



AUDIT REPORT

Local Purchases and Payments: Miscellaneous Services – Exeter, NH, Main Post Office


March 12, 2020





March 12, 2020

MEMORANDUM FOR: REGINA M. BUGBEE
MANAGER, NORTHERN NEW ENGLAND DISTRICT

E-Signed by Dianna Smith
VERIFY authenticity with eSign Desktop 
Dianna A. Smith

FROM: *for*
Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Local Purchases and Payments:
Miscellaneous Services – Exeter, NH, Post Office
(Report Number: 20-166-R20)

This report presents the results of our audit of the Local Purchases and Payments:
Miscellaneous Services – Exeter, NH, Post Office.

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: Corporate Audit Response Management

Background

This report presents the results of our self-initiated audit of Local Purchases and Payments: Miscellaneous Services – Exeter, NH, Post Office (Project Number 20-166). The Exeter Post Office is located in the Northern New England 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 money orders. Based on our data analysis for fiscal year (FY) 2019, Quarter (Q) 4,³ we identified the Exeter Post Office had local purchases and payments totaling \$5,929. The local purchases for miscellaneous services for Exeter Post Office were 65 percent of the overall amount of local purchases for miscellaneous services within the Northern New England District for the same timeframe.⁴

Objective, Scope and Methodology

Our objective was to determine whether local purchases and payments made at the Exeter Post Office were valid, properly processed, and supported. To accomplish our objective, we analyzed local purchase and payment data and examined money order receipts and other payment supporting documentation for miscellaneous expense transactions recorded in AIC 587. We also interviewed Postal Service management regarding the miscellaneous services transactions that occurred in FY 2019.

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 January through March 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and

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

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

³ July 1 through September 30.

⁴ Local purchases and payments for the Northern New England District were \$9,116 in FY 2019, Q4.

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.

conclusion based on our audit objective. We discussed our observations and conclusions with management on February 21, 2020, and included their comments where appropriate.

Finding #1. Local Purchases and Payments

Local purchases and payments at the Exeter Post Office were not valid, properly processed, or supported. Unit management did not have a proper contract with a vendor and used no-fee money orders to pay the vendor in the amount of \$5,929. In addition, the unit did not have an approved eBuy2 requisition on file for the transactions.

Postal Service policy requires that recurring payments with annual payments equal to or greater than \$2,500 payable to a company be paid through the San Mateo Accounting Services and must be set up as a contract through the servicing Supply Management Category Management Center (CMC).⁶ All purchases of goods and services, regardless of payment type, require an approved eBuy2 requisition.⁷

We reviewed the July 18, 2019, transaction data for AIC 587, which totaled \$5,929. There were six separate no-fee money orders used to pay a local vendor for heating, ventilation, and air conditioning (HVAC) water treatment services (see [Table 1](#)). The vendor submitted two invoices on February 28, 2018, both in the amount of \$3,388.⁸

- Invoice number 119, dated March 8, 2017, was for service period March 15, 2017, through March 15, 2018.
- Invoice number 24, dated February 28, 2018, was for service period March 15, 2018, through March 15, 2019.

The vendor usually billed the Postal Service for HVAC services annually after the service was completed. Postal Service management agreed to pay the first invoice in full, but only agreed to pay \$2,541⁹ for the second invoice. The remaining balance of \$847¹⁰ was not paid because the Postal Service discontinued service effective December 15, 2018. It took from 16 to 28 months from the date of invoice for the vendor to receive payment from the Postal Service for the HVAC services.

⁶ Handbook F-101, *Field Accounting Procedures* (DRAFT), May 2017, Section, 19-3.4.

⁷ Handbook F-101 (DRAFT), Section, 19-1.2.

⁸ The number is rounded. The actual amount is \$3,387.94.

⁹ The number is rounded. The actual amount is \$2,540.96.

¹⁰ The number is rounded. The actual amount is \$846.98.

Table 1. Local Purchases and Payments FY 2019, Q4

No-Fee Money Orders	Payment Date	Amount
1	7/18/2019	\$1,000
2	7/18/2019	1,000
3	7/18/2019	1,000
4	7/18/2019	1,000
5	7/18/2019	1,000
6	7/18/2019	929
Total		\$5,929

Source: OIG analysis and Exeter Post Office documentation

The postmaster stated that shortly after becoming employed at the Exeter Post Office on October 1, 2016, the previous postmaster informed her that there was a verbal agreement made with the vendor to provide water treatment services. However, he did not know who made the agreement. After the postmaster inquired with the district finance manager on how to pay the vendor, she was informed that she had to complete a ratification letter.¹¹ The postmaster submitted a ratification letter dated June 4, 2019, for the vendor to receive payment for services performed. The \$5,929 was the second and final payment made to the vendor for previous services.¹² According to the postmaster, the vendor did not accept purchase cards or checks. A contract for maintenance services was not pursued since a new HVAC system had been installed at the unit; therefore, further maintenance is not required.

The postmaster stated the sales and services distribution associate entered a request into the eBuy2 system; however, it was denied due to incomplete and incorrect information. The sales and services distribution associate stated that he did not know how to enter the payment request correctly because he had never received training. Our review of the sales and services distribution associate and postmaster’s training records showed neither had received eBuy2 training. On July 18, 2019, the district finance manager directed the postmaster to issue a \$5,929 payment to the vendor using no-fee money orders. The postmaster stated that she informed the vendor that he could no longer enter the premises when he picked up the final payment on July 18, 2019.

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. Additionally, the Postal Service’s brand can be harmed when vendors experience lengthy delays in receiving payment for services. We consider the \$5,929 as questioned costs¹³ because the proper procedures were not followed to obtain a contract. We plan to follow-up on

¹¹ The process by which unauthorized contractual commitments are formalized, approved, and paid. Ratification normally involves the after-the-fact preparation and execution of the appropriate contractual documents.

¹² A \$10,000 no-fee money order was issued to the same supplier June 2, 2017, using 10 \$1,000 no fee-money orders with service dates ranging from April 1, 2014, through April 1, 2017.

¹³ Unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, and so forth. May be recoverable or unrecoverable. Usually a result of historical events.

acceptable methods of local payments as part of related work at the district, area, or headquarters levels.

Recommendation #1: We recommend the Manager, Northern New England District, instruct the postmaster to reiterate and train applicable unit personnel on policy for making local purchases and payments and on how to use the eBuy2 System.

Finding #2: Tax Reportable Vendor Payments

The postmaster did not complete required tax documents for the July 18, 2019, no-fee money order payment, valued at \$5,929, for the vendor performing water treatment HVAC services. Postal Service policy states that Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*,¹⁴ must be completed to report services paid locally with cash or money orders. The current postmaster was not trained on proper procedures for local purchases and payments; therefore, they did not submit the required forms. A 1099 was completed for the prior \$10,000 payment that was made June 2, 2017, to this vendor.

When tax reportable payments to vendors are not reported as required, the Postal Service could be assessed penalties.

Recommendation #2: We recommend the Manager, Northern New England District, direct the postmaster, to submit the Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*, to Accounting Services to report the \$5,929 vendor service payment.

Management's Comments

Management agreed with our findings, recommendations, and monetary impact.

Regarding recommendation 1, district management stated that on February 29, 2020, the Postal Service switched from the eBuy2 to eBuyPlus and currently do not have training available in HERO for the new system. However, the postmaster and sales, services and distribution associate (SSDA) reviewed eBuyPlus user guides and other related system documents on March 6, 2020. In subsequent correspondence, district management stated the postmaster and SSDA completed training on Handbook F-101, Chapter 19, Payments, on March 10 and 11, 2020.

¹⁴ AS-709 *Purchase Card Local Buying Policies and Procedures*, Section 4-1.2.2, June 2018. 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*.

Regarding recommendation 2, management provided documentation that a PS Form 8231, *Vendor Payment, 1099 Reporting Form*, was submitted to Accounting Services on March 2, 2020, to report the \$5,929 vendor service payment.

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

Evaluation of Management's Comments

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

Appendix A: Management's Comments



March 9, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Local Purchases and Payments: Miscellaneous Services – Exeter, NH Main
Post Office – Report Number 20-166-DRAFT

The finding and recommendation outlined in the above noted audit report has been reviewed and we agree with the finding. We also agree with the Monetary Impact, Questioned Costs of \$5,920.00.

Our response to the Recommendation is as follows:

Recommendation #1

We recommend the Manager, Northern New England District, instruct the postmaster to reiterate and train applicable unit personnel on policy for making local purchases and payments and on how to use the eBuy2 System.

Management Response:

We agree with the recommendation. However, the USPS recently transitioned from eBuy2 to eBuy+ on February 29, 2020 and there currently is no available training for eBuyPlus in HERO. Therefore, the following User Guides were reviewed by the Postmaster and the Sales, Services and Distribution Associate (SSDA): eBuy+ eAccess Registration User Guide, eBuy+ Login and Initial User Setup User Guide, eBuy+ Requisitioners User Guide, eBuy+ On-Catalog Purchases User Guide, eBuy+ Off-Catalog Purchases User Guide and the eBuy+ Approvers User Guide. Also, the following documents from the "eBuy2 to eBuy+ Transition Plan" were reviewed: Executive Memo Mandating Use of eBuy, EbuyPlus FAQs and the SM-ASC Supplier Maintenance Form for eBuyPlus Payment Requests (Utilities & Trash only). A PS Form 2432 is attached for both the Postmaster and SSDA.

Target Implementation Date:

Completed – March 6, 2020

Responsible Official:

Postmaster, Exeter NH Main Post Office

Recommendation #2

We recommend the Manager, Northern New England District, direct the postmaster, to submit the Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*, to Accounting Services to report the \$5,929 vendor service payment.

Management Response:

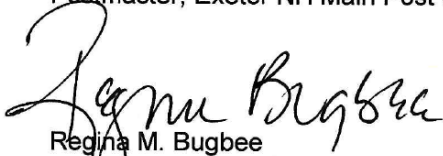
We agree with the recommendation. A PS Form 8231, *Vendor Payment 1099 Reporting Form*, was submitted to Accounting Services to report the \$5,929 vendor service payment through eOLF (e Online Forms system) on March 2, 2020. A copy of the form is attached as supporting documentation.

Target Implementation Date:

Completed – March 2, 2020

Responsible Official:

Postmaster, Exeter NH Main Post Office



Regina M. Bugbee
District Manager, Northern New England

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