBuy2 request, credit and sales receipts, delivery documentation (delivery ticket or packing slip), and any other documentation relating to the purchase. Cardholders are also responsible for reconciling their account statements and transactions electronically through the U.S. Bank at the end of the statement cycle. CCAOs must then review these transactions for final approval.

From December 31, 2012, to December 31, 2014, cardholders made 931,926 expense purchase card transactions totaling \$530.7 million.

Objective, Scope, and Methodology

Our objective was to assess the Postal Service's oversight of the expense card purchases and payments.

To accomplish our objective, we:

- Obtained a universe of 931,926 expense credit card purchases valued at \$530,731,972 made between December 31, 2012, and December 31, 2014.
- Statistically selected 209 transactions valued at \$72,333 for review in all seven Postal Service areas nationwide.
- Judgmentally selected eight cardholders in the Detroit District for review in response to an anonymous allegation of expense purchase card misuse.
- Judgmentally selected six cardholders in the Pacific Area for additional review based on indications of questionable purchases.
- Reviewed Postal Service criteria, guidelines, and procedures for expense purchase cards.
- Reviewed cardholder and CCAO training records.
- Requested and reviewed cardholders' written delegation of authorities.
- Reviewed expense card transaction files for required supporting documentation.
- Interviewed cardholders and their respective CCAOs and Postal Service personnel involved in the oversight of the expense purchase card program.

We conducted this performance audit from February through August 2015, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on July 1, 2015, and included their comments where appropriate.

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

Prior Audit Coverage

The OIG issued *Facilities Repair and Alteration Process* (Report Number [SMAR14-009](#), dated September 22, 2014), which found that, while controls over completed repairs and alterations using the national EMCOR Group Inc. contract were adequate, the Postal Service can improve controls over completed repairs and alterations paid for by credit card. Postmasters did not obtain written certification for 16 of 27 repairs and alterations costing over \$2,000 because they were not required to do so. We estimated the Postal Service paid \$22.2 million via credit card for repairs and alterations in fiscal year 2013 with no written certification that the work was completed. Also, the CCAO did not perform detailed reviews of credit card statement activity and other supporting documentation for any of the 113 credit card statements reviewed (valued at \$237,224).

The OIG recommended management update policies to require written certification of completion for repairs and alterations paid for by credit card and a detailed review of credit card activity. We also recommended management upgrade systems to reconcile general ledger transactions with repair project files. Management agreed with two of the three recommendations.

Appendix B: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



July 30, 2015

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Response – Oversight of Expense Purchase Cards
(Report Number SM-AR-15-DRAFT)

Thank you for the opportunity to review and comment on this audit of our expense purchase cards. The purchase card program brings a cost effective and efficient means of meeting the needs of the Postal Service throughout the country. It has allowed the Postal Service to make millions of small dollar value purchases for day-to-day operational needs in an efficient and timely manner. According to RPMG Research Corporation's 2014 Purchasing Card Benchmark Survey report, purchasing cards generate administrative cost savings of about \$70 per transaction when compared to traditional purchase order/payment methods. Based upon the universe of transactions for this OIG audit report (931,926 transactions), this translates into an estimated cost avoidance for the Postal Service of over \$65 million.

The objective of the Office of Inspector General (OIG) report was to assess the Postal Service's oversight of expense card purchases and payments; however, its findings and recommendations concentrate primarily on the administration of hardcopy documentation by the cardholder. We acknowledge that certain files are missing documentation, but based on the audit findings cannot conclude that approvals were not obtained or items were not received. Documentation retention is not the primary means to determine if card use is proper, but rather the Credit Card Approving Official (CCAO) oversight of the cardholder activity is the principle control. Postal Service Handbook AS-709, *Local Buying and Purchase Card Policies and Procedures* establishes the policies, procedures and controls for local buying and purchase card transactions. Our current policy requires the CCAO to manage and monitor purchase card activity of an individual or group of cardholders and ensure that the card is not misused and cardholder purchases are consistent with purchase card policy.

As stated in chapter 2-6.6, the CCAO does the following: (1) reviews cardholder monthly statements and may request from the cardholder any and all documentation; (2) challenges questionable purchases; (3) performs the final approve/rejection function for all cardholder's monthly transactions; and (4) certifies that the cardholder completes his/her monthly reconciliation. To our knowledge, over the last 22 months, just two CCAO's out of 6,800 failed to review and certify cardholder account reconciliations in a timely manner.

Additionally, the OIG report's conclusions do not adequately acknowledge many of the program-wide controls that have been put in place to ensure Postal Service funds are properly used to meet operational needs. For example, the Purchasing Shared Services Center (PSSC) conducts demand management reviews of all off-catalog eBuy2 requests (i.e. requisitions for the purchase of goods or services using local buying authority and the purchase card) valued at \$25,000 or less. These reviews are conducted to ensure purchases are in accordance with relevant policies and the PSSC is empowered to decline requisitions that are not in compliance. The PSSC has initiated reviews of cardholder file documentation and will continue these reviews on a quarterly basis to reinforce policy.

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

compliance. The Accounting Service Center (ASC) in San Mateo has been conducting reviews of cardholder transactions to detect instances of stolen cards, fraud, personal use, overpayments, duplicate payments, and compliance with policies. Postal Service policy has established individual dollar spending limits for each cardholder account (individual transaction and monthly limits) and these limits are now being documented and approved within the Postal Service's eAccess system. Credit card company regulations require a supplier/merchant to obtain authorization for each purchase. Transactions must be in accordance with assigned spending limits and for a proper Merchant Category Code (MCC), otherwise, the supplier/merchant will not be authorized to accept the Purchase card. Through fraud detection efforts, the Postal Service, working with our bank provider, has blocked certain MCC's.

Through the use of the card provider's on-line access system, cardholders, CCAO's and the PSSC have visibility into transactions as they are posted to the bank's system. Transaction posting occurs as frequently as daily and affords the opportunity for additional oversight of transactions. In the event of mischarges or erroneous transactions, a card transaction dispute can be initiated at the initial posting, thereby significantly reducing potential exposure to improper charges. The PSSC also monitors and reports on the timeliness of the cardholder reconciliation and the CCAO's review of the cardholder activities. Based on the circumstances, the PSSC can suspend either the cardholder or the CCAO for their failure to perform the required actions in a timely manner.

Unfortunately, the OIG report found one instance of a single cardholder making purchases for personal use (per the OIG this was for three purchases totaling \$173.63). This was one cardholder of the 209 sampled from the cardholder population of approximately 34,000 accounts active at the time of the audit. Our policy in Handbook AS-709, chapter 1-4.1 Individuals Delegated Local Buying Authority, is clear that purchases made with the expense card are only for official Postal Service use and may not be used for personal purchases or personal gain. We view any instance of improper use as a serious matter and this account was immediately suspended and referred for further investigation.

While we agree that a number of employees' transactions were not properly documented within policy, we believe that the OIG estimates of noncompliance are significantly overstated. The OIG used a random sample for this audit with a seven percent +/- margin of error. This requires that the sampling done be accurately representative of the population characteristics of our purchase card transactions and account activity. There are approximately 34,000 Postal Service purchase card accounts. Sixty percent (60%) of all purchase card transactions are made by just 4,000 card accounts. They also account for 80 percent of all purchase card expenditures. The OIG sampled only 14 percent of transactions from these accounts. Eighty-six percent (86%) of their sample was taken from the other 40 percent of all purchase card transactions made by the remaining 30,000 accounts that account for only 20 percent of all purchase card expenditures. Sixty-two percent (62%) of these 30,000 accounts make less than six transactions per year; therefore, the sample is overly weighted toward the most infrequently used card accounts from the most inexperienced cardholders. Although the OIG used a random sample, it is our position that the random sample and the resultant OIG findings are not representative of all cardholders, particularly the largest accounts representing the largest spend. During the course of this audit, the PSSC conducted a review of the top 20 highest volume accounts and found no documentation deficiencies within the 52 transactions sampled. Therefore, even if the OIG's conclusions were correct regarding the infrequently used accounts, it is not appropriate to apply the same findings and associated recommendations to all accounts within the Postal Service Purchase Card Program.

We have addressed the monetary impact and recommendations individually below.

Monetary Impact

As discussed above, management disagrees with the projected monetary impact of \$337,738,558 as unsupported, questioned costs. First, as noted above, our principle control over these transactions is the review and certification of accounts by the CCAO's. This review provides a strong control over

spending and it is highly unlikely that any significant amount of expenditures is questionable (per the OIG finding of one cardholder who had three transactions for personal use totaling \$179.83). The OIG categorization of monetary impact, unsupported, questioned costs, portrays an inaccurate picture of purchases made with the expense card.

Also, this projection of monetary impact is unreasonable since it is from an unrepresentative population sample in which 86 percent of transactions sampled were taken from 40 percent of all purchase card transactions made from the 30,000 accounts responsible for only 20 percent of all purchase card expenditures.

In our assessment, the sample is biased towards infrequent small dollar users and this finding should not be a basis to project unsupported questioned costs across the universe of transactions.

OIG Recommendations

We recommend the Vice President, Supply Management:

Recommendation 1: Reiterate to cardholders and credit card approving officials the requirements for retaining purchase card transaction records and supporting documentation.

Management Response/Action Plan: As stated above, the primary control to ensure proper card use is the oversight of the CCAO. We will use this report as an opportunity to benchmark other organizations, review, assess and modify our policies and/or controls with the objective of seeking improvements that further the business interests of the Postal Service. We expect to complete this benchmarking by December 2015. However, in the meantime and based upon findings in this report regarding current documentation requirements, management agrees to reiterate current policy. The PSSC has issued a communications nationally to cardholders and CCAO's to reiterate the requirements for proper documentation and retention in accordance with the current policy. This will include guidance reminding cardholders that they must have an approved eBuy2 for purchases (for emergency purchases this can be after the fact) and must retain supporting documentation in the form of charge or sales receipts and/or delivery documentation. The PSSC will also continue with quarterly communications and specific alerts to all cardholders and CCAO's to reinforce policy.

Target Implementation Date: A communication on our current policies was issued July 20, 2015

Responsible Official: Manager, Supply Management Infrastructure

Recommendation 2: Update Handbook AS-709, Local Buying and Purchase Card Policies and Procedures, to:

- a. Require refresher training for all cardholders and credit card approving officials.

Management Response/Action Plan: Management agrees. Our prior policy included the requirement for refresher training every three years and our current policy requires refresher training under card suspension circumstances. However, managing and tracking of this particular training requirement was a manual process. We will incorporate a requirement for periodic refresher training for all account holders back into the policy. As cardholders and CCAO's reestablish their accounts through our eAccess system, these individuals will be required to take refresher training. The PSSC has already begun this process with the Pacific Area and expects to complete this process on a national basis by December 2016.

Target Implementation Date: Handbook AS-709 will be updated to include the requirement for periodic refresher training requirement for all cardholders and CCAO's, March 2016

Responsible Official: Manager, Supply Management Infrastructure

- b. Require credit card approving officials to verify and certify their review of approved eBuy2 requests prior to approving cardholder expense purchase card monthly statements.

Management Response/Action Plan: Management disagrees with this recommendation as stated. Current policy requires cardholders to have an approved requisition before making a purchase and in accordance with our response to recommendation 1, management has reiterated to account holders the current policy to obtain an approved eBuy2 requisition for purchases which includes review and approval of the requisition by the requestor's management. Requiring CCAO's to verify and certify review of all approved eBuy2 requests (on a post purchase basis) would be impractical for the many CCAO's whose cardholders are not colocated. As stated above, the primary control to ensure proper card use is the activities of the CCAO. Through periodic communications from the PSSC, we will continue to emphasize to the CCAO's the critical nature of their responsibilities to ensure the expense card is properly used. We will benchmark other organizations, review, assess, and modify our policies and/or controls with the objective of seeking improvements that further the business interests of the Postal Service.

Target Implementation Date: In accordance with recommendation 1, communication on current policy requirements was issued July 2015. Benchmarking activities to be completed December 2015. Policy updates would be contingent upon benchmarking results and would be included within the March 2016 update.

Responsible Official: Manager, Supply Management Infrastructure

- c. Incorporate the new eAccess purchase card account setup process.

Management Response/Action Plan: Management agrees. This change was incorporated within Handbook AS-709 in February 2015, Chapter 2, *The Purchase Card*. We request closeout of this recommendation at issuance of the final report.

Target Implementation Date: Completed

Responsible Official: Manager, Supply Management Infrastructure

- d. Implement a process to verify that all cardholders and credit card approving officials have completed required training and all cardholders have a delegation of authority.

Management Response/Action Plan: Management agrees. In coordination with recommendation 2.c. above, the Postal Service will use the eAccess system to establish, approve, and maintain cardholder's daily and monthly spending authorities for the purchase card and use to assist in tracking training requirements. The PSSC will roll this requirement out nationally for all cardholder and credit card approving official accounts during fiscal years 2015 and 2016 with an estimate of having all cardholders and CCAOs within the eAccess system by December 2016. Approval or modification of a cardholder setup within eAccess will serve as the delegation of purchasing authority for the cardholder. This process will be incorporated into the next update to Handbook AS-709.

Target Implementation Date: Handbook AS-709 will be updated March 2016

Responsible Official: Manager, Supply Management Infrastructure

Susan M. Brownell

cc: Manager, Corporate Audit Response Management



Contact us via our [Hotline](#) and [FOIA](#) forms, follow us on social networks, or call our Hotline at 1-888-877-7644 to report fraud, waste or abuse. Stay informed.

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