



AUDIT REPORT

Local Purchases and Payments: Miscellaneous Services – Perth Amboy, NJ, Post Office

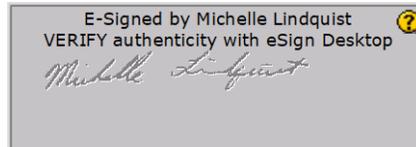
June 21, 2019





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MEMORANDUM FOR: MICHAEL DEIGNAN
MANAGER, NORTHERN NEW JERSEY DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Local Purchases and Payments:
Miscellaneous Services - Perth Amboy, NJ, Post Office
(Report Number FCS-FM-19-012)

This report presents the results of our audit of the Local Purchases and Payments: Miscellaneous Services – Perth Amboy, NJ, Post Office (Project Number 19BFM013FCS000).

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 – Perth Amboy, NJ, Post Office (Project Number 19BFM013FCS000). The Perth Amboy Post Office is located in the Northern New Jersey 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 Postal Service prefers to use eBuy² 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. No-fee money orders can be used for emergency one-time local expenses, not to exceed \$1,000.³

Account Identifier Code (AIC)⁴ 587, 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 analytics identified districts with high amounts of local purchases and payments recorded to AIC 587 paid by cash or money order. Based on our data analysis, miscellaneous services at the Perth Amboy Post Office totaled \$5,781 at the end of fiscal year (FY) 2019, Quarter (Q)1, which is a significant change from having no activity for FYs 2017 and 2018. In addition, miscellaneous services for FY 2019, Q1, at the Perth Amboy Post Office were the second highest for the Northern New Jersey District (31.8 percent of the district's total of \$18,185). It is unusual for one office to have such a high percentage as it relates to other offices in the same district.

Objective, Scope and Methodology

The objective was to determine whether local purchases and payments for miscellaneous services made at the Perth Amboy, NJ, Post Office were valid and properly supported and processed. To accomplish our objective, we interviewed the postmaster and other personnel responsible for the oversight and processing of local purchases and payments. We also analyzed supporting documentation for the two local payments charged to AIC 587 between October 1, 2018, and March 31, 2019.

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 *No-Fee Money Order Quick Reference*, December 2017.

⁴ The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).⁵ 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 employees. We determined the data were sufficiently reliable for the purposes of this report.

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: Miscellaneous Services

Local purchases and payments for miscellaneous services we reviewed were valid and properly supported and processed. During our scope period, the postmaster made two payments, one totaling \$5,048 and one for \$733, for a total of \$5,781, using money orders. Specifically:

- Unit personnel made one payment for a total of \$5,048, to a contractor, for mold abatement services because the contractor would not accept the purchase card and was not listed in eBuy2. Unit personnel used six money orders (five for \$1,000 and one for \$48) to pay the invoice. The total amount exceeded the single payment limit of \$1,000 for money orders.
- Unit personnel made one payment for \$733 to a building landlord for reimbursement of a city sewer fee because the landlord was not listed in eBuy2 and would not accept the purchase card.

Postal Service policy⁶ states that the office must use the purchase card when needs cannot be satisfied through eBuy2 or through other priority sources. The Postal Service's preferred payment methods for local purchases, in order of priority, are:

- eBuy2 (EFT).
- National/Area contracts.
- Purchase card/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 \$1,000.⁷

⁵ 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.

⁶ Handbook AS-709, *Purchase Card Local Buying and Procedures*, June 2018, Section 2-3.1.

⁷ Handbook F-101, Section 19-1.1.

The postmaster requested guidance on how to pay the two invoices because he could not use the preferred methods. The District Finance Manager advised the postmaster to use no-fee money orders to pay them, including approval to use multiple no-fee money orders to pay for the mold abatement services. The District Finance Manager requested that in the future the postmaster confirm in advance a company's ability to accept purchase card payments.

The postmaster stated this was the first time the sewer fee invoice came to the Perth Amboy Post Office. Previously the Fords Post Office managed the sewer payment for Woodbridge Township.⁸ When that arrangement stopped, the Fords Post Office's building landlord paid the sewer fee and invoiced the Perth Amboy Post Office for reimbursement. On March 29, 2019, the postmaster arranged for the sewer fee for Woodbridge Township to be paid directly through eBuy2.

The postmaster appropriately followed direction from district management to make these payments. Therefore, although the postmaster used multiple money orders to pay an invoice that exceeded the single money order payment limit, we are not making a recommendation on this issue at this time. We may follow-up in the future as part of related work at the district, area, or headquarters levels.

Management's Comments

Management disagreed with the finding. The postmaster was faced with vendors who did not have the ability to accept one of the preferred payment methods (purchase card). Management did agree that the report noted the local postmaster followed instructions from the District Finance Manager to pay the vendor with money orders. Management stated the invoices paid were necessary, reasonable and supported with documentation including an explanation as to why a non-preferred payment method was required.

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

Evaluation of Management's Comments

As noted in our report, the postmaster appropriately followed direction from district management to make these payments. Although the postmaster used multiple money orders to pay an invoice that exceeded the single money order payment limit of \$1,000, we did not make a recommendation. However, we may follow-up on this issue as part of related work at the district, area, or headquarters levels.

⁸ Fords Post Office, located in Woodbridge Township, is a branch station to the Perth Amboy Post office.

Appendix A: Management's Comments



June 18, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Local Purchases and Payments: Miscellaneous Services – Perth
Amboy, NJ Post Office – Report Number FCS-FM-19-DRAFT

The findings outlined in the above noted audit report have been reviewed and the response is as follows.

Management disagrees with the OIG's finding. As noted in the audit report, Postal Service policy states there are *preferred* methods of payment for local purchases. In this instance, the local Postmaster was faced with vendors who did not have the ability to accept one of the *preferred* payment methods. After consulting with and receiving guidance from the District Finance Manager, the Postmaster appropriately followed instructions to pay the vendors for the monies owed. The invoices paid were necessary, reasonable, and supported with documentation, including an explanation as to why a non-preferred method of payment was required.

A handwritten signature in black ink, appearing to read "Michael P. Deignan".

Michael P. Deignan
District Manager, Northern New Jersey

cc: VP Area Operations (Northeast)
Manager Operations Support (Northeast)
Controller (Northeast)
Area Accounting Manager (Northeast)
Finance Manager (Northern New Jersey)
Manager, Corporate Audit Response Management