



## AUDIT REPORT

# Local Purchases and Payments - Raleigh, NC, Westgate Passport Facility

September 17, 2018



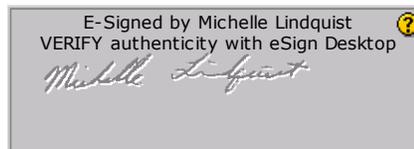
---

Report Number FCS-FM-18-026



September 17, 2018

**MEMORANDUM FOR:** RUSSELL GARDNER  
MANAGER, GREENSBORO DISTRICT



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

**SUBJECT:** Audit Report – Local Purchases and Payments – Raleigh,  
NC, Westgate Passport Facility  
(Report Number FCS-FM-18-026)

This report presents the results of our audit of the Local Purchases and Payments – Raleigh, NC, Westgate Passport Facility (Project Number 18BFM023FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact please contact Dianna PruDe, 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 – Raleigh, NC, Westgate Passport Facility (Project Number 18BFM023FCS000). The Westgate Passport Facility is located in the Greensboro District of the Capital Metro 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 eBuy<sup>1</sup> to pay for goods and services. However, if a purchase cannot be satisfied through eBuy<sup>2</sup>, authorized postal employees may use the SmartPay<sup>2</sup> credit card.<sup>3</sup> Cash can be used for emergency one-time expenses, not to exceed \$25. No-fee money orders (money orders) can be used for emergency one-time local expenses, not to exceed \$1,000.<sup>4</sup>

Account Identifier Code (AIC)<sup>5</sup> 587, Miscellaneous Services, is used to record purchases or expenses associated with payment for non-custodial, custodial and all miscellaneous services only. The U.S. Postal Service Office of Inspector General's data analysis identified Raleigh, NC, Westgate Passport Facility had local purchases totaling \$12,725, or 41 percent of all local purchases in the Greensboro District, for the period January 1 through March 31, 2018. It is unusual for one office to have such a high percentage of local purchases as it relates to other offices in the same district.

## Objective, Scope and Methodology

Our objective was to determine whether local purchases and payments were valid and properly supported at the Raleigh, NC, Westgate Passport Facility.

We interviewed unit personnel and Postal Service management. We also analyzed purchase and payment data and examined money order receipts for miscellaneous expense transactions that occurred between January 1 through March 31, 2018.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).<sup>6</sup> 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.

---

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

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

<sup>3</sup> Handbook F-101, *Field Accounting Procedures*, Section 19-1, May 2017 DRAFT.

<sup>4</sup> *No-Fee Money Order Quick Reference*, December 2015.

<sup>5</sup> The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

<sup>6</sup> 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.

We conducted this performance audit from June through September 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 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 August 27, 2018, and included their comments where appropriate.

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

Although local purchases and payments reviewed were valid, the unit did not follow local Postal Service policy to get the supporting documentation approved. Unit personnel made 12 payments totaling \$12,725 for services at seven units without the required approved eBuy2 requisition or local Ratification Statement.<sup>7</sup>

The submitted eBuy2 requisitions were denied for all seven units because request for bulk funding was not submitted before the beginning of the new fiscal year. However, with an approved Ratification Statement, district management policy allows units to use money orders to pay for services such as snow removal or snow chains if vendors do not accept credit cards. The district finance manager approves the Ratification Statement and returns to the requestor. This approved form must be attached as supporting documentation to the Postal Service (PS) Form 1412, *Daily Financial Report*.

Unit personnel submitted the Ratification Statements; however, the district finance manager could not read the requestor signature and requested the forms be resubmitted with a legible signature and did not approve the form. The requestor sent an email to the district finance manager stating the forms contained her signature; however, the forms were not resubmitted because the requestor thought her email explanation was sufficient. The requestor did not remember if they were ever approved. The lead sales and service associate stated she was instructed by the postmaster to issue money orders for \$12,725 to pay the invoiced services without the approved forms attached.

Postal Service policy<sup>8</sup> states the unit must file the invoice, approved eBuy2 requisition, and proof of payment locally as supporting documentation for the PS Form 1412 entries.

When required approvals are not submitted as requested, the Postal Service has an increased risk of unauthorized services transactions. We consider the payments to the

---

<sup>7</sup> Local district policy document that allows approval of purchases when the eBuy2 is denied. It requires an explanation why the funding was denied; signatures of the requestor and Manager, Post Office Operations; and approval signature by the district finance manager.

<sup>8</sup> Handbook F-101, Section 19-1.5.c.

vendor unsupported questioned costs<sup>9</sup> because unit personnel did not have properly approved documentation for any of the 12 local payments.

**Recommendation #1:** We recommend the **Manager, Greensboro District**, reiterate to all unit management the policy for using the Postal Service's approval procedures for local purchases and payments.

## Management's Comments

Management agreed with the finding and recommendation but disagreed with the monetary impact.

Regarding recommendation 1, the district manager reiterated to all pertinent unit management the policy for using the Postal Service's approval procedures for local purchases and payments. This letter was issued on August 27, 2018, and included a copy of the Management Instruction for Internal and External Events for reference. Further, each post office operations manager, large city postmaster, and plant manager was required to sign a certification of compliance to signify they would adhere to the instructions and postal policy when making purchases and return it to the district finance office by September 30, 2018.

Regarding the monetary impact, management agreed the process was not followed but added they were aware of the purchase; however, they noted the local office failed to receive ratification. The final step in the ratification was to obtain an approval signature from the district Finance manager for the local purchase when the eBuy2 was denied. Therefore, they disagreed that the purchases were unsupported or questionable.

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. The corrective actions taken should resolve the issue. Regarding monetary impact, because the unit did not have properly approved documentation, we consider that a violation of Postal Service regulations and, therefore, a "questioned cost."

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Based on the information provided separately to support recommendation 1, we consider recommendation 1 closed with the issuance of this report.

---

<sup>9</sup> 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.

## Appendix A: Management's Comments



September 10, 2018

Monique Colter  
Director Audit Operations  
Office of Inspector General  
United States Postal Service

**Subject:** Response to Draft Audit Report – Local Purchases and Payments- Raleigh, NC, Westgate Passport Facility Report Number FCS-FM-18-DRAFT

Thank you for the opportunity to respond to the OIG Audit of Local Purchases and Payments- Raleigh, NC, Westgate Passport Facility. Management does agree with the findings noted in the audit report. Management also agrees with the recommendation as outlined in the audit.

Regarding the unsupported questioned costs in the amount of \$12,725 related to unit personnel not having properly approved documentation, we agree the process to complete the Unauthorized Contractual Commitment was not followed through completely. Management was aware of the purchases and had pursued having this process followed. The issue arose due to the local office failing to follow through with the final step in the process to receive ratification. Had upper management and the finance department not known of these purchases they would have been deemed questionable and deserve additional scrutiny and potential corrective action. We do not agree that the \$12,725 in purchases were unsupported or questionable. Per the recommendation and response below a better understanding of the procedures for making and documenting purchases properly will prevent this issue from occurring again.

### **Recommendation #1**

We recommend the Manager, Greensboro District, reiterate to all unit management the policy for using the Postal Service's approval procedures for local purchases and payments.

### **Management Response/ Action Plan**

Management agrees with this recommendation and has implemented by issuing a letter of instruction. The letter was issued on 8/27/2018 to all post office operations managers, all postmasters and all plant managers detailing requirements to follow the established process for all purchases. The message also included a copy of the Management Instruction for Internal and External Events for reference. Additionally a

certification form was required to be completed by each POOM, large city postmaster and plant manager and returned to the district finance office.

**Target Implementation Date**

September 2018

**Responsible Official**

Greensboro District Manager



Russ Gardner  
Greensboro District Manager