



AUDIT REPORT

Local Purchases and Payments: Miscellaneous Services - Houston, TX, Roy Royall Station

June 20, 2019





June 20, 2019

MEMORANDUM FOR: CHENISE LEDOUX
(A) MANAGER, HOUSTON 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:
Miscellaneous Services – Houston, TX, Roy Royall Station
(Report Number FCS-FM-19-010)

This report presents the results of our audit of the Local Purchases and Payments:
Miscellaneous Services - Houston, TX, Roy Royall Station (Project Number
19BFM014FCS000).

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

Attachment

cc: Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of Local Purchases and Payments: Miscellaneous Services - Houston, TX, Roy Royall Station (Project Number 19BFM014FCS000). The Roy Royall Station is located in the Houston District of the Southern 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 purchase card.² Cash can be used for emergency one-time expenses, not to exceed \$25, and no-fee money orders (money orders) can be used for emergency one-time local expenses, not to exceed \$1,000.

Account identifier code (AIC)³ 587, *Miscellaneous Services*, is used to record purchases or expenses associated with payment for non-custodial, custodial, and all miscellaneous services. The U.S. Postal Service Office of Inspector General's data analysis identified the Houston Roy Royall Station had \$6,740 for miscellaneous services during the period of January 1 through March 31, 2019, compared to \$457 for the same period last year. In addition, these purchases were 88 percent of the overall amount of local purchases within the Houston District for the same timeframe. It is unusual for one office to have such a high dollar increase of miscellaneous services in one quarter.

Objective, Scope and Methodology

The objective was to determine whether local purchases and payments made at the Houston, TX, Roy Royall Station were valid, properly supported and processed. To accomplish the objective, we interviewed unit personnel and Postal Service management. We also analyzed purchase and payment data and examined money order receipts and other payment supporting documentation for miscellaneous expense transactions that occurred from January 1 through March 31, 2019.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).⁴ 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.

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

² Handbook F-101, *Field Accounting Procedures*, May 2017 DRAFT, Section 19-1.

³ The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

⁴ 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.

We conducted this audit from April through June 2019 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 objective. We discussed our observations and conclusions with management on June 4, 2019 and included their comments where appropriate.

Finding #1: Local Purchases and Payments

Local purchases and payments were not always valid, properly supported and processed. We reviewed \$6,740 for local purchases charged to AIC 587 on two dates. Specifically, we found:

- One local payment made on February 7, 2019, valued at \$2,700, was missing supporting documentation on-site. The Houston District Finance Office⁵ authorized the Roy Royall Station personnel to make the payment using three no-fee money orders⁶ to a vendor for passport fairs in the Houston District,⁷ even though it exceeded the single payment limit of \$1,000 for money orders.⁸ The vendor did not accept credit cards; therefore, no-fee money orders were authorized for payment but the unit could not locate an invoice or proof of payment at the time of our audit.
- On February 8, 2019, personnel input \$4,040 into AIC 587 in error. The audit team inquired about supporting documentation for this transaction and determined this amount should have been recorded in AIC 647, *Financial Differences Shortage*. Management could not explain why AIC 587 was used, but agreed AIC 647 was the appropriate AIC. The district office provided the unit with instructions to process and use AIC 647 to collect salary advances for two employees.

The customer service supervisor was on leave for both dates and no one reviewed supporting documentation for all entries on the Postal Service (PS) Form 1412, *Daily Financial Report*, as required. The station manager was available to review the PS Form 1412 but was not aware of the requirement. In addition, the station manager was not formally trained on closeout procedures.

Postal Service policy⁹ states the unit must file the invoice, approved eBuy2 requisition, and proof of payment locally as supporting documentation for the PS Form 1412 entries. In addition, policy¹⁰ requires the field unit manager to review supporting

⁵ This was authorized by the Houston District Finance Manager.

⁶ The local purchase was paid using three no-fee money orders valued at \$1,000, \$1,000, and \$700.

⁷ Passport fairs are events opened to the general public that offer community organizations and groups information about passport application and other services offered by the Postal Service, in addition to accepting and processing passport applications.

⁸ The Houston District Finance Office requested the Roy Royall Station to make the payment due to their proximity to the district office.

⁹ Handbook F-101, Section 19-1.5c.

¹⁰ Handbook F-101, Section 2-4.1.

documentation for all entries on the daily PS Form 1412, as part of the closeout procedures.

The Roy Royall personnel appropriately followed direction from district management to make the passport fairs payment. Therefore, we are not making a recommendation related to the no-fee money order exceeding the \$1,000 limitation. However, we may follow-up in the future as part of related work at the district, area, or headquarters levels.

Subsequent to the site visit, the Houston District's Manager of Financial Programs Compliance provided the audit team with copies of the invoice and proof of payment for the passport fairs. However, unit management should be aware of closeout procedures to ensure payments are properly supported and the correct AIC is used to record financial transactions.

When closeout procedures are not properly performed, it increases the risk of issuing unauthorized payments and recording incorrect financial data. We determined the \$4,040 incorrectly charged to AIC 587 as disbursements at risk.¹¹

Recommendation #1: We recommend the District Manager, Houston District, direct the Postmaster, Houston City, to reiterate and train applicable personnel at the Roy Royall Station on the procedures for the daily closeout, including maintaining appropriate supporting documentation.

Management's Comments

Management agreed with the finding and recommendation.

Regarding recommendation 1, management stated Southern Area and Houston District subject matter experts will train unit personnel on closeout procedures and maintaining appropriate supporting documentation by June 30, 2019.

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 issues identified in the report.

The recommendation require OIG concurrence before closure. The OIG requests written confirmation when corrective action is completed. The recommendation should

¹¹ Disbursements made where proper Postal Service internal controls and processes were not followed.

**Local Purchases and Payments:
Miscellaneous Services –
Houston, TX, Roy Royall Station**

FCS-FM-19-010

not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendix A. Management's Comments

DISTRICT MANAGER (A)
HOUSTON DISTRICT



June 17, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Local Purchases and Payments: Miscellaneous Services
Houston, TX, Roy Royall Station (Report # FCS-FM-19-DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report "Postage, Fees, and Meter Revenue Refunds, Houston TX Roy Royall Station (Report Number FCS-FM-19-DRAFT)."

Management agrees with the findings and recommendations of the OIG pertaining to the Roy Royall Station.

Recommendation #1:

We recommend the Manager, Houston District, direct the Postmaster, Roy Royall Station, to reiterate and train applicable unit personnel on the procedures for the daily closeout, including maintaining appropriate supporting documentation.

Management Response/Action Plan:

(A) District Manager Chenise LeDoux directed Postmaster (OIC) Corey Richards on June 4, 2019 to provide immediate and sufficient training regarding daily 1412 close out and documentation to the management staff and window clerks at the Roy Royall station.

Houston Postmaster (OIC) Richards will make the management and clerks at the Roy Royall station available to receive training. The Southern Area and Houston District subject matter experts (SMEs) will train the applicable unit personnel on the procedures for the daily closeout, including maintaining appropriate supporting documentation.

Target Implementation Date:

June 30, 2019

Responsible Official:

Postmaster (OIC) Corey Richards is the responsible official.


Chenise R. LeDoux

4600 ALDINE BENDER RD
NORTH HOUSTON TX 77315-0800
FAX: 713-226-3755