

Office of Inspector General | United States Postal Service

Audit Report

Follow-Up: Using No-Fee Money Orders for Invoices Greater Than \$1,000

Report Number 20-117-R20 | August 7, 2020



Table of Contents

- Cover
- Highlights..... 1
 - Objective 1
 - Finding..... 1
 - Recommendation..... 1
- Transmittal Letter 2
- Results..... 3
 - Introduction/Objective 3
 - Background..... 3
 - Finding #1: Local Purchases and Payments 3
 - Recommendation #1..... 5
 - Management’s Comments..... 6
 - Evaluation of Management’s Comments 6
- Appendices 7
 - Appendix A: Additional Information..... 8
 - Scope and Methodology..... 8
 - Prior Audit Coverage..... 8
 - Appendix B: Management’s Comments..... 10
- Contact Information 11

Highlights

Objective

In fiscal year (FY) 2019, we audited nine local U.S. Postal Service units in eight different districts that addressed issues related to local purchases and payments. One of the issues we tested was exceeding the \$1,000 invoice limit by using multiple no-fee money orders for local purchases and payments. These reports resulted in 11 recommendations to district management to reiterate policies and procedures, train applicable employees, and provide tax reportable documentation to vendors receiving payments. District management agreed to these recommendations and took corrective action.

Our objective for this report was to evaluate whether corrective actions taken by the Postal Service, in response to those reports, sufficiently addressed the issue of exceeding the \$1,000 invoice limit by using multiple no-fee money orders for local purchases and payments.

We issued our reports in FY 2019 before the President of the United States issued the national emergency declaration concerning the novel coronavirus disease (COVID19) outbreak on March 13, 2020. Our analysis was nearly complete before the outbreak and does not reflect operational changes and/or service impacts that may have occurred as a result of the pandemic.

Finding

Eight of nine units we audited for local purchases and payments in FY 2019 used multiple no-fee money orders to pay invoices greater than \$1,000. These eight units previously audited in FY 2019 were no longer exceeding the \$1,000 invoice limit by using multiple no-fee money orders for local purchases and payments in FY 2020. However, of the four local purchases and payment audits in our FY 2020 Financial Controls audits, we found two new retail units in the Northeast Area and one new retail unit in the Western Area that had similar issues. All three units exceeded the \$1,000 invoice limit by using multiple no-fee money orders, and the two Northeast Area retail units were not completing the necessary

documents to report tax payments to the IRS. We addressed these issues directly with the local units and applicable districts.

To estimate the scale of this issue nationally, we analyzed no-fee money orders issued in FY 2019 and the first half of FY 2020.

- For FY 2019, we identified 60 units had issued two or more no-fee money orders on the same day that, in total, exceeded \$1,000. Payments using the no-fee money orders totaled \$178,000.
- For the period of October 1, 2019, through March 31, 2020, we identified 18 units that had issued two or more no-fee money orders on the same date that, in total, exceeded \$1,000. Payments using the no-fee money orders totaled \$55,000.

The data did not detail to whom these payments were made. However, although we cannot definitively know without visiting each retail unit individually, it is likely that these units exceeded the \$1,000 invoice limit by using multiple no-fee money orders to pay for local purchases, similar to those issues identified during our FY 2019 and FY 2020 audits.

When post office employees do not ensure purchases and payments are properly processed, the Postal Service risks issuing incorrect or unauthorized payments. In addition, when tax reportable payments to vendors are not reported as required, the Postal Service could be violating federal law and be assessed penalties.

Recommendation

We recommended management reiterate to area, district, and field personnel that local purchases and payments using no-fee money orders for an emergency, one-time expense, are limited to invoices for \$1,000 or less and, if no-fee money orders are used, services must be reported, using appropriate documentation, to the IRS.

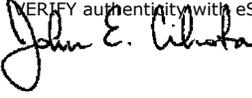
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 7, 2020

MEMORANDUM FOR: CARA GREENE
VICE PRESIDENT, CONTROLLER

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop 


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

SUBJECT: Audit Report – Follow-Up: Using No-Fee Money Orders for
Invoices Greater Than \$1,000 (Report Number 20-117-R20)

This report presents the results of our audit of Follow-Up: Using No-Fee Money Orders for Invoices Greater Than \$1,000.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of Follow-Up: Using No-Fee Money Orders for Invoices Greater Than \$1,000 (Project Number 20-117) for issues related to local purchases and payments. Our objective for this report was to evaluate whether corrective actions taken by the U.S. Postal Service, in response to those reports, sufficiently addressed the issue of exceeding the \$1,000 invoice limit by using multiple no-fee money orders for local purchases and payments.

In fiscal year (FY) 2019, we issued reports to nine local Postal Service units in eight different districts that addressed issues related to local purchases and payments. In eight of the nine audits, we found units exceeded the \$1,000 invoice limit by using multiple no-fee money orders for local purchases and payments. During FY 2019, the Postal Service made local purchases and payments totaling \$1.4 million using no-fee money orders or cash.

These reports resulted in 11 recommendations to district management to reiterate policies and procedures, train applicable employees, and provide tax reportable documentation to vendors receiving payments. District management agreed to these recommendations and took corrective action.

We issued our reports in FY 2019 before the President of the United States issued the national emergency declaration concerning the novel coronavirus disease (COVID19) outbreak on March 13, 2020. Our analysis was nearly complete before the outbreak and does not reflect operational changes and/or service impacts that may have occurred as a result of the pandemic.

Background

The U.S. Postal Service Office of Inspector General (OIG) uses data analytics to identify districts and local units with high amounts of local purchases and payments recorded to various account identifier codes (AIC).¹ These audits were designed to provide Postal Service management with timely information on potential financial control risks at Postal Service locations. During FY 2019, Financial Controls audits identified issues at units using no-fee money orders

improperly. Postal Service policies significantly restrict the use of no-fee money orders. No-fee money orders should only be used for a one-time emergency after the office considers, in order of preference, eBay2,² national/area contracts, or the purchase card. Further, if no-fee money orders are used, they should not exceed \$1,000. See Figure 1 for local purchases and payments audit locations with invoices greater than \$1,000 paid with no-fee money orders.

Figure 1. FY 2019 Local Purchases and Payments Audit Locations with Invoices Greater than \$1,000 Paid with No-fee Money Orders



Source: OIG Financial Controls audits for local purchases and payments.

Finding #1: Local Purchases and Payments

Our follow-up data analysis showed the eight units audited in FY 2019 no longer exceeded the \$1,000 limit by using multiple no-fee money orders for local purchases and payments. Corrective actions taken at these units have been effective (see Table 1).

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

² Postal Service's purchasing system. As of March 2020, the system is now called eBayPlus.

Table 1. Local Purchases and Payments

Audit Location	Report Number	Time Period Reviewed (FY 2019)	Audited Amount	Amount Paid Using No-Fee Money Orders		
				FY 2019, Q4 ³	FY 2020, Q1	FY 2020, Q2
Kearny, NJ, Main Post Office (MPO)	FCS-FM-19-032	Q1, Q2, & Q3	\$9,644	\$0	\$0	\$0
Dickinson, ND, MPO	FCS-FM-19-023	Q2	\$7,060	\$45	\$0	\$125
Sturgeon Bay, WI, Post Office	FCS-FM-19-019	Q2	\$4,235	\$0	\$0	\$0
Garland, TX, MPO and North Garland	FCS-FM-19-018	April 1, 2019 - May 31, 2019	\$16,290	\$0	\$0	\$0
Denver, CO, General Mail Facility Station	FCS-FM-19-017	Q1 & Q2	\$8,917	\$0	\$45	\$164
Freedom Station, Charlotte, NC	FCS-FM-19-015	Q1 & Q2	\$6,475	\$0	\$0	\$0
Perth Amboy, NJ, Post Office	FCS-FM-19-012	Q1 & Q2	\$5,781	\$0	\$0	\$0
Houston, TX, Roy Royall Station	FCS-FM-19-010	Q2	\$6,740	\$0	\$0	\$0

Source: OIG analysis of previous audit and Electronic Data Warehouse data.

We reviewed the data for the most recent three quarters for local purchases and payments made at units audited in FY 2019 to determine if no-fee money orders were being used for invoices greater than \$1,000. Our review of the data determined that no invoices greater than \$1,000 were paid with no-fee money orders for the AICs previously audited at the eight units. However, in our four FY 2020 financial controls audits for local purchases and payments, we found two new retail units in the Northeast Area and one new retail unit in the Western Area that had similar issues. Three units exceeded the \$1,000 invoice limit by using multiple no-fee money orders, and the two Northeast Area retail units were not completing the necessary documents to report tax payments to the IRS. We addressed these issues directly with the local units and applicable districts.

To estimate the scale of this issue nationally, we analyzed no-fee money orders issued in FY 2019 and the first half of FY 2020.

- For FY 2019, we identified 60 units that issued two or more no-fee money orders on the same day that, in total, exceeded \$1,000. Payments using the no-fee money orders totaled \$178,000.
- For the period of October 1, 2019, through March 31, 2020, we identified 18 units that issued two or more no-fee money orders on the same date that, in total, exceeded \$1,000. Payments using the no-fee money orders totaled \$55,000.

³ Postal Service Q1 is October 1 through December 31, Q2 is January 1 through March 31, Q3 is April 1 through June 30, Q4 is July 1 through September 30.

The data did not detail to whom these payments were made. However, although we cannot definitively know without visiting each retail unit individually, it is likely that these units exceeded the \$1,000 invoice limit by using multiple no-fee money orders to pay for local purchases, similar to those issues identified during our FY 2019 and FY 2020 audits.

Postal Service policy states local payments are limited to invoices of \$1,000 or less for a one-time emergency payment to a vendor not in eBuy2 and which does not accept the purchase card.⁴ In addition, policy states that Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*, must be completed to report services paid locally with cash or money orders.⁵ More importantly, federal law requires the Postal Service to report services paid locally with cash or money orders.

Postal Service Policy States

Local payments are limited to invoices of **\$1,000** or less for a one-time emergency payment to a vendor that:



is not in eBuy2

and does not accept the purchase card



Federal law requires the Postal Service to report services paid locally with cash or money orders.

At the time of our visits, district and area management approved some of these local purchases and payments for invoices greater than \$1,000 to be paid by no-fee money orders. They noted that local units need to be able to make local purchases as part of their operations and establishing a vendor in the system for a one-time purchase is not always prudent for smaller purchases. We agree with management that units should have the ability to make these one-time emergency payments; however, our audits found many of these purchases were not for emergencies and were often for invoices greater than \$1,000.

Headquarters management agreed that these local purchases and payments need to be controlled and is currently considering policy revisions. Management stated they plan to provide flexibility to allow for amounts within authorized local purchasing limits and with district or area approval. In addition, they will align the Handbook AS-709, *Postal Service Local Buying*, and Handbook F-101, *Field Accounting Procedures*. Management is currently updating Handbook F-101 and it has been in draft since May 2017.

When post office employees do not ensure purchases and payments are properly processed, the Postal Service risks issuing incorrect or unauthorized payments. In addition, when tax reportable payments to vendors are not reported as required, the Postal Service could be violating federal law and be assessed penalties.

Recommendation #1

We recommend the **Vice President, Controller**, reiterate to area, district, and field personnel that local purchases and payments using no-fee money orders for an emergency, one-time expense, are limited to invoices for \$1,000 or less and to complete Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*, to report services paid locally with no-fee money orders.

⁴ Handbook F-101, *Field Accounting Procedures* (DRAFT), May 2017, Section 19-1.5.

⁵ Handbook F-101, DRAFT, Chapter 19-6.

Management's Comments

Management agreed with our finding and recommendation. On July 17, 2020, Postal Service Headquarters issued an Information Alert to area, district, and field personnel reiterating policy for local purchases and payments using no-fee money orders. In addition, on July 28, 2020, a Retail Digest article was published to the field with a policy reminder.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the finding and recommendation in the report and corrective actions should resolve the issues identified. We reviewed the Information Alert and Retail Digest article and found them sufficient to close Recommendation 1 with the issuance of this report.

Appendices

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

Appendix A: Additional Information.....	8
Scope and Methodology	8
Prior Audit Coverage	8
Appendix B: Management’s Comments.....	10

Appendix A: Additional Information

Scope and Methodology

We selected our FY 2019 audit sites based on our analysis of risk factors such as:

- High no-fee money order use related to local purchases and payments.
- High transaction amounts to local purchase and payments AICs.
- Retail units that spiked in local purchase and payment activity.

To evaluate whether corrective actions taken by the Postal Service sufficiently addressed the FY 2019 Financial Controls issues noted, we extracted and analyzed Electronic Data Warehouse⁶ (EDW) system data between October 1, 2018, and March 31, 2020. We interviewed personnel at Postal Service Headquarters and the San Mateo Accounting Service Center, summarized previous audit findings, identified good practices, and identified high risk areas.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Local Purchases and Payments: Miscellaneous Services – Kearny, NJ, Main Post Office</i>	Determine whether local purchases and payments made at the Kearny MPO were valid, properly processed, and supported.	FCS-FM-19-032	9/19/2019	None
<i>Local Purchases and Payments: Miscellaneous Services – Dickinson, ND, Main Post Office</i>	Determine whether local purchases and payments made at the Dickinson MPO were valid, properly supported and processed.	FCS-FM-19-023	8/23/2019	\$6,373
<i>Local Purchases and Payments: Miscellaneous Services – Sturgeon Bay, WI, Post Office</i>	Determine whether local purchases and payments made at the Sturgeon Bay Post Office for miscellaneous services were valid, properly supported, and processed.	FCS-FM-19-019	8/21/2019	None

We conducted this performance audit from February through August 2020 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 22, 2020, and included their comments where appropriate.

We relied on computer-generated data from the EDW. We did not test the validity of controls over this system; however, we verified the accuracy and completeness of the data by including data previously used in our audits to ensure consistency. We determined that the data were sufficiently reliable for the purpose of this report.

⁶ 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.

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Local Purchases and Payments: Miscellaneous Services – Garland, TX, Main Post Office and North Garland, TX, Station</i>	Determine whether local purchases and payments made at the Garland, TX, MPO and North Garland, TX, Station were valid and properly supported and processed.	FCS-FM-19-018	8/16/2019	None
<i>Local Purchases and Payments – Miscellaneous Services – Denver, CO, General Mail Facility (GMF) Station</i>	Determine whether local purchases and payments for miscellaneous services made at the Denver GMF Station were valid and properly supported and processed	FCS-FM-19-017	8/8/2019	None
<i>Customer Service Meeting Expenses – Freedom Station, Charlotte, NC</i>	Determine whether customer service meeting expenses at Freedom Station were valid and properly supported and processed.	FCS-FM-19-015	7/25/2019	None
<i>Local Travel Reimbursements– Concord, CA, Main Post Office</i>	Determine whether local travel reimbursements at the Concord MPO were appropriate and properly supported.	FCS-FM-19-013	7/2/2019	\$19,932
<i>Local Purchases and Payments: Miscellaneous Services - Perth Amboy, NJ, Post Office</i>	Determine whether local purchases and payments for miscellaneous services made at the Perth Amboy, Post Office were valid and properly supported and processed.	FCS-FM-19-012	6/21/2019	None
<i>Local Purchases and Payments: Miscellaneous Services – Houston, TX, Roy Royall Station</i>	Determine whether local purchases and payments made at the Houston Roy Royall Station were valid, properly supported, and processed.	FCS-FM-19-010	6/20/2019	None

Appendix B: Management's Comments

CARA M. GREENE
VICE PRESIDENT, CONTROLLER



August 3, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Using No-Fee Money Orders for Invoices Greater than \$1,000
Project Number 20-117

I appreciate your team reviewing the topic Using No-Fee Money Orders for Invoices Greater than \$1000. Management agrees with the OIG finding and recommendation. Included in this response are the comments and actions taken on the recommendation in this audit. This audit had no monetary impacts.

Recommendation #1:

We recommend the Vice President, Controller, reiterate to area, district, and field personnel that local purchases and payments using no-fee money orders for an emergency, one-time expense, are limited to invoices for \$1,000 or less and to complete Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*, to report services paid locally with no-fee money orders.

Management Response/Action Plan:

Management agrees with the OIG's recommendation to reiterate the policy on local purchase and the use of no-fee money orders.

On July 17, 2020, Service Management issued an Information Alert to area, district and field personnel reiterating the policy. In conjunction, a Retail Digest article was published to the field on July 28, 2020.

Target Implementation Date:

Closed, pending OIG concurrence.

Responsible Official:

Manager, Revenue and Field Accounting

A handwritten signature in blue ink that reads "Cara M. Greene".

Cara M Greene
Vice President, Controller

cc: Manager, Corporate Audit Response Management

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