



AUDIT REPORT

Customer Service Meeting Expenses - Freedom Station, Charlotte, NC

July 25, 2019



Report Number FCS-FM-19-015



July 25, 2019

MEMORANDUM FOR: LESLIE JOHNSON-FRICK
MANAGER, MID-CAROLINAS DISTRICT

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

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Customer Service Meeting Expenses –
Freedom Station, Charlotte, NC
(Report Number FCS-FM-19-015)

This report presents the results of our audit of Customer Service Meeting Expenses – Freedom Station – Charlotte, NC (Project Number 19BFM016FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Mary Aleman, Operations 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 Customer Service Meeting Expenses – Freedom Station, Charlotte, NC (Project Number 19BFM016FCS000). Freedom Station is in the Mid-Carolinas District, 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.

Account Identifier Code (AIC)¹ 589, Customer Service Meetings, is used to record expenses associated with payment authorized for refreshments served at official business meetings, employee recognition gatherings, group appreciation events, and customer appreciation meetings. The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified districts with high amounts of local purchases and payments recorded to AIC 589 paid by cash or money order.

Our data analytics identified that Freedom Station incurred \$6,475 in customer service meeting expenses during the period October 1, 2018, through March 31, 2019. This amount was 67 percent of total nationwide customer service meeting expenses incurred during this period. It is unusual for one office to have such a high amount and percentage relative to other offices nationwide.

Objective, Scope, and Methodology

The objective of our audit was to determine whether customer service meeting expenses at Freedom Station were valid and properly supported and processed. To accomplish our objective we interviewed Postal Service management and district and unit personnel regarding payments for customer service meetings. We also analyzed supporting documentation for two payments charged to AIC 589 between October 1, 2018, and March 31, 2019.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).² 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 May through July 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

¹ The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

² 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.

observations and conclusions with management on July 15, 2019, and included their comments where appropriate.

Finding #1: Customer Service Meeting Expenses

The customer service meeting expenses we reviewed were valid and properly supported; however, they were not processed in accordance with Postal Service policy. During our scope period, the Charlotte District communications coordinator asked Freedom Station personnel to issue no-fee money orders totaling \$6,475 to pay for two district yearly meeting events. The cost for each of these events exceeded the limit for no-fee money orders and neither was an emergency. Specifically, the district communications coordinator asked Freedom Station personnel to issue no-fee money orders to pay the Greater Charlotte Postal Customer Council (PCC) for:

- A district postal forum regional event on October 19, 2018, which cost \$3,780.
- A district holiday luncheon on December 7, 2018, which cost \$2,695.

Postal Service policy³ states that the office must use the purchase card when needs cannot be satisfied through eBuy2 or other priority sources. The Postal Service's preferred payment methods for local purchases, in order of priority, are:

- eBuy2 (EFT).⁴
- 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 \$1,000.⁵

According to the district communications coordinator, the office typically used the purchase card to pay the PCC for these annual events. However, when the purchase card was used, the PCC was charged a PayPal[®] fee,⁶ which was deducted from the amount they were paid.⁷ To avoid these fees, the district communications coordinator obtained verbal approval from the district finance manager to pay the PCC using no-fee money orders.

Freedom Station personnel followed direction from district personnel when they issued multiple no-fee money orders to pay invoices that exceeded the limit, which was against

³ Handbook AS-709, *Purchase Card Local Buying and Procedures*, June 2018, Section 2-3.1.

⁴ An electronic commerce portal that provides employees with electronic requisitioning, approval, and certification capability.

⁵ Handbook F-101, *Field Accounting Procedures*, May 2017 (Draft), Section 19-1.1.

⁶ PayPal is an electronic commerce company that facilitates payments between parties through online funds transfers. Pay Pal charges 2.9 percent of total amount plus an additional \$0.30 per transaction for business accounts.

⁷ If the PCC accepted \$6,475 through the purchase card, they would only receive \$6,287 due to deduction of PayPal fees of \$188.

Postal Service policy. In addition, Freedom Station was incorrectly charged for expenses it did not incur.

Based on our audit, district personnel stated they will follow Postal Service policy regarding no-fee money orders in the future; therefore, we are not making a recommendation on this issue at this time. Our continuous financial control audits show an increasing number of occurrences where units made local payments using no-fee money orders when the amounts were over \$1,000 and the events were not emergencies. We will follow up on these issues in the future as part of related work at district, area, or headquarters levels.

Management's Comments

Management agreed with the finding in the report. 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 in the report.

APPENDIX A. MANAGEMENT'S COMMENTS

LESLIE JOHNSON-FRICK
DISTRICT MANAGER
MID-CAROLINAS DISTRICT



July 23, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Customer Service Meeting Expenses – Freedom Station,
Charlotte NC (Report Number FCS-FM-19-DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report,
"Customer Service Meeting Expenses – Freedom Station". Management does agree with the findings
noted in the audit report.

A handwritten signature in blue ink that reads "Leslie Johnson-Frick".

Leslie Johnson-Frick

cc: Manager, Corporate Audit & Response Management

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