



November 8, 2007

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT

SUBJECT: Interim Audit Report – National Review of SmartPay Purchase Card Transactions (Report Number CA-AR-08-002)

This report presents the interim results of our nationwide audit of SmartPay purchase card transactions¹ (Project Number 07YS007CA001). This audit was self-initiated, based on U.S. Postal Service Office of Inspector General (OIG) data-mining initiatives.

Background

In November 1991, the Postal Service joined the government-wide Commercial Credit Card Program under the General Services Administration (GSA). The contractor for this program is U.S. Bank, Minneapolis, Minnesota, and the card company is VISA®. The program within the Postal Service is called the SmartPay Purchase Card Program. The Postal Service pays no administrative fees for the services U.S. Bank provides and earns refunds based on the aggregate volume of Postal Service transactions. The purchase card was, until recently, referred to as the International Merchant Purchase Authorization Card (IMPAC).

The SmartPay purchase card is the primary means of using delegated local buying authority (the authority to buy and pay for day-to-day operational needs) when needs cannot be satisfied through existing assets or eBuy.² A single credit card transaction may not be greater than \$10,000. The Postal Service currently issues five types of purchase cards to employees:

¹ Our audit excludes the transactions of Postal Service executives. The OIG Financial Reporting Directorate is conducting an audit of executives' use of the SmartPay purchase card.

² eBuy is an electronic commerce portal that provides Postal Service employees with electronic requisitioning, approval, and invoice certification capability. It is the Postal Service's preferred method of order placement.

- a. Cards to purchase expense items.
- b. Cards to purchase capital property.
- c. Cards issued only to vehicle maintenance facilities for the purchase of vehicle parts.
- d. Cards issued only to select Postal Service Topeka Material Distribution Center employees for the purchase of inventory parts.
- e. Cards issued only to select Postal Service Engineering employees for the purchase of research and development equipment and supplies.

Supply Management Infrastructure (SMI), under the Vice President, Supply Management, maintains Handbook AS-709, *Credit Card Policies and Procedures for Local Buying*, and is responsible for nationwide administration of the SmartPay Purchase Card Program.

Objectives, Scope, and Methodology

The objectives of our audit were to determine if purchase card transactions were supported and allowable in accordance with Postal Service policies and procedures. The scope of our audit is limited to cards the Postal Service issues to personnel to purchase expense items. To accomplish these objectives, we judgmentally and statistically selected transactions based on anomalies or fraud indicators. We reviewed 355 purchase card transactions made by 138 individual cardholders from December 2006 through February 2007, totaling \$757,837. We requested documentation from cardholders to support these transactions. We traced supporting documentation to recorded purchase card transactions to confirm the validity of the transactions. We also reviewed Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls and data reliability. We discussed observations with credit card approving officials (CCAO) and cardholders when appropriate.

We conducted this performance audit from December 2006 through November 2007 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with SMI officials on September 6, 2007, and included their comments where appropriate. We relied on data obtained from Postal Service database systems. We did not audit these systems directly, but performed a limited review of data integrity to support our reliance on the data.

Prior Audit Coverage

The OIG has issued three audit reports in the last year related to the objectives of our audit. We have included the details of these reports in Appendix A.

Results

Our audit disclosed weaknesses in internal controls over purchases. We reviewed 355 transactions made by 138 cardholders. Of those reviewed, 42 cardholders had 79 transactions, totaling \$172,879, which were not supported or allowable in accordance with Postal Service policies and procedures. (See Table 1.³) Specific concerns were:

- Twenty-five of the 42 cardholders had 37 transactions, totaling \$45,474, which did not have an approved purchase request or proper written justifications. One of these 25 cardholders also paid \$1,443 for meals and refreshments that did not comply with Postal Service policy.
- Sixteen of the 42 cardholders had 35 transactions, totaling \$115,885, in which they either acted in the capacity of the CCAO, or had missing credit card logs or missing or unreconciled monthly bank statements.
- Four cardholders improperly made split purchases to avoid the \$10,000 per transaction spending limit.⁴

Table 1. Unsupported or Unallowable Transactions

Finding	Number of Cardholders	Number of Transactions	Dollar Value for Sample	Projected Value for Universe
Unsupported Questioned Cost ⁵	25	37	\$45,474	\$243,183
Unallowable Questioned Cost ⁶	N/A ⁷	5	1,443	N/A
Disbursements at Risk ⁸	16	35	115,885	177,143
Split Purchases	1	2	10,077	N/A
TOTAL	42	79	\$172,879	\$420,326

³ These cardholders also had additional transactions with non-compliance issues that we report in other findings.

⁴ Four cardholders improperly split purchases to avoid the \$10,000 per transaction spending limit. However, three of the four cardholders' transactions also included non-compliance issues related to unsupported questioned costs and disbursements at risk. Therefore, to avoid duplication, we only included one cardholder in the count for split purchases.

⁵ Unsupported questioned costs include transactions with non-compliance issues, such as no approved purchase request, inadequate justification, or cardholder acts as requirements approving official.

⁶ Unallowable questioned costs represent meals and refreshment purchases that did not comply with Postal Service policy.

⁷ This cardholder had additional transactions included in unsupported questioned costs.

⁸ Disbursements at risk include transactions with non-compliance issues, such as cardholder acts as CCAO, missing credit card log, or missing/unreconciled monthly statement.

These 79 transactions were not made in accordance with Handbook AS-709 policies. Cardholders did not comply with Handbook AS-709 because, in general, they were not aware of the guidelines or did not maintain organized files. In some instances, management instructed cardholders to make the purchase regardless of compliance issues.

As a result, the Postal Service may have wasted funds, and if the control weaknesses continue, funds may be at risk in the future. Overall, we identified:

- A monetary impact of \$1,443 in unallowable questioned costs related to purchase card transactions for meals and refreshments that did not comply with Postal Service policy.
- A monetary impact of \$45,474 in unsupported questioned costs related to missing approval of purchase requests, inadequate justification, and the cardholder acting as the approving official. The projected value of unsupported questioned costs for the universe of transactions tested is at least \$243,183.
- A non-monetary impact of \$115,885 in disbursements at risk related to missing credit card logs, missing or unrecognized monthly statements, and cardholders who certified their own credit card statements. The projected value of disbursements at risk for the universe of transactions tested is at least \$177,143.

We will report these questioned costs and disbursements at risk in our *Semiannual Report to Congress*. The determination of supported and unsupported questioned costs and disbursements at risk is based on significant internal controls not properly applied to the transactions. (See Appendices B and C.) We have included our summary of transactions of supported and unsupported questioned purchases and disbursements at risk by area in Appendix D.

Purchases Without Approval and Written Justification

Overall, 25 cardholders had 37 transactions, totaling \$45,474, that were not approved or did not have proper written justification. (See Table 2.)

Table 2. Purchases Without Approval and Written Justification

Non-Compliance Issue	Number of Cardholders	Number of Transactions	Dollar Value
No Approved Purchase Request	21	29	\$36,173
Inadequate Justification	2	2	728
No Approved Purchase Request and Inadequate Justification	1	5	8,510
Cardholder = Requirements Approving Official ⁹	1	1	63
TOTAL	25	37	\$45,474

- Twenty-one cardholders had 29 transactions, totaling \$36,173, which were not appropriately approved through eBuy, bulk funding, or submission of Postal Service (PS) Form 7381, Requisition for Supplies, Services, or Equipment. Cardholders had various reasons for not obtaining an appropriately approved purchase request. One cardholder stated that she thought a verbal agreement was sufficient; two cardholders stated that their approval was mandated in a memorandum from Finance; six cardholders were unaware of the approved purchase request requirement; and one stated that his manager does not require him to get approval for purchases under \$50. According to Postal Service policy, cardholders must submit approved purchase requests through the eBuy online requisition and approval feature. When eBuy is not available, cardholders may process purchase requests using a PS Form 7381 that is signed by their approving official.¹⁰
- Two cardholders had two transactions, totaling \$728, which had missing or inadequate justification for their purchases. These cardholders had approved purchase requests, but did not have adequate justification for the purchases. Postal Service policy requires that cardholders provide a rationale for purchases at the time of eBuy, bulk funding, and PS Form 7381 approval.¹¹
- One cardholder had five transactions, totaling \$8,510, which had a combination of non-compliance issues. The cardholder did not submit an approval request in eBuy or a PS Form 7381 for a \$7,500 purchase and had four other purchases for meals and refreshments, totaling \$1,010, which did not have adequate justification. The cardholder stated she was not aware that she needed to submit an eBuy approval request and had received an approved bulk funding request signed by the District Manager.

⁹ The functions of the CCAO and the requirements approving official are not the same. The CCAO's authority applies only to managing and monitoring cardholder accounts, while the requirements approving official's applies to the approval of the purchase request.

¹⁰ Handbook AS-709, Section 332.11-332.12.

¹¹ Handbook AS-709, Exhibit 3.1, *Purchase Request for an Individual Purchase*, line 12.

- One cardholder approved his own request for a \$63 purchase because a new approving official was not designated after his former approving official retired. According to Postal Service policy, cardholders may not approve their own purchase request.¹²

Purchases missing an approved purchase request, those with inadequate justification, and purchases for which a cardholder acts, as both cardholder and approving official are significant internal control weaknesses. As a result, we identified a monetary impact of \$45,474 in unsupported questioned costs, and the projected value of unsupported questioned costs for the universe of transactions tested is at least \$243,183.

Furthermore, one of the 25 cardholders also improperly used the purchase card to buy meals and refreshments, totaling \$1,443, for a business meeting and training sessions. The cardholder's manager stated the meals were purchased for these events because of the timeframe of the meeting. However, these events lasted less than 8 hours. Postal Service guidelines advise employees to avoid scheduling business meetings that overlap the normal lunch period.¹³ These purchases were not reasonable and cost beneficial for the Postal Service, so we classified the \$1,443 purchase as questionable costs.

Recommendations

We recommend the Vice President, Supply Management, instruct agency program coordinators to reiterate to credit card approving officials and cardholders:

1. The importance of obtaining proper approval and submitting proper justification to support purchase card transactions.
2. The current Postal Service policies regarding the purchase of meals and refreshments.

Missing Reconciliation and Credit Card Logs

Overall, 16 cardholders had 35 transactions, totaling \$115,885, that had either missing credit card logs or missing/unreconciled monthly bank statements, or where the cardholder had certified his own monthly bank statement, which is the responsibility of the CCAO. (See Table 3.)

¹² Handbook AS-709, Section 332.11.

¹³ Management Instruction, Payment for Meals and Refreshments, FM -640-2001-4.

Table 3. Missing Reconciliations and Credit Logs

Non-Compliance Issue	Number of Cardholders	Number of Transactions	Dollar Value
Cardholder = CCAO Official ¹⁴	1	1	\$357
Missing Credit Card Log	11	28	94,758
Missing/Unreconciled Monthly Statement	4	6	20,770
TOTAL	16	35	\$115,885

- We reviewed a \$357 purchase and found that the cardholder reconciled and signed the monthly statement as the CCAO. The cardholder stated that he was unaware the CCAO should certify and sign the U.S. Bank statement. Postal Service policy states the CCAO is responsible for ensuring that the purchase card is not misused and that the appropriate payment was made to U.S. Bank; a cardholder may also be designated as a CCAO, but never for his own credit card.¹⁵
- Eleven cardholders had 28 transactions, totaling \$94,758, which were missing credit card logs. Several cardholders stated they were unaware of the credit card log requirement or did not maintain organized files. According to Postal Service policy, each purchase must be entered on a Credit Card Buying Log.¹⁶
- Four cardholders had six transactions, totaling \$20,770, with missing or unreconciled monthly statements. One cardholder stated he was missing the CCAO’s signature on his monthly bank statement because the former CCAO did not assign a new CCAO upon leaving the Postal Service. Postal Service policy states that a cardholder whose CCAO departs must be assigned a new one within 90 days. Further, several cardholders did not maintain monthly statements or were unaware of the policy. U.S. Bank Statement of Account must be documented in the purchasing files.¹⁷

Cardholders acting as both cardholder and CCAO, purchases missing or having unreconciled monthly statements, and purchases not documented on a credit card log are deemed disbursements at risk. Our audit identified \$115,885 in disbursements at risk; the projected value of disbursements at risk for the universe of transactions tested is at least \$177,143.

¹⁴ The CCAO is responsible for managing and monitoring the credit card activity of a group of cardholders. The CCAO is also responsible for ensuring the card is not misused and the appropriate payment was made to U.S. Bank. The responsibilities may only be delegated to another trained CCAO. Handbook AS-709, Section 177.

¹⁵ Handbook AS-709, Section 177-178.

¹⁶ Handbook AS-709, Section 335.2.

¹⁷ Handbook AS-709, Section 177.

Recommendations

We recommend the Vice President, Supply Management, instruct agency program coordinators to reiterate to credit card approving officials and cardholders:

3. The roles and responsibilities of the credit card approving officials and the procedure for credit card approving officials to delegate their responsibilities in the event of an extended absence.
4. The importance of maintaining complete supporting documentation for purchase card transactions.

Purchases Were Split to Avoid Spending Limitations

Four cardholders, including three cardholders previously mentioned in this report, had nine transactions, totaling \$58,908, for large purchases they divided into smaller ones to avoid the credit card purchase spending limit of \$10,000. For example:

- Cardholders split two vendor invoices of \$16,253 and \$18,182 for waste management services into four transactions.
- Cardholders split another purchase of \$10,077 for cardiopulmonary resuscitation (CPR) training into two payments of \$2,202 and \$7,875.
- Another cardholder split payment into three transactions of \$4,799 to purchase CPR training.

Cardholders indicated they were aware of the purchase limitation, but management instructed them to make the purchase payments. The single-transaction purchase limit for credit card purchases is \$10,000 and cardholders must not split purchases to avoid this limit. Payments for services that exceed this limit must be obtained by another purchasing and payment method unless appropriate approvals are obtained.¹⁸ Splitting such purchases may preclude the Postal Service from obtaining the best value for these purchases. Further, such circumvention may lead to a higher risk for impropriety.

Recommendation

We recommend the Vice President, Supply Management, instruct agency program coordinators to reiterate to credit card approving officials and cardholders:

5. To adhere to policy that explicitly states not to split purchases to circumvent the cardholder's assigned single transaction limits.

¹⁸ Handbook AS-709, Section 182.1

Management's Comments

Management agreed with our findings and recommendations. Management stated that before the end of calendar year 2007, they would require area program coordinators to reinforce the program policies and procedures to cardholders and credit card approving officials. In addition, management stated the characterization of \$46,917 as questioned costs appears to be reasonable and they did not disagree with the classification of \$115,885 as non-monetary disbursements at risk. However, they opposed our projection of unsupported questioned costs and disbursements at risk. They did not agree with using projected calculations when the transaction sample was, in part, judgmentally selected and when the issues found are generally due to human error and are extremely difficult to predict with any reasonable amount of certainty. Management's comments, in their entirety, are included in Appendix E.

Evaluation of Management's Comments

Management's comments are responsive to our recommendations. Management's proposed actions should correct the issues identified in the finding.

Regarding management's disagreement with our projection of questioned costs and disbursements at risk, we believe our computation methodology adequately addresses for their concerns. From the universe of 15,647 SmartPay purchase card transactions (initially identified as having potential anomalies or fraud indicators) we reviewed a total of 355 transactions that occurred between December 2006 and February 2007. Of these, we judgmentally selected 266 transactions but did not use them in our projections. For the remaining universe of 15,381 transactions, we projected our results from 89 transactions that we selected through a random stratified, statistically valid sample, using a 90 percent confidence level. Because of the large variability¹⁹ observed in the stratified sample, we conservatively reported only the lower bound of the confidence interval, \$243,183 of unsupported questioned costs and \$177,143 of disbursements at risk.

¹⁹ The achieved precision was poor. The margin of error was ± 58 percent for the projection of unsupported questioned costs, and ± 51 percent for the projection of disbursements at risk.

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

E-Signed by Darrell E. Benjamin, 
VERIFY authenticity with ApproveIt

Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Support Operations

Attachments

cc: Vice Presidents, Area Operations
Marie Martinez
Katherine S. Banks

APPENDIX A

PRIOR AUDIT COVERAGE

Interim Audit Report – Fiscal Year 2007 Financial Installation Audit – International Merchant Purchase Authorization Card – Gateway District – St. Louis, Missouri (Report Number FF-AR-07-179, dated June 5, 2007). The audit identified internal control weaknesses over credit card purchases made by Gateway District personnel. District approving officials and purchase cardholders did not reconcile or certify 86 monthly statements and track purchases, as required. In addition, district management did not monitor and track gift card awards totaling \$1,350. Purchase cardholders did not use approved vendors to purchase gift cards totaling \$16,120; did not maintain adequate supporting documentation for \$8,288 in purchases; and did not use the post-certify payment system to pay invoices totaling \$1,192 for Postal Service-issued cellular phones and home Internet service. As a result, we identified a total monetary impact of \$8,363 for unrecoverable questioned costs related to unsupported transactions and a total non-monetary impact of \$68,852 for assets at risk related to uncertified credit card statements. Management agreed with our findings and took immediate proactive action on several of the issues we identified during the audit.

Interim Audit Report – Fiscal Year 2007 Financial Installation Audit – IMPAC – Dallas District, Coppell, Texas (Report Number FF-AR-07-122, dated March 19, 2007). The audit identified internal control weaknesses over IMPAC purchases made by the Dallas District personnel. IMPAC cardholders did not maintain required supporting documentation for \$151,371 in purchases; made purchases totaling \$12,527 that were not properly authorized or justified; and did not reconcile purchases to statements and track purchases. We identified a monetary impact of \$163,898 for unrecoverable questioned costs. Management agreed with the findings and recommendations.

Interim Audit Report – IMPAC Card Purchases – San Francisco District, San Francisco, California (Report Number FF-AR-07-207, dated July 20, 2007). The audit identified internal control weaknesses over IMPAC purchases made by San Francisco District personnel. The district implemented a local procedure to keep track of IMPAC expenses that involved charging incorrect finance numbers. In addition, IMPAC cardholders purchased 366 items totaling \$309,365 that were not approved, supported, or authorized. Furthermore, cardholders did not always track purchases and follow IMPAC policies and procedures. We identified a monetary impact of \$144,759 for unrecoverable questioned costs and a non-monetary impact of \$22,513 for disbursements at risk. Management agreed with the findings and recommendations.

APPENDIX B

MONETARY IMPACT SUMMARY

The OIG determined that two cardholders made purchases totaling \$1,443 for meals and refreshments for business meetings that could have been scheduled during time periods other than lunch. The OIG identified purchase card transactions totaling \$45,474 for transactions with missing approved requests or inadequate justification or where the credit cardholder approved his own transaction.

From the universe of 15,647 SmartPay purchase card transactions which triggered anomalies or fraud indicators, we reviewed a total of 355 transactions that occurred between December 2006 and February 2007. Of the 355 transactions, 266 transactions were judgmentally selected and not used in our projections. For the remaining universe of 15,381 transactions, we projected our results from 89 transactions that were selected by a random stratified, statistically valid sample, using a 90 percent confidence level. Because of the large variability²⁰ observed in the stratified sample, we are conservatively reporting only the lower bound of the confidence interval. Therefore, we are claiming a total of \$244,626 in questioned costs, \$243,183 as unsupported questioned costs and \$1,443 as unallowable questioned costs, which we will report in our *Semiannual Report to Congress*. This table represents the monetary impact identified during the audit, rounded to the nearest dollar.

Rec. No.	Finding Title	Unallowable Questioned Costs	Total Questioned Costs
2	Restricted Purchases	\$1,443	
Subtotal		\$1,443	\$1,443²¹
		Unsupported Questioned Costs	
1	Missing Approved Purchase Request	\$36,173	N/A
1	Inadequate Justification	\$728	N/A
1	No Approved Purchase Request and Inadequate Justification	\$8,510	N/A
1	Cardholder = Approving Official	\$63	N/A
Subtotal		\$45,474	\$243,183
Total		\$46,917	\$244,626

²⁰ The achieved precision was poor, with a margin of error of ±58 percent.

²¹ The \$1,443 was the actual dollars for the Unallowable Questioned Costs; this dollar amount was not projected.

APPENDIX C NON-MONETARY IMPACT SUMMARY

The OIG identified purchase card transactions totaling \$115,885 for missing credit card logs, missing/unreconciled bank statements and the credit cardholder certifying his own bank statements.

From the universe of 15,647 SmartPay purchase card transactions which triggered anomalies or fraud indicators, we reviewed a total of 355 transactions that occurred between December 2006 and February 2007. Of the 355 reviewed transactions, 266 transactions were judgmentally selected and not used in our projections. For the remaining universe of 15,381 transactions, we projected our results from 89 transactions that were selected by a random stratified, statistically valid sample, using a 90 percent confidence level. Because of the large variability²² observed in the stratified sample, we are conservatively reporting only the lower bound of the confidence interval. Therefore, we project there was at least \$177,183 of disbursements at risk, which we will report in our *Semiannual Report to Congress*.

This table represents the non-monetary impact identified during the audit, rounded to the nearest dollar.

Non Monetary Impact			
Rec. No.	Finding Title	Disbursements at Risk	Projection
3	Cardholder = Credit Card Approving Official	\$357	N/A
4	Missing Credit Card Log	94,758	N/A
4	Missing/Unreconciled Monthly Statement	20,770	N/A
Total		\$115,885	\$177,183

²² The achieved precision was poor, with a margin of error of ±51 percent.

APPENDIX D

**SUMMARY OF QUESTIONED COSTS AND DISBURSEMENTS
AT RISK BY AREA**

The following tables present a summary by area of questioned costs and non-compliance issues that place Postal Service disbursements at risk.

Area	Transactions Reviewed	Questioned Costs						Disbursements at Risk		
		Meals/ Refreshments	No Approved Purchase Request	Inadequate Justification for Purchase	No Approved Purchase Request and Inadequate Justification	Cardholder = Requirements Approving Official	Cardholder = CCAO	Missing Credit Card Log	Monthly Statement Issues	Total
Capital Metro	6	0	1	0	0	0	0	1	0	2
Eastern	24	0	2	0	0	0	0	9	0	11
New York Metro	50	5	4	0	5	0	0	0	4	18
Northeast	26	0	7	2	0	1	1	1	0	12
Great Lakes	29	0	2	0	0	0	0	1	1	4
Pacific	31	0	4	0	0	0	0	3	0	7
Southeast	42	0	2	0	0	0	0	9	0	11
Southwest	37	0	5	0	0	0	0	1	1	7
Western	110	0	2	0	0	0	0	3	0	5
TOTAL:	355	5	29	2	5	1	1	28	6	77

APPENDIX E. MANAGEMENT'S COMMENTS

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



October 10, 2007

DARRELL E. BENJAMIN, JR.

SUBJECT: Draft Audit Report – National Review of SmartPay Purchase Card Transactions
Report Number CA-AR-07-DRAFT

We have completed our review of the subject September 14 draft audit report and appreciate the adjustments made by your audit team following the exit conference on July 30. The limited number of findings in this nationwide report, where cardholder transaction selection was based on anomalies or fraud indicators, provides confirmation that program policies, controls, and oversight are working. Your report also reinforces that continuous communication, assessment, and process improvement are always necessary in a program of this size. During FY2007, the purchase card program included over 40,000 cardholders and 13,000 credit card approving officials (CCAO) who were responsible for managing about 100,000 transactions with an average value of \$33 million each month.

We do agree with the report's five recommendations to reiterate key existing policies and procedures to our agency program coordinators (APC). Cascading your final report to the APCs and asking that they share with their assigned cardholders and CCAOs will provide an opportunity to reinforce the important program policy and procedural issues raised during this review. This cascade action will take place following issuance of your final report and should be completed before the end of the calendar year.

Your characterization of \$46,917 as questioned costs (\$1,443 supported and \$45,474 unsupported monetary impact) appears to be reasonable. Further, we do not disagree with your classification of \$115,885 within the new nonmonetary "disbursements at risk" category. Based on the report descriptions for charge transactions included in this category, we would further classify the risk associated with these disbursements as very low. However, we do not agree with using projection calculations when the transaction sample was in part judgmentally selected, and the type of issues found are generally due to human error and are extremely difficult to predict with any reasonable amount of certainty. Therefore, we do not agree with your additional monetary impact projections of up to \$243,259 in unsupported questioned costs and \$177,888 as disbursements at risk.

This report does not contain proprietary business information and may be disclosed under the Freedom of Information Act (FOIA). Marie Martinez, of Supply Management, will monitor implementation of the report recommendations. She can be reached at (202) 268-4117.

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

cc: H. Glen Walker
Vice Presidents, Area Operations
Marie K. Martinez
Katherine S. Banks

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