



AUDIT REPORT

Local Purchases and Payments: Miscellaneous Services - Far Rockaway, NY, Main Post Office and Park Station

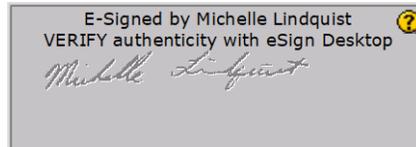
November 21, 2019





November 21, 2019

MEMORANDUM FOR: ERIC E. HENRY
MANAGER, TRIBORO DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Local Purchases and Payments:
Miscellaneous Services – Far Rockaway, NY, Main Post
Office and Park Station (Report Number 19-039-R20)

This report presents the results of our audit of the Local Purchases and Payments:
Miscellaneous Services – Far Rockaway, NY, Main Post Office and Park Station.

We appreciate the cooperation and courtesies provided by your staff. If you have any
questions or need additional information, please contact Dianna Smith, Operational
Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of Local Purchases and Payments: Miscellaneous Services — Far Rockaway, NY, Main Post Office and Park Station (Project Number 19-039). The Far Rockaway Main Post Office (MPO) and Park Station units are in the Triboro District of the Northeast Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified districts with high amounts of local purchases and payments recorded to Account Identifier Code (AIC)¹ 587, Miscellaneous Services,² which were paid by cash or money order. Based on our data analysis for fiscal year (FY) 2019, Quarter (Q) 3, we identified the Far Rockaway MPO and Park Station had local purchases and payments totaling \$10,583.³ The local purchases for miscellaneous services for the Far Rockaway MPO and Park Station were 70 percent of the overall amount of local purchases for miscellaneous services in the Triboro District for the same timeframe.⁴ In addition, this amount was the third highest in the nation. The Far Rockaway Park Station Manager was the former Far Rockaway MPO Postmaster and the manager for all eight local purchases and payments.

Objective, Scope, and Methodology

Our objective was to determine whether local purchases and payments made at the Far Rockaway MPO and Park Station were valid and properly supported and processed. To meet the objective, we analyzed local purchase and payment data and examined money order receipts and other payment supporting documentation for miscellaneous expense transactions. We also interviewed Postal Service management regarding the miscellaneous services transactions that occurred in FY 2019, Q3.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).⁵ We did not test the validity of controls over this system; however, we verified the accuracy of the data by reviewing related documentation, tracing selected information to supporting source records, and interviewing knowledgeable Postal Service personnel. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from September through November 2019 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

¹ The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

² Expense associated with payment for office, non-custodial, custodial and all miscellaneous services only.

³ The Far Rockaway MPO had local purchases for miscellaneous services valued at \$6,735, and Park Station had \$3,848, in FY 2019, Q3.

⁴ The Triboro District had \$15,068 in local purchases for miscellaneous services during FY 2019, Q3.

⁵ A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to the EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective. We discussed our observations and conclusions with management on November 8, 2019, and included their comments where appropriate.

Finding #1. Local Purchases and Payments

Local purchases and payments at the Far Rockaway MPO and Park Station were not always valid, properly supported, or processed. We reviewed all eight local purchases and payment transactions, totaling \$10,583, where unit management used 16 no-fee money orders and cash as payment. In addition, they did not have eBuy2 requisitions for any of the transactions reviewed (see Table 1 for details).

Table 1. Local Purchases and Payments

Payment	Unit	Payment Purpose	Payment Date	Number of No-Fee Money Orders	Amount	Issue
1	Far Rockaway MPO	Snow plowing and salt application	4/5/2019	7 ⁶	\$6,200	Exceeded no-fee money order limit and eBuy2 requisition.
2	Far Rockaway MPO	Tire Repair	4/18/2019	1	115	No eBuy2 requisition.
3	Far Rockaway MPO	Uniforms	4/29/2019	1	420	No eBuy2 requisition.
4	Far Rockaway Park Station	Tire Repair	6/11/2019	Cash	15	No eBuy2 requisition.
5	Far Rockaway Park Station	Heating, Venting, and Air Conditioning (HVAC) work for various satellite offices.	6/27/2019	4 ⁷	2,732	Exceeded no-fee money order limit and no eBuy2 requisition.
6	Far Rockaway Park Station	HVAC work for Far Rockaway Park Station.	6/27/2019	2 ⁸	1,056	Exceeded no-fee money order limit and no eBuy2 requisition.
Total				15	\$10,538	

Source: OIG analysis of Far Rockaway MPO and Park Station documentation.

⁶ This local payment was made using six no-fee money orders valued at \$1,000 and one no-fee money order valued at \$200.

⁷ This local payment was made using four no-fee money orders valued at \$795, \$788, \$650, and \$500.

⁸ This local payment was made using two no-fee money orders valued at \$1,000 and \$56.

The Postal Service’s preferred payment methods for local purchases, in order of priority, are:

- eBuy2 (Electronic Funds Transfer)
- National or Area Contracts
- Purchase Card or Purchase Card Checks
- Cash for emergency one-time expenses, not to exceed \$25, or money orders for emergency one-time local expenses, not to exceed \$1,000⁹

In addition, Postal Service policy states that eBuy2 is required for all purchases of goods and services.¹⁰

A unit manager used no-fee money orders and cash for local purchases because her new purchase card had not been activated. She did not pursue getting the card activated since local purchases are not a common occurrence.

Further, the incorrect AIC was used on two transactions (see Table 2 for details).

Table 2. Incorrect AIC

Payment	Unit	Payment Purpose	Payment Date	Number of No-Fee Money Orders	Amount	Issue
1	Far Rockaway Park Station	Refund for postage	6/1/2019	Cash	\$15	Incorrect AIC
2	Far Rockaway Park Station	Refund for parcel lock	6/26/2019	1	30	Incorrect AIC
Total					\$45	

Source: OIG analysis of Far Rockaway Park Station documentation.

The transaction for \$30 was a refund to a customer for parcel box keys that should have been recorded in AIC 535, *Refund of Fees – Retail Services*.¹¹ The other transaction for \$15 was a refund to a customer for postage that should have been recorded to AIC 553, *Refund Postage and Fees*.¹²

A unit employee stated she used AIC 587 if the unit was busy and unsure of the correct AIC to use in order to expedite the customer line. In addition, the unit manager did not

⁹ Handbook F-101, *Field Accounting Procedures* (DRAFT), Section 19-1.4, May 2017.

¹⁰ Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, June 2018, Section 4-1.2.

¹¹ Reimbursement of refundable Post Office Box keys and refundable Post Office Box/Caller service fees.

¹² Refunds of postage and fees paid by retail customers not receiving the special services paid for at the time of mailing.

always review Postal Service (PS) Form 1412, *Daily Financial Report*, and supporting documentation upon daily closeout. Unit management stated it is reviewed randomly. Postal Service policy requires the field unit manager to review supporting documentation for all entries on the daily PS Form 1412, as part of the closeout procedures.¹³ The current unit manager requested a purchase card on September 23, 2019; therefore, we will not be making a recommendation regarding obtaining a purchase card.

If proper payment methods and closeout procedures are not used for local purchases and payments for miscellaneous services, there is an increased risk of issuing unauthorized payments and recording incorrect financial data.

Recommendation #1: We recommend the Manager, Triboro District, instruct the Far Rockaway Main Post Office Postmaster to reiterate and train applicable unit personnel on policy for making local purchases and payments, using appropriate account identifier codes, and performing the proper procedures for the daily closeout.

Finding #2: Tax Reportable Vendor Payments

Unit management did not complete required tax documents for three payments valued at \$9,988 for two different vendors performing HVAC work and snow removal using no-fee money orders.¹⁴ Postal Service policy states that a PS Form 8231, *Vendor Payment 1099 Reporting Form*, must be completed to report services paid locally with cash or money orders.¹⁵ More importantly, federal law requires the Postal Service to report services paid locally with cash or money orders.¹⁶ Unit management was not trained on proper procedures for local purchases and payments; therefore, they did not submit the required forms.

We consider these three local payments, valued at \$9,988, as disbursements at risk.¹⁷ When tax reportable payments to vendors are not reported as required, the Postal Service could be assessed penalties.

Recommendation #2: We recommend the Manager, Triboro District, direct the Far Rockaway Main Post Office Postmaster, to submit the Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*, to Accounting Services to report the \$9,988 vendor service payments.

¹³ Handbook F-101 (DRAFT), Section 2-4.1.

¹⁴ The Far Rockaway Park Station Manager used 13 money orders for the transactions that occurred between April 1 and June 30, 2019.

¹⁵ Handbook F-101 (DRAFT), Section 19-6, and Handbook AS 709, Section 4-1.2.2. This includes services paid locally with cash or money order to individuals, proprietorships or corporations.

¹⁶ The IRS requires each person to whom an entity has paid at least \$600 during the year for services performed in the course of that entity's business, but is not their employee, to file Form 1099-MISC, *Miscellaneous Income*.

¹⁷ Disbursements made where proper Postal Service internal controls and processes were not followed.

Management's Comments

Management agreed with the findings and recommendations. Regarding recommendation 1, the District Finance Manager met with Far Rockaway management and reviewed pertinent procedures for local purchases and payments. Also, unit management completed the Purchase Card Program Training and eBuy2 Requisitioner training on November 7, 2019.

Regarding recommendation 2, the District Finance Manager submitted PS Form 8231 to Accounting Services to report the \$9,988 in vendor service payments on November 6, 2019.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report and these corrective actions should resolve the issues identified in the report. We reviewed management's subsequent correspondence and found it adequate to resolve the issues identified. We consider recommendations 1 and 2 closed with the issuance of this report.

Appendix A. Management's Comments



November 19, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Local Purchases and Payments: Miscellaneous Services – Far Rockaway,
NY Main Post Office – Report Number 19-039

The finding and recommendation outlined in the above noted audit report has been reviewed and we agree with the finding. Our response to the Recommendation is as follows:

Recommendation #1

We recommend the Manager, Triboro District, to instruct the Far Rockaway Main Post Office Postmaster to reiterate and train applicable unit personnel on policy for making local purchases and payments, using appropriate account identifier codes, and performing the proper procedures for the daily closeout.

Management Response:

We agree with the recommendation. The District Finance Manager met with Far Rockaway Management and reviewed the appropriate sections of the AS-709, Local Buying and Purchase Card Policies & Procedures; Section 5 of the Handbook F-101, Field Accounting Procedures and eBuy2 Off Catalog requisition procedures. Additionally, Management completed Purchase Card Program Training (Course #10022331) and eBuy2 Requisitioner Training (Course #) in HERO.

Target Implementation Date:
Completed – November 7, 2019

Responsible Official:
Postmaster, Far Rockaway, Main Post Office

Recommendation #2

We recommend the Manager, Triboro District, direct the Far Rockaway Main Post Office Postmaster, to submit the Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*, to Accounting Services to report the \$9,988 vendor service payments.

Management Response:

We agree with the recommendation and the disbursements at risk finding. The District Finance Manager submitted the PS Form 8231, Vendor Payment 1099 Reporting Form, into eIWS OnLine Forms (OLF) to report the \$9,988 vendor service payments.

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Target Implementation Date:
Completed – November 6, 2019

Responsible Official:
District Finance Manager


Eric E. Henry
District Manager, Triboro

cc: VP Area Operations (Northeast)
Manager Operations Support (Northeast)
Controller (Northeast)
Area Accounting Manager (Northeast)
Finance Manager (Triboro)
Manager, Corporate Audit Response Management