



AUDIT REPORT

Local Purchases and Payments - Raleigh, NC, Capitol Station

September 18, 2018

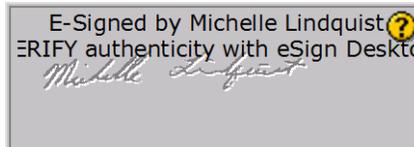


Report Number FCS-FM-18-027



September 18, 2018

MEMORANDUM FOR: RUSSELL GARDNER
MANAGER, GREENSBORO DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Local Purchases and Payments - Raleigh,
NC, Capitol Station
(Report Number FCS-FM-18-027)

This report presents the results of our audit of the Local Purchases and Payments - Raleigh, NC, Capitol Station (Project Number 18BFM022FCS000).

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, Capitol Station (Project Number 18BFM022FCS000). The Capitol Station 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 eBuy² to pay for goods and services. However, if a purchase cannot be satisfied through eBuy2, authorized postal employees may use the SmartPay² credit card.³ 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 \$1,000.⁴

Account Identifier Code (AIC)⁵ 587, 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 (OIG) data analysis identified Raleigh, NC, Capitol Station had local purchases totaling \$8,240, or 27 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

The objective was to determine whether local purchases and payments were valid and properly supported at the Raleigh, NC, Capitol Station.

We interviewed unit personnel and Postal Service management. We also analyzed purchase and payment data and examined money order receipts for all \$8,240 of miscellaneous expense transactions that occurred from January 1 through March 31, 2018.

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

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*, Section 19-1, May 2017 DRAFT.

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

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

⁶ 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 September 4, 2018, and included their comments where appropriate.

Finding #1: Local Purchases and Payments

We could not determine if the local purchases and payments were valid and properly supported because the unit did not always maintain supporting documentation with the Postal Service (PS) Form 1412, *Daily Financial Report*.⁷ Specifically, unit personnel made nine payments, using nine money orders totaling \$8,240, for tent rentals at two units without invoices for the payments (see Table 1). In addition, instead of an invoice, the station manager incorrectly provided a PS Form 3533, *Application for Refund of Fees, Products, or Withdrawal of Customer Accounts*, to the lead clerk for payment.

Table 1. Payments For Tent Rentals

Payment Number	Payment Date	Amount Paid
1	1/22/2018	\$1,000
2	1/22/2018	1,000
3	1/22/2018	1,000
4	1/22/2018	1,000
5	1/22/2018	1,000
6	1/22/2018	1,000
7	1/22/2018	1,000
8	1/22/2018	240
9	1/22/2018	1,000
TOTAL		\$8,240

Source: EDW and OIG analysis.

Postal Service policy⁸ states payments must always be made from an invoice, and the invoice must be complete and accurate. Postal Service policy⁹ also instructs units to keep the invoice and proof of payment locally. PS Form 3533 should only be used for refunds of fees, products, or withdrawal of customer accounts.

The lead clerk stated the station manager provided her the PS Form 3533 and instructed her to issue money orders for the payments. The station manager stated she used the PS Form 3533 to expedite payment because the postmaster wanted to avoid

⁷ The PS Form 1412 provides postal retail units with a uniform method to report financial transactions.

⁸ Handbook F-101, Section 19-2.1.a.

⁹ Handbook F-101, Section 19-3.1.c.

interest on late payment fees.¹⁰ In addition, the station manager stated the supporting documentation was not on file because she previously had retrieved it and it must have been lost or misfiled.

If Capitol Station employees do not ensure payments are properly supported and the correct document is used, Postal Service risks issuing incorrect or unauthorized payments. We consider the payments to the vendor as unsupported questioned cost¹¹ because unit personnel made payments without supporting documentation for any of the nine local payments.

Recommendation #1: We recommend the **Manager, Greensboro District**, reiterate to all unit management the policy for Postal Service's requirement and retention of supporting documentation 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 monetary impact, management disagreed with the monetary impact of \$8,240 being unsupported or questioned cost, stating invoices were available to substantiate the tent rentals but were misplaced. They also stated, since our audit, copies of the supporting documentation have been located and placed with the paperwork.

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 the supporting

¹⁰ The vendor removed the tents on December 30, 2017.

¹¹ 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.

documentation at the time of our audit, we consider that a violation of Postal Service regulation 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.

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, Capitol Station. Report Number: FCS-FM-18-DRAFT

Thank you for the opportunity to respond to the OIG Audit of Local Purchases and Payments- Raleigh, NC, Capitol Station. 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 \$8,240 related to unit personnel not having properly approved documentation, we agree the unit should maintain supporting documentation for all purchases. Invoices were initially available to substantiate the tent rentals but were misplaced. Copies of the supporting documentation have since been located and placed with the paperwork. We do not agree with the monetary impact amount of \$8,240 that these were unsupported or questionable costs.

Recommendation #1

We recommend the Manager, Greensboro District, reiterate to all unit management the policy for Postal Service's requirement and retention of supporting documentation 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

A handwritten signature in black ink, appearing to read "Russ Gardner", written over a horizontal line.

Russ Gardner
Greensboro District Manager