

Controls Over Purchase Card Facility Repairs

AUDIT REPORT

Report Number 24-057-R25 | October 31, 2024



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Highlights

Background

The U.S. Postal Service uses expense purchase cards, which allow Facility and Architect Engineers, also known as project managers (PM), to make local purchases for operational needs. During fiscal years 2021 to 2023, the Postal Service paid approximately \$257.6 million in expense purchase card payments to vendors. To support the investment associated with the Postal Service's facilities modernization efforts, the Postal Service increased the purchase card spending threshold from \$10,000 to \$25,000 in April 2024. Maintaining effective controls is critical to ensuring expense purchase card transactions are valid and authorized.

What We Did

Our objective was to evaluate expense purchase card usage and controls for facility repair expenses. We assessed compliance with and sufficiency of existing controls.

What We Found

While the Postal Service has internal controls to govern expense purchase card usage, some controls and policies were not effective to ensure transactions for facility repairs complied with those policies. Specifically, credit card approving officials (CCAO) and PMs did not maintain expense purchase card supporting documentation for 252 of 890 transactions (28 percent). We also found PMs processed three split payments and 33 of 40 PMs processed payments in batches, which delayed payments and made it difficult for approvers to identify policy violations. These issues occurred due to (1) the CCAOs inconsistent awareness of document retention policies, (2) a lack of guidance advising PMs where to maintain the documentation, (3) no centralized document repository, (4) management not establishing policy for combining service calls, and (5) no policy prohibiting batched payments. Without supporting documentation, a centralized file storage, and sufficient policy establishment and enforcement, the Postal Service may increase its risk for potential fraud and financial loss. Relatedly, the Office of Inspector General (OIG) has several open investigations of Postal Service purchasers steering work to chosen suppliers in exchange for bribes, kickbacks, and gratuities.

Recommendations and Management's Comments

We made four recommendations to address control weaknesses identified in the report. Postal Service management agreed with three recommendations and disagreed with one. Management's comments and our evaluation are at the end of each finding and recommendation. The OIG views the disagreement with recommendation 3 as unresolved and will work with management through the audit resolution process. We consider management's comments responsive to recommendations 1, 2, and 4, as corrective actions should resolve the issues in the report. See [Appendix C](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

October 31, 2024

MEMORANDUM FOR: BENJAMIN KUO
VICE PRESIDENT, FACILITIES

Amanda H. Stafford

FROM: Amanda H. Stafford
Deputy Assistant Inspector General
for Retail, Marketing & Supply Management

SUBJECT: Audit Report – Controls Over Purchase Card Facility Repairs
(Report Number 24-057-R25)

This report presents the results of our audit of Controls Over Purchase Card Facility Repairs.

All recommendations require U.S. Postal Service Office of Inspector General (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

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

Attachment

cc: Postmaster General
Secretary of the Board of Governors
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Controls Over Purchase Card Facility Repairs (Project Number 24-057). We initiated this review due to concerns relating to a potential lack of controls over expense purchase cards. The OIG's Office of Investigations (OI) investigates collusion between Postal Service employees with purchase card authority and providers of goods and services. Currently, OI has several open investigations of Postal Service purchasers steering work to chosen suppliers, authorizing knowingly falsified charges, and receiving bribes, kickbacks, and gratuities in exchange for the collusion. Our objective was to evaluate expense purchase card usage and controls when used for facility repair expenses. Accordingly, we assessed compliance with and sufficiency of existing controls. See [Appendix A](#) for additional information about this audit.

Background

Facility and architect engineers, collectively referred to as project managers (PM), use expense purchase cards to complete authorized local purchases, repairs, and alterations for U.S. Postal Service facilities by local suppliers.¹ The Postal Service uses five types of purchase cards² to requisition supplies, parts, repairs, and maintenance services. This audit focuses on the Postal Service's facility repairs paid using the expense purchase card. The PMs approved expenditures totaling approximately \$257.6 million between fiscal years (FY) 2021 to 2023. During our scope period, Postal Service policy authorized expense purchase card utilization for minor repairs up to \$10,000.³ Policy states that repairs exceeding \$10,000 must be

solicited to a contractor and may not be "split" by dividing a purchase amount into multiple invoices under \$10,000 to circumvent this limit.⁴

Expense Purchase Card Management, Policies, and Oversight

Expense purchase card management for PMs falls under the responsibility of Facilities HUB management.⁵ The Postal Service requires PMs to follow policies and procedures, including keeping the card secure, using the card properly, maintaining accurate records and related supporting documentation (electronic, if possible) of all transactions, reconciling monthly bank statements, and disputing any improper charges.⁶

HUB management also oversees credit card approving officials (CCAO) who monitor purchase card activities to mitigate the risk of misuse. Per

Postal Service policy, CCAOs are responsible for ensuring charges are for goods and services consistent with the expense purchase card policy requirements.

To do so, CCAOs may request supporting documentation for questionable transactions they identified to verify the accuracy and integrity of each transaction as part of the monthly reconciliation process.⁷ An expense purchase cardholder may be designated as a CCAO for other cardholders, but never for themselves.

“The PMs approved expenditures totaling approximately \$257.6 million between fiscal years (FY) 2021 to 2023.”

Facility Repairs Process

When Postal Service facilities need repairs, local management will submit a service ticket via the Facilities Response Line Self Service website or by placing a call to the National Facilities Response Line (call center) within the Facilities group. When

¹ Local suppliers are vendors that PMs pay with their expense purchase cards for repairs under \$10,000.

² The five types of purchase cards facilitate procurement of vehicle repairs, vehicle parts, inventory parts, research and development equipment, and supplies.

³ Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, Section 2-7.2, Single Purchase Limit, February 2021.

⁴ As of April 2024, the expense purchase card single purchase spending limit increased from \$10,000 to \$25,000.

⁵ Facilities HUB management is a team within Facilities that oversees the safety, security, and operational needs, such as maintenance of Postal facilities.

⁶ Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, Section 3-2.1, Maintain Accurate Records, February 2021.

⁷ Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, Section 2-7.2, Single Purchase Limit, February 2021.

fielding a call, a Customer Service Representative (CSR), will review the facility's ticket history in the Electronic Facilities Management System (eFMS)⁸ to determine if the same issue was previously reported. Policy requires the CSR to research and consolidate calls for related issues and create service tickets for new problems.⁹ For pre-existing issues, CSRs will refer callers to the PM currently assigned to that service ticket. Next, the PM associated with the service area assesses the incoming service tickets daily to determine the appropriate resolution and whether to use a contract provider or the expense purchase card with a local supplier.

“While the Postal Service has internal controls to govern expense purchase card usage, some controls and policies were not always effective to ensure transactions for facility repairs complied with those policies.”

To conduct our audit, we reviewed 198 expense purchase card transactions from FYs 2021 to 2023 to ensure compliance with Postal Service policies and procedures. To determine if items from our sample were part of split transactions, we also requested supporting documents for an additional 692 expense purchase card transactions that were “associated” or paid on the same day to the one supplier.

Findings Summary

While the Postal Service has internal controls to govern expense purchase card usage, some controls and policies were not always effective to ensure transactions for facility repairs complied with those policies. Specifically, we found some CCAOs, and PMs did not always comply with expense purchase card document retention policies. Additionally, the Postal Service lacked policies to prevent PMs from splitting payments, and batching facility repair transactions. These collective deficiencies could result in PMs and CCAOs circumventing internal controls, delaying payments, and processing unauthorized transactions.

⁸ eFMS is a custom-built Postal Service system used to manage work orders, contracts, and payments for facility construction and repairs and alteration contracts.

⁹ National Facilities Repair Line Standard Operating Procedures, April 2024.

Finding #1: Adherence to Document Retention Policies

We found that CCAOs and PMs adhered to Postal Service policies and procedures related to maintaining supporting documentation as verification for transactions for roughly 71 percent of the transactions we reviewed.

However, we also found that some CCAOs did not always maintain supporting documentation for the required retention period.

Additionally, we found that at least one PM was unable to provide supporting documentation. As a result, 252 of the 890 (28 percent) reviewed expense purchase card transactions lacked required supporting documentation.

In a prior U.S. Postal Service Office of Inspector General (OIG) report, *Controls over Expense Purchase Card Activity*,¹⁰ we identified similar issues pertaining to supporting documentation not being properly maintained. The OIG made three recommendations to strengthen the controls pertaining to document retention. Although the Postal Service appears to have made strides in this area, opportunities for improvement still exist.

Specifically, Postal Service policy states¹¹ cardholders must retain all supporting purchase documentation (electronic or hardcopy) for three years from the date of each statement.¹² Postal Service policy also states that PMs are required to transfer any applicable physical or electronic files to the CCAO if they depart from the Postal Service.¹³

The inconsistent record retention occurred because some CCAOs stated they were unaware of the policy to retain documents. Additionally, the Postal Service lacked guidance directing PMs to maintain supporting documents in a centralized,

digital location for clear, consistent access. For example, departing PMs electronic files were deleted at certain time intervals following separation, thus destroying the supporting documents; or hard copy

files were disorganized and prevented CCAOs from finding the supporting documents.

Due to these weaknesses, we estimate the Postal Service paid approximately \$757,000 in unsupported questioned costs related to the transactions we reviewed. Without the supporting documentation, the Postal Service cannot verify whether transactions were authorized and may be at increased risk for potential fraud. If PMs and CCAOs

were to maintain electronic documentation in a centralized storage, the supporting documentation would be easily accessible during their monthly reconciliations or when PMs leave the Postal Service.

“We estimate the Postal Service paid approximately \$757,000 in unsupported questioned costs related to the transactions we reviewed.”

Recommendation #1

We recommend that the **Vice President Facilities**, reiterate policy requiring project managers to transfer expense purchase card supporting documents to credit card approving officials, and for credit card approving officials to maintain the supporting documents for the duration of the retention period.

Recommendation #2

We recommend that the **Vice President Facilities**, create a centralized, electronic repository for storing facility repair supporting documentation.

¹⁰ Report Number 19SMG009SM000-R20, March 2020.

¹¹ Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, Section 4-4.2.9, Cardholder Documentation Retention Period, February 2021.

¹² Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, Section 3-2.1, Maintain Accurate Records, February 2021.

¹³ Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, Section 2-6.8, Transfer to Another Office or Separation from the Postal Service, February 2021.

Postal Service Response

Management agreed with the finding and recommendations 1 and 2 but disagreed with the monetary impact. Regarding the finding, management acknowledged that one PM failed to provide documentation upon first request and had since provided the documentation.

Regarding recommendation 1, management agreed to reiterate the policy and will give additional formalized training about file retention. The target implementation date is October 21, 2025.

Regarding recommendation 2, management agreed to explore and coordinate the implementation of a centralized electronic repository. The target implementation date is October 21, 2025.

Regarding the monetary impact, management stated the one PM provided documentation for 83 transactions described in the report as unsupported, amounting to \$486,443.63. This reduced the number of unsupported transactions within the three-year retention period from 205 to 122. Likewise, management stated the monetary impact should be reduced from \$756,799.49 to \$270,355.86. Additionally, the PM stated that additional transaction information was requested but notes those transactions fell outside of the retention period.

OIG Evaluation

Regarding recommendations 1 and 2, the OIG considers management's comments responsive, and corrective actions should resolve the issues identified in the report.

Regarding management's disagreement with the monetary impact, we acknowledge management's statement that the one PM provided additional supporting documentation. However, our review of the information determined all except five transactions to be insufficient, and the remaining transactions were deemed unsupported. Specifically, the documentation lacked cost estimates; the proposal and invoice from the contractor did not include itemized labor and materials costs; and the Department of Labor wage determination and payroll sheets did not reconcile to the invoices. As such, the OIG excluded the five supported transactions received from the PM, which decreased the monetary impact from \$761,854.14 to \$756,799.49.

Finding #2: Opportunities Exist to Enhance Expense Purchase Card Controls

We found opportunities for the Postal Service to ensure facility repair transactions complied with the single purchase card spending limit and split payment policies and procedures. We performed testing to determine if the transactions we reviewed were: (1) part of a split purchase, (2) over the \$10,000 threshold, (3) for an even dollar amount,¹⁴ or, (4) categorized by the appropriate Merchant Category Code (MCC).¹⁵ We identified a small number of split purchases as well as instances where the Postal Service consolidated payments (batched) to contractors, both of which occurred due to ambiguous or missing policy guidance.

- **Split Purchase Transactions.** We found eight transactions that were parts of three split purchases. Postal Service facility staff made multiple service ticket requests for similar issues, which should have been consolidated as one item by the CSR and PM. For example, one facility called in a request to replace a broken ramp handrail. The same facility called in a separate request to replace the ramp attached to the handrail while the prior work order remained unresolved. Both repairs were completed on the same day by the same supplier. As a result, the PM incorrectly treated each request separately and submitted individual payments, which collectively exceeded the \$10,000 policy threshold, rather than completing a solicitation.

These issues occurred because the PMs, who are ultimately responsible for service tickets, did not evaluate whether the service tickets were related to a single issue and could be consolidated into a contract. For example, one PM acknowledged that service tickets should have been combined and the repairs contracted out, as the total exceeded the purchase card spending limit. In another instance, the PM stated that he did not combine the transactions to save time. While Postal Service policy¹⁶ states that purchase card transactions

must not be split, it does not explicitly require PMs to consolidate separate but related service tickets to ensure they do not exceed the single purchase threshold limit.

In one instance, we identified a payment that was invoiced on August 16, 2022, and was not paid until April 5, 2023.



- **Batch Payments.** Thirty-three out of 40 PMs (approximately 70 percent) batched 863 expense purchase card transactions, valued at \$3.2 million. Batch payments occur when a PM makes multiple payments to a single supplier, on the same day, for service ticket repairs that occurred on different days. Although each transaction is processed individually, they appear as one payment. For example, on May 3, 2023, one PM authorized 14 charges against their expense purchase card for repairs invoiced by a supplier in March 2023 instead of paying the invoices as they were submitted. We identified five of the PMs who batched transactions caused delayed payments. Of the five PMs, four PMs delayed payments for at least 50 of the 863 transactions by 30 days or more. In one instance, we identified a payment that was invoiced on August 16, 2022, and was not paid until April 5, 2023.

¹⁴ Even-dollar transactions may indicate an improper purchase of a gift card.

¹⁵ The MCC identifies the category or type of goods and services sold by the supplier.

¹⁶ Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, 2-7.2 Single Purchase Card Limit, February 2021.

While the Postal Service did not incur late fees on these payments, management stated suppliers have complained about not being paid timely. See [Appendix B](#) for more details about batched payments.

Although there is no policy prohibiting batching, Postal Service management stated the PMs generally batch payments because they were not processing payment approvals timely. Management acknowledged the potential risks associated with this practice and expressed interest in discontinuing batching so that PMs process payments to suppliers timely.

Overall, improvements could be made to strengthen the Postal Service's policies around identifying and consolidating similar repairs and limiting payment batching. Although we identified a small number of split purchases, the underlying control weaknesses leaves the Postal Service vulnerable to undetected split payments, which circumvent internal controls associated with contracting. For example, requiring PMs to consider whether service calls should be consolidated could potentially prevent overbilling or fraudulent transactions. Furthermore, the frequent use of batched payments makes it difficult for CCAOs to identify split payments or pay vendors timely. Over time, this may increase the risk of potential fraud.

Recommendation #3

We recommend that the **Vice President Facilities** establish guidelines and best practices to require project managers to identify and combine related service ticket requests and solicit contracts for projects that exceed expense purchase card authority threshold.

Recommendation #4

We recommend that the **Vice President Facilities**, establish guidelines and controls to monitor the use of batch payments.

Postal Service Response

Management disagreed with the finding and recommendation 3 but agreed with recommendation 4. Regarding the finding, management acknowledged the common practice of paying multiple invoices on the same day and did not agree that making multiple payments on the same date inherently makes payments untimely or more difficult for CCAO review.

Regarding recommendation 3, management will not make it a requirement to identify and combine related service ticket requests. Instead, management will establish best practices to encourage consolidation of related service requests.

Regarding recommendation 4, management stated it will revise current standard operating procedures to establish guidelines and controls to monitor the use of batched payments. Management also stated that Facilities will continue to process each transaction individually. The target implementation date is October 21, 2025.

OIG Evaluation

Regarding finding 2, we acknowledge management's disagreement on batching. However, as noted in the report, delayed payments leaves the Postal Service vulnerable to undetected split payments, late payments, and internal controls associated with contracting being circumvented.

Regarding recommendation 3, we acknowledge management's disagreement with the requirement to identify and combine related service ticket requests and instead establish best practices to encourage consolidation of related service requests. However, these practices are inconsistent and do not always identify split transactions. Establishing best practices versus mandating policy allows the PM the flexibility to circumvent procedures and leaves the Postal Service susceptible to fraud. We view the disagreement as unresolved and will work with management through the audit resolution process.

Regarding recommendation 4, the OIG considers management's comments responsive, and corrective actions should resolve the issues identified in the report.

Looking Forward

As the Postal Service plans to modernize and make improvements to its facilities and delivery network to support the Delivering for America 10-year plan, there is a potential for an increase in expense purchase card usage. In April 2024, through benchmarking analysis of local buying authorities and with increased spending anticipated, the Postal Service increased the spending limit from \$10,000 to \$25,000 for expense purchase card usage to support, in part, the increased investment in Postal Service facilities. The Postal Service can reduce the risk of fraudulent payments by continuing to update and expand internal controls over facility repair expense purchase cards.

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Appendix A: Additional Information

Scope and Methodology

Our audit scope included facility repair expense purchase card transaction data from October 2020 to September 2023.

To accomplish our objective, we:

- Researched, reviewed, and analyzed expense purchase card transaction data for facility repairs.
- Conducted interviews with facilities HUB management, CCAOs, PMs, accounting services center, and purchasing shared services center personnel.
- Reviewed Postal Service handbooks as well as other supplemental guidance including Management Instruction MI SP-G42006-2.
- Reviewed supporting expense purchase card transaction documentation from the PMs and CCAOs.

We conducted this performance audit from February through October 2024 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 September 24, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the internal control structure within the Supply Management Facilities Portfolio to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following two components were significant to our audit objective:

- Control Activities
- Monitoring

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to control activities and monitoring that were relevant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of computer-generated data by comparing source documents such as invoices, purchase orders, purchase card receipts, work acknowledgment letters and proposals to the expense purchase card transaction data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Controls Over Expense Purchase Card Activity</i>	To assess Postal Service purchase card transactions for potential non-compliance and for improper or erroneous payments.	19SMG009SM000-R20	03/20/2020	\$151,288,127

Appendix B: Batched Payments Made by Project Managers

Project Manager	Number of Batched Payments During Fiscal Years 21-23	Total Dollar Amount
A	213	\$705,350.84
B	86	\$339,958.51
C	78	\$261,264.95
D	66	\$308,084.58
E	65	\$162,289.25
F	53	\$248,453.76
G	42	\$154,356.46
H	31	\$104,794.11
I	24	\$138,774.23
J	23	\$91,028.60
K	22	\$63,208.00
L	19	\$105,397.78
M	15	\$31,711.00
N	14	\$65,147.65
O	13	\$65,941.40
P	11	\$34,564.49
Q	9	\$37,269.33
R	9	\$28,538.15
S	9	\$27,720.28
T	8	\$32,428.17
U	7	\$45,658.81
V	7	\$27,803.19
W	6	\$18,662.21
X	6	\$14,882.16
Y	5	\$34,767.50
Z	5	\$12,407.22
AA	4	\$12,272.69
BB	3	\$6,038.61
CC	2	\$16,225.00
DD	2	\$15,263.32
EE	2	\$15,253.00
FF	2	\$8,823.00
GG	2	\$3,002.00
Total	863	\$3,237,340.25

Source: OIG analysis of expense purchase card data.

Appendix C: Management's Comments



10/21/2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Controls Over Purchase Card Facility Repairs (24-057-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Controls Over Purchase Card Facility Repairs*.

Following are our comments on the findings:

Finding #1 - Management acknowledges that one project manager (PM) failed to provide documentation upon first request. Management confirms that the PM has since provided documentation. As such, the number of unsupported transactions and the associated monetary impact should be revised downward as outlined below:

Management disagrees with the monetary impact amount. The PM mentioned provided documentation for 83 transactions described, in the report, as unsupported. The combined cost of these transactions amounts to \$486,443.63. This reduces the number of unsupported transactions, within the 3-year retention period, from 205 to 122. Likewise, the monetary impact should be reduced from \$756,799.49 to \$270,355.86. The PM states that additional transaction information was requested but notes those transactions fell outside of the retention period.

Finding #2 – Management acknowledges the common practice of paying multiple invoices on the same day but disagrees that this should be considered as batched payments. Each payment is evaluated and processed individually.

Management does not agree that making multiple payments on the same date inherently makes payments untimely or more difficult for CCAO review.

Following are our comments on each of the 4 recommendations:

Recommendation 1:

We recommend that the Vice President Facilities, reiterate policy requiring project managers to transfer expense purchase card supporting documents to credit card approving officials, and for credit card approving officials to maintain the supporting documents for the duration of the retention period.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management will give additional formalized training about file retention.

Target Implementation Date:

10/21/2025

Responsible Official:

Dir. HUB Management

Recommendation 2:

We recommend that the Vice President Facilities, create a centralized, electronic repository for storing facility repair supporting documentation.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management will explore and coordinate the implementation of a centralized electronic repository.

Target Implementation Date:

10/21/2025

Responsible Official:

Dir. HUB Management

Recommendation 3:

We recommend that the Vice President Facilities establish guidelines and best practices to require project managers to identify and combine related service ticket requests and solicit contracts for projects that exceed expense purchase card authority threshold.

Management Response/Action Plan:

Management **disagrees** with this recommendation.

Management disagrees with making it a requirement to identify and combine related service ticket requests. Management will establish best practices to encourage consolidation of related service requests.

Target Implementation Date:

N/A

Responsible Official:

Dir. HUB Management

Recommendation 4:

We recommend that the Vice President Facilities, establish guidelines and controls to monitor the use of batch payments.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management agrees to revise current SOPs to establish guidelines and controls to monitor the use of batched payments. Facilities will continue to process each transaction individually.

Target Implementation Date:

10/21/2025

Responsible Official:

Dir. HUB Management

E-SIGNED by BENJAMIN.P KUO
on 2024-10-20 14:54:51 EDT

Benjamin Kuo
Vice President Facilities

cc: Corporate Audit & Response Management

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

For media inquiries, please email press@uspsoig.gov or call (703) 248-2100