



AUDIT REPORT

Local Purchases and Payments - Eatontown, NJ, Post Office

May 8, 2018



Report Number FCS-FM-18-016



May 8, 2018

**Local Purchases and Payments -
Eatontown, NJ, Post Office**
Report Number FCS-FM-18-016

OBJECTIVE:

The objective of this audit was to determine whether local purchases and payments were valid and properly supported at the Eatontown, NJ, Post Office.

The U.S. Postal Service Office of Inspector General's Field Financial Risk Model identified the Eatontown, NJ, Post Office made a total of \$20,773, or 36 percent, of all local purchases and payments within the South Jersey District. During our review, we identified the Eatontown Post Office had an additional \$2,000 of local purchases and payments. These payments were made using no-fee money orders (NFMO) from July 1, 2017 through December 31, 2017.

WHAT THE OIG FOUND:

Local purchases and payments were not always valid and supported at the Eatontown, NJ, Post Office. Unit personnel made 25 payments totaling \$22,773 for services using NFMOs instead of the Postal Service's preferred methods of payment. Specifically, the unit's management made:

- Twelve of the payments using 20 NFMOs totaling \$18,613 to one vendor for cleaning services. Although the unit did not qualify for a cleaning contract to pay the vendor, the unit should have used an

expense purchase card to make these payments as required by policy. Additionally,

- 10 of the 12 payments did not have an invoice for support.
 - 7 of the 12 payments were made using multiple NFMOs for payments over \$1,000 totaling \$14,413.
- Thirteen payments using 13 NFMOs totaling \$4,160 to five vendors for various services, which were not emergency one-time expenses and therefore, unit management should have used an expense purchase card

This occurred because the postmaster lacked knowledge regarding the policy for local purchases and payments. The postmaster used NFMOs to pay the vendors for services instead of using an expense purchase card, as required.

Further, unit management did not collect vendor tax data for the 12 payments for cleaning services using 20 NFMOs valued at \$18,613, as required by federal law. The postmaster stated he was unaware of the policy to submit the required form for services paid.

When preferred payment methods are not followed, the Postal Service has an increased risk of:

- Unauthorized transactions using NFMOs for services.
- Violating federal law if tax reportable payments are not reported, as required.

From July 1 through December 31, 2017 the Eatontown, NJ Post Office issued \$22,773 in questionable local payments because Postal Service policy was not followed.

As a result of this audit, the postmaster completed and submitted the required forms to report the vendor service payments.

WHAT THE OIG RECOMMENDED:

We recommended district management reiterate the policy to all unit management for using the Postal Service's preferred methods of payment.

[Link to review the entire report](#)



May 8, 2018

MEMORANDUM FOR: JAMES G. DRUMMER
DISTRICT MANAGER (A), SOUTH JERSEY DISTRICT

E-Signed by Michelle Lindquist 
VERIFY authenticity with eSign Desktop
Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Local Purchases and Payments –
Eatontown, NJ, Post Office
(Report Number FCS-FM-18-016)

This report presents the results of our audit of the Local Purchases and Payments – Eatontown, NJ, Post Office (Project Number 18BFM013FCS000).

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

Attachment

cc: Corporate Audit Response Management

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Introduction

This report presents the results of our self-initiated audit of Local Purchases and Payments – Eatontown, NJ, Post Office (Project Number 18BFM013FCS000). The Eatontown Post Office is located in the South Jersey District of the Eastern 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 Postal Service prefers to use eBuy2¹ to pay for goods and services. If a purchase cannot be satisfied through eBuy2, authorized postal employees may use the SmartPay2² credit card.³ Cash can be used for emergency one-time expenses, not to exceed \$25. No-fee money orders (NFMO) can be used for emergency one-time local expenses, not to exceed \$1,000.⁴ In addition, local payments made to individuals, proprietorships, or corporations with cash or money orders must be reported for tax purposes.

To determine whether local purchases and payments were valid and properly supported, we interviewed the postmaster and other personnel responsible for overseeing the process authorized to make local purchases and payments. We also analyzed purchase and payment data and examined NFMO receipts for miscellaneous expense transactions between July 1 and December 31, 2017.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW) system.⁵ We did not test the validity of controls over this system; however, we assessed 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 March through April 2018 in accordance with generally accepted government auditing standards. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on April 10, 2018, and included their comments where appropriate.

¹ An electronic commerce portal that provides employees with electronic requisitioning, approval, and certification capability.

² The purchase card may be used only by the designated cardholder and only for official Postal Service business.

³ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 19-1.

⁴ *No-Fee Money Order Quick Reference*, December 2015.

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

Finding #1: Local Purchases and Payments

Unit personnel made 25 local purchases and payments totaling \$22,773 for services using NFMOs instead of the Postal Service’s preferred methods of payment. Specifically, unit management made:

- Twelve payments using 20 NFMOs totaling \$18,613 to one vendor for cleaning services instead of using an expense purchase card, as required (see Table 1). The unit did not qualify for a cleaning contract because the unit was authorized to have a permanent postal custodian and therefore, they should have used an expense purchase card. Additionally,
 - 10 of the 12 payments did not have an invoice for support.
 - 7 of the 12 payments were split using multiple NFMOs for amounts over \$1,000. Specifically, the unit used 15 NFMOs for seven payments valued at \$14,413 because the payments exceeded the single payment limit of \$1,000 for money orders.

Table 1. Payments to One Vendor For Cleaning Services

Payment Number	Payment Date	Amount Paid
1	7/28/2017	\$600
2	8/14/2017	600
3	8/23/2017	1,000
4	8/31/2017	1,000
5	9/9/2017	1,913
6	9/27/2017	2,500
7	10/10/2017	2,000
8	10/23/2017	2,000
9	10/31/2017	1,000
10	11/9/2017	2,000
11	12/2/2017	2,000
12	12/27/2017	2,000
	TOTAL	\$18,613

Source: U.S. Postal Service EDW and U.S. Postal Service Office of Inspector General (OIG) Analysis.

- Thirteen payments using 13 NFMOs totaling \$4,160, were paid to five vendors for various services, which were not emergency one-time expenses and therefore, unit management should have used an expense purchase card (see Table 2).

Table 2. Payments to Vendors For Non-Emergency Services

Payment Number	Payment Date	Amount Paid
1	7/17/2017	\$160
2	7/17/2017	130
3	7/17/2017	852
4	7/17/2017	370
5	7/17/2017	152
6	7/17/2017	245
7	8/9/2017	245
8	9/14/2017	245
9	9/30/2017	430
10	10/25/2017	245
11	12/6/2017	245
12	12/6/2017	245
13	12/11/2017	596
	TOTAL	\$4,160

Source: Postal Service EDW and OIG Analysis

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

- eBuy2.
- SmartPay2 credit card.
- Invoice payment through Postal Service (PS) Form 8230, *Authorization for Payment*, or PS Form 8232, *Payment for Personal Services Contracts*.⁶
- Cash for emergency one-time expenses, not to exceed \$25, or NFMOs for emergency one-time local expenses, not to exceed \$1,000.⁷

Postal Service policy⁸ states that the office must use the purchase card for local buying when needs cannot be satisfied through eBuy2.

The district finance manager stated the postmaster lacked knowledge regarding the policy for local payments using NFMOs. The postmaster stated the previous postal custodian resigned in April 2017 and was not replaced until March 17, 2018. During that time, the post office needed to be kept clean, but the unit did not qualify for a cleaning contract because they were already authorized to have a permanent postal custodian. Although the unit had an employee with an authorized expense purchase card, the employee was on detail at another office. Therefore, the postmaster authorized NFMO payments, instead of making other arrangements to ensure the unit used the Postal Service's preferred methods of payments.

⁶ Submitted to the Scanning and Imaging Center and processed through the Accounts Payable System.

⁷ Handbook F-101, Section 19-1.1 and *No-Fee Money Order Quick Reference*.

⁸ Handbook AS-709, *Local Buying and Purchase Card Policy and Procedures*, September 2017, Section 2-3.1.

When preferred payment methods are not followed, the Postal Service has an increased risk of unauthorized services transactions. We consider the local payments valued at \$22,773 as unsupported questioned costs⁹ because the payments should have been made with an expense credit card. In addition, 10 payments did not have an invoice.

Recommendation #1: We recommend the Manager, South Jersey District, reiterate to all unit management the policy for using the Postal Service's preferred methods of payment.

Finding #2: Tax Reportable Vendor Payments

The postmaster did not complete the required tax documentation for 20 NFMOs valued at \$18,613 for cleaning services for the period of July 1, 2017 through December 31, 2017. The postmaster stated he was unaware of the requirement.

Postal Service policy¹⁰ states PS Form 8231, *Vendor Payment 1099 Reporting Form*, must be completed to report services paid locally with cash or money orders. More importantly, federal law¹¹ requires the Postal Service to report services paid locally with cash or money orders.

When tax reportable payments to vendors are not reported, as required, the Postal Service has an increased risk of violating federal law. As a result of this audit, the postmaster completed and submitted PS Form 8231 to Accounting Services to report the \$18,613 vendor service payments.

Management's Comments

Management stated that they agree with the finding, recommendation, and the monetary impact. Regarding recommendation 1, the district finance manager agreed that the recommendation will greatly improve Eatontown's financial responsibilities for local purchases and payments. The district finance manager stated three employees, including the postmaster, will complete purchase card training by May 10, 2018.

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

⁹ A weaker claim and a subset of questioned costs. Claimed because of failure to follow policy or required procedures, but does not necessarily connote any real damage to Postal Service.

¹⁰ Handbook F-101, Section 19-6 and Handbook AS-709, Chapter 4-1.2.2. This includes services paid locally with cash or money orders to individuals, proprietorships or corporations.

¹¹ IRS requires filing the Form 1099-MISC, Miscellaneous Income, for each person in the course of an entity's business to whom the entity has paid during the year at least \$600 for services performed by someone that is not your employee.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation in the report and corrective actions should resolve the issue identified in the report.

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

Appendix A: Management's Comments



May 1, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Local Purchases and Payments – Eatontown NJ, Post Office
[FCS-FM-18-DRAFT]

Thank you to you and the team for providing a critical look at the Eatontown NJ Post Office procedures for local purchases and payments. I can assure you that the Eatontown team will follow the correct standard operating procedures going forward. We agree with the findings presented in your April 26th report and the corresponding highlights under 'What the OIG found' section and the calculations related to the monetary impacts of \$22,773 which includes \$18,613 to one vendor and \$4,160 to various vendors.

Recommendation:

We recommended district management reiterate the policy to all unit management for using the Postal Service's preferred methods of payment.

Management Response/Action Plan:

We agree that this reiteration of the Postal Service's purchase and payment policy will enlighten the Eatontown team to greatly improve their financial responsibilities for local purchases and payments.

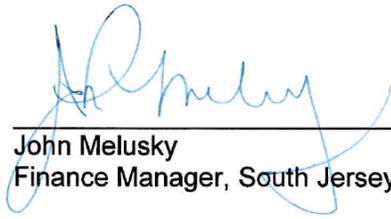
Action Taken: As a result of the audit, Willie McQuay, Postmaster, Tom Bowie, Supervisor Customer Services, and Drew Dafeldecker, Lead Clerk, were notified by me in writing to complete LMS courses #10022331, Purchase Card Training and LMS course # 2520105, Standards of Ethical Conduct and review the AS 709, Purchase Card Local buying Policies and Procedures.

Target Implementation Date:

All three employees will complete the LMS courses listed above by May 10 2018; we will send training records verifying the completion-all three employees reviewed the AS 709 on March 30th.

Responsible Official:

Postmaster



John Melusky
Finance Manager, South Jersey District

*cc: copy those that were copied on the OIG draft audit report, plus
Manager, Corporate Audit Response Management*