



## AUDIT REPORT

# Local Purchases and Payments - Hicksville, NY, Post Office

May 11, 2020

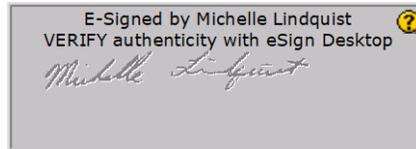


Project Number 20-201-R20



May 11, 2020

**MEMORANDUM FOR:** FRANK CALABRESE  
MANAGER, LONG ISLAND DISTRICT



**FROM:** Michelle Lindquist  
Director, Financial Controls

**SUBJECT:** Audit Report – Local Purchases and Payments - Hicksville,  
NY, Post Office (Project Number 20-201-R20)

This report presents the results of our audit of the Local Purchases and Payments - Hicksville, NY, 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: Postmaster General  
Corporate Audit and Response Management

## Background

This report presents the results of our self-initiated audit of Local Purchases and Payments – Hicksville, NY, Post Office (Project Number 20-201). The Hicksville Post Office is in the Long Island 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)<sup>1</sup> 587, Miscellaneous Services,<sup>2</sup> which were paid for by cash or money order. Based on our data analysis for fiscal year (FY) 2019, Quarter (Q) 2<sup>3</sup> through FY 2020, Q1, we identified the Hicksville Post Office had four local purchases and payments totaling \$11,217. One local purchase in FY 2020, Q1, totaling \$7,680, was 87 percent of the overall amount of local purchases for miscellaneous services in the Long Island District.<sup>4</sup> In addition, we identified the unit had high-risk purchase card transactions totaling \$5,083 by merchant category codes that were considered prohibited, restricted or questionable due to policy restrictions for professional services, cleaning, and maintenance services.

We completed our fieldwork before the President of the U.S. issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect operational changes and/or service impacts that may have occurred at this facility as a result of the pandemic.

## Objective, Scope, and Methodology

The objective was to determine whether local purchases and payments made at the Hicksville, NY, Post Office were valid, properly supported, and processed; and whether the post office effectively processed refunds paid with no-fee money orders.

To achieve our objective, we analyzed all local purchases and payments identified between January 1 and December 31, 2019. In addition, we reviewed local purchases that were made with the purchase card during the same time period. We examined 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 \$11,217 in miscellaneous expenses and \$5,083 in purchase card transactions that occurred from FY 2019, Q2 through FY 2020, Q1. In addition, we reviewed refunds paid with no-fee money orders for miscellaneous expenses, invoices, and premium services.

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

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

<sup>3</sup> Q1 is October 1 through December 31, Q2 is January 1 through March 31, Q3 is April 1 through June 30, and Q4 is July 1 through September 30.

<sup>4</sup> The Long Island District had \$8,818 in local purchases for miscellaneous services during FY 2020, Q1 paid with cash or money orders.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).<sup>5</sup> 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 February through May 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 finding and conclusion based on our audit objective. We discussed our observations and conclusions with management on April 22, 2020, and included their comments where appropriate.

**Finding #1: Local Purchases, Payments, and Refunds**

Local purchases and payments at the Hicksville Post Office were valid and properly supported but not always properly processed. Specifically, of the 146 transactions reviewed:

- Unit management made two emergency purchases totaling \$10,380 that exceeded the local invoice amount limit of \$1,000. They made these purchases using 11 no-fee money orders (see Table 1).

**Table 1. Local Purchases and Payments**

Payment	Payment Purpose	Payment Date	No-Fee Money Oder Amount	Total Invoice Amount
1	Electrical Work	10/4/2019	\$1,000	\$7,680
			1,000	
			1,000	
			1,000	
			1,000	
			1,000	
			680	
2	Rental Space and Advertising	1/14/2019	1,000	2,700
			1,000	
			700	
<b>Total</b>				<b>\$10,380</b>

Source: Postal Service EDW, unit records, and OIG analysis.

<sup>5</sup> 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.

Postal Service policy states that local payments are limited to invoices of \$1,000 or less for a one-time emergency payment to a vendor not in eBuy2 and who does not accept the purchase card. In addition, 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 \$1,000<sup>6</sup>

District management stated they occasionally use the Hicksville Post Office to pay incidentals using no-fee money orders when suppliers do not accept credit cards. District and area management approved and authorized the payments using no-fee money orders for the rental space<sup>7</sup> and the planned power outage<sup>8</sup> at the Mid-Island Processing and Distribution Center (P&DC).<sup>9</sup> In addition, regarding the power outage, the area had also obtained headquarter purchasing department approval to pay with no-fee money orders. Further, headquarters management stated the unit made a good business decision to have the services performed to prevent a safety hazard; however, the services performed were for routine maintenance according to the invoice. In addition, the vendor was listed in ebuy2.

- We reviewed eight purchase card transactions identified by the system as prohibited, restricted or questionable. Seven of those eight purchase card payments valued at \$3,263 did not have the eBuy2 requisition on file (see Table 2).

**Table 2. Local Purchases by Purchase Card**

Missing eBuy2 Requisition	eBuy2 Approval by District	Amount
5	5	\$1,103
1	1	2,000
1	1	160
<b>7</b>	<b>7</b>	<b>\$3,263</b>

Source: Postal Service EDW, unit records, and OIG analysis.

We found all eight purchases to be appropriate. The purchases were for regular, general upkeep and security of the facility. However, regarding the eBuy2 requisition on file, finance policy<sup>10</sup> requires the invoice, approved eBuy2 requisition, and proof

<sup>6</sup> Handbook F-101, *Field Accounting Procedures* (DRAFT), Section 19-1.5, May 2017.

<sup>7</sup> Rental space at local mall for district job fair.

<sup>8</sup> Planned power outage for routine five-year maintenance.

<sup>9</sup> Mid-Island P&DC is a processing and distribution center/facilities which provides instructions on preparation of collection mail, dispatch schedules, and sort plan requirements to associate offices and mailers. The Hicksville Post Office is considered an associate office.

<sup>10</sup> Handbook F-101 (DRAFT), Section 19-1.5c.

of payment to be filed locally as supporting documentation for Postal Service (PS) Form 1412, Daily Financial Report, entries. However, purchasing policy<sup>11</sup> no longer requires the eBuy2 requisition to be kept on file, only to be approved in the system, which contradicts the finance policy. The actual invoices were on file at the unit.

- Five refunds for postage or services totaling \$217 did not have a PS Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts. In addition, one of these refunds in the amount of \$30 was not reported on PS Form 1412.

Postal Service policy states that PS Form 3533 is used to document all refund activities. In addition, the postmaster or unit manager is responsible for reviewing PS Forms 3533 to ensure the refund is warranted and the form is completed properly. In addition, the completed PS Form 3533 is to be given to the closeout employee as supporting documentation for PS Form 1412.<sup>12</sup> Further, Postal Service policy requires the closeout clerk to verify and certify that PS Form 1412 entries match the amounts on PS Forms 3533 and to file the documents locally.<sup>13</sup>

The postmaster did not know why PS Forms 3533 were not completed or retained and not recorded on the PS Form 1412. The postmaster was new to the office and stated this unit did not have a permanent postmaster for over a year.

Unit management followed directions from district and area personnel when they issued multiple no-fee money orders to pay invoices that exceeded the limit, which was against Postal Service policy. In addition, policies are contradicting regarding requirement of eBuy2 requisition being on file. Therefore, we are not making a recommendation on these issues at this time. Our continuous financial control audits show an increasing number of occurrences where units made local payments using no-fee money orders when the amounts were over \$1,000 and the events were not emergencies. We are following up on these issues as part of related work at the district, area, and headquarters levels.

When Hicksville Post Office employees do not ensure purchases and payments are properly processed, the Postal Service risks issuing incorrect or unauthorized payments. In addition, not recording all transactions on the PS Form 1412 could create financial differences, requiring the unit to spend resources to address the difference when identified.

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<sup>11</sup> Handbook AS-709, *Purchasing Card Local Buying Policies*, Section 3-2.1, June 2018.

<sup>12</sup> Handbook F-101 (DRAFT), Section 3-3.2.1.

<sup>13</sup> Handbook F-101 (DRAFT), Section 5-3.

**Recommendation #1:** We recommend the Manager, Long Island District, direct unit management at the Hicksville Post Office to reiterate the requirements of using Postal Service Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts, to document all refund activities and properly review all transactions on the Postal Service Form 1412, Daily Financial Report, as well as maintain the supporting documentation.

### **Management's Comments**

Management agreed with the finding and recommendation. District management provided the local postmaster with a service talk, reiterating the requirements of using PS Form 3533 to document all refund activities, review all transactions on PS Form 1412, and maintain the proper support documentation. The service talk was given to all available sales service associates and the supervisors involved with the nightly closeout on May 5, 2020.

See [Appendix A](#) 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 consider the recommendation closed with the issuance of this report.

## APPENDIX A. MANAGEMENT'S COMMENTS



May 7, 2020

LAZERICK POLAND  
DIRECTOR, AUDIT OPERATIONS

**SUBJECT:** Local Purchases and Payments – Hicksville, NY, Post Office – Report  
Number 20-201-DRAFT

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, Long Island District**, direct unit management at the Hicksville Post Office to reiterate the requirements of using Postal Service Form 3533, *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*, to document all refund activities and properly review all transactions on the Postal Service Form 1412, *Daily Financial Report*, as well as maintain the supporting documentation.

**Management Response:**

We agree with the recommendation. The District Finance Manager provided the Hicksville Postmaster a Service Talk with excerpts from Handbook F-101, Field Accounting Procedures, Section 21-1 and 5-3 reiterating the requirements of utilizing the PS Form 3533 to document all refund activities as well as the requirement to review all transactions on the PS Form 1412 and maintain the proper support documentation. The Service Talk was given to all available Sales Service Associates and the Supervisors involved with the nightly closeout.

**Target Implementation Date:**

Completed – May 5, 2020

**Responsible Official:**

Postmaster, Hicksville Post Office

A handwritten signature in black ink that reads "Frank Calabrese".

Frank J. Calabrese  
District Manager, Long Island

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