



AUDIT REPORT

Local Purchases and Payments: Miscellaneous Services - Garland, TX, Main Post Office and North Garland, TX, Station

August 16, 2019

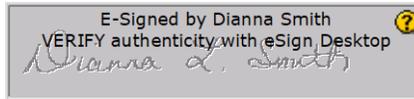


Report Number FCS-FM-19-018



August 16, 2019

MEMORANDUM FOR: MILFORD S. HOOPER
MANAGER DALLAS DISTRICT



FROM: *for*
Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Local Purchases and Payments:
Miscellaneous Services – Garland, TX, Main Post Office and
North Garland, TX, Station
(Report Number FCS-FM-19-018)

This report presents the results of our audit of the Local Purchases and Payments: Miscellaneous Services - Garland, TX, Main Post Office and North Garland, TX, Station (Project Number 19BFM026FCS000).

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 - Garland, TX, Main Post Office and North Garland, TX, Station (Project Number 19BFM026FCS000). The Garland Main Post Office and North Garland Station are located in the Dallas 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.

Account Identifier Code (AIC)¹ 587, *Miscellaneous Services*, is used to record purchases or expenses associated with payment for non-custodial, custodial and all miscellaneous services. The Postal Service prefers to use eBuy2² to pay for goods and services, including miscellaneous services. If a purchase cannot be satisfied through eBuy2, authorized Postal Service employees may use the purchase card.³ 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 \$1,000.⁴

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, we identified the Garland Main Post Office incurred \$16,290 for the period of April 1 through May 31, 2019, and the North Garland Station incurred \$14,724 for the same period. This is a significant change from both locations having no activity for both fiscal years (FY) 2017 and 2018 and FY 2019 Quarters (Q)1 and 2.⁵ In addition, as of May 31, 2019, the Garland Main Post Office local purchases and payments total was the highest for the Dallas District (30 percent of the district total of \$54,302) and the North Garland Station was the second highest (27.1 percent of the district total). It is unusual for offices to have such a high percentage of local purchases in less than one fiscal year.

Objective, Scope and Methodology

The objective was to determine whether local purchases and payments made at the Garland, TX, Main Post Office and North Garland, TX, Station were valid and properly supported and processed.

To accomplish our objective, we analyzed supporting documentation for the local payments charged to AIC 587 between April 1 and May 31, 2019, at the two facilities. We also interviewed the customer service manager and other personnel responsible for the oversight and processing of local purchases and payments at both units.

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

² An electronic commerce portal that provides employees with electronic requisitioning, approval, and certification capability.

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

⁴ *No-fee Money Order Quick Reference*, December 2017.

⁵ Q1 is October 1 through December 31. Q2 is January 1 through March 31.

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 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 June through August 2019 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. 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 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 July 30, 2019, and included their comments where appropriate.

Finding #1: Local Purchases and Payments

Local purchases and payments reviewed were valid and properly supported but not properly processed. Garland Main Post Office and the North Garland Station personnel each made two payments on two separate dates using multiple no-fee money orders in the Retail System Software (RSS).⁷ Those transactions were improperly charged to AIC 587. Specifically:

- Unit personnel at the North Garland Station made one payment:
 - On May 6, 2019, for \$9,044, 10 no-fee money orders were used to pay for two ice machines from a local company.⁸ Half of the amount was for an ice machine to be used at the North Garland Station, and the other half of the amount was for an ice machine to be used at the South Garland Station.⁹
 - On May 8, 2019, for \$5,680, six no-fee money orders were used to pay for two refrigerators from a local company. Half of the amount was for a refrigerator to be used at the North Garland Station, and the other half was for a refrigerator to be used at South Garland Station.
- Unit personnel at the Garland Main Post Office made one payment:

⁶ A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

⁷ The primary hardware and software system used to conduct retail sales transactions at post offices.

⁸ Eight no-fee money orders were issued for \$995 each, and two no-fee money orders were issued for \$542 each.

⁹ South Garland Station, located in Garland, TX, is a branch station to the Garland Main Post Office.

- On May 4, 2019, for \$10,610, 12 no-fee money orders were used to pay for two ice machines from a local company.¹⁰ One half of the amount was for an ice machine for Garland Main Post Office, and the other half of the amount was for an ice machine at Kingsley Station.¹¹
- On May 8, 2019, for \$5,680, six no-fee money orders were used to pay for two refrigerators from a local company.¹² Half of the amount was for a refrigerator at Garland Main Post Office and the other half was for a refrigerator at Kingsley Station.

The purchases of the ice machines and refrigerators were intended to be made by the Social and Recreational Committee (committee) Fund.¹³ The chairperson of the committee stated he originally requested the Postmaster to purchase the refrigerators and ice machines but was informed by the Postmaster that the unit could not purchase this type of equipment. The Postmaster added that a committee could be formed to make these types of purchases. The chairperson requested instructions from the Frisco, TX, committee member, who provided him with information that (1) eBay2 and purchase cards could not be used to make the purchases, (2) only no-fee money orders or gift cards could be used, and (3) multiple no-fee money orders can be used but must be kept under \$1,000. Frisco and Garland committees were unaware of the proper way to pay for goods and services and policy regarding using no-fee money orders for one-time non-emergency expenses.¹⁴

These were not appropriate procedures used to make purchases for the committee. Postal Service policy¹⁵ requires the Postmaster or installation head upon receiving the operating fee check and commission check from the vending machines to have the Retail Associate deposit the operating fee check in AIC 176, *Reimbursement Miscellaneous Services, Non-Government Agencies*.¹⁶ Further, the Postmaster or installation head should exchange the commission check for no-fee money orders for the committee and, when appropriate, the state licensing agency. Postal Service policy¹⁷ also requires the committee to establish a checking account at a bank or credit union if the fund exceeds \$100 and maintain a ledger of incoming and outgoing amounts,¹⁸ record of assets,¹⁹ and chronological file of supporting documentation.²⁰

¹⁰ Ten no-fee money orders were issued for \$995 each, one no-fee money order was issued for \$118, and one no-fee money order was issued for \$542.

¹¹ Kingsley Station, located in Garland, TX, is a branch station to the Garland Main Post Office.

¹² Four no-fee money orders were issued for \$995 each, and two no-fee money orders were issued for \$850 each.

¹³ The Social and Recreational Committee for Garland Main Post Office was created on February 7, 2019, for the purpose of providing social and recreational activities for the benefit of all Postal Service employees at the facility. Appropriate expenditures include purchase of microwave ovens, refrigerators, games, and recreational equipment for the breakroom.

¹⁴ *No-fee Money Order Quick Reference*, December 2017.

¹⁵ F 101 (Draft), Section 6-7.6.

¹⁶ Account is for funds collected from commercially operated vending machines in Post Office lobbies to cover the utility cost, damage to Post Office personal property, reimbursement for dog bite damages, and other miscellaneous reimbursements.

¹⁷ ELM 46, Section 615.454.

¹⁸ ELM 46, Section 615.51.

¹⁹ ELM 46, Section 615.53.

²⁰ ELM 46, Section 615.56.

This includes completing Postal Service (PS) Form 3241, *Statement of Receipts and Disbursements*, with one copy going to the DFM.²¹ For committees with less than \$100, they can keep the funds in a safe.²²

Based on the purchases of the committee, the funds exceeded \$100 but the committee did not have a checking account. As stated, they were under the impression that they could use no-fee money orders to make purchases.

In addition, the installation head, chairperson, and the district finance manager (DFM) did not have the PS Form 3241, as required. Instead, the chairperson had an EDW report with details of information in AIC 126, *Miscellaneous Non-Postal Revenue*,²³ which he assumed represented funds available to the committee. The DFM stated any records of proceeds received by the committee fund should be at the unit level.

Further, we extracted the activity for Frisco, TX Main Post Office in AIC 587. This unit also has high local purchases and payments. For FY 2019, the office incurred about \$7,900 through June 30, 2019. While we did not audit this facility, based on the similarity of the data and guidance provided by Frisco Main Post Office to the Garland unit, the local purchases and payments transactions also appear questionable. The district may want to address their transactions as well.

When separate records are not maintained, the Postal Service could be at risk for incurring unnecessary or unauthorized expenditures.

Recommendation #1: We recommend the Manager, Dallas District, direct the District Finance Manager, Dallas, TX, to provide training regarding record keeping requirements for the Garland Social and Recreational Committee Fund activities, including proper completion of Postal Service Form 3241.

²¹ ELM 46, Section 615.62.

²² ELM 46, Section 615.453.

²³ This account is used to record miscellaneous funds from Business Reply Mail monthly fees, undeliverable customer account funds, money found loose in the mail, unclaimed money from Mail Recovery Center, Office of Workers' Compensation Programs, etc.

Recommendation #2: We recommend the Manager, Dallas District, to coordinate with the Postmaster to properly exchange vending machine commission checks and to guide the Garland Social and Recreational Committee to establish a checking account and use proper procedures to separate funds from Postal Service accounts.

Management's Comments

Management agreed with the finding and recommendations.

Regarding recommendation 1, the District Manager has initiated a letter to the District Finance Manager to provide training regarding record keeping requirements for the Garland Social and Recreational Committee Fund activities, including proper completion of PS Form 3241. Management plans to complete this action by August 30, 2019.

Regarding recommendation 2, the District Manager initiated a letter instructing the Postmaster, Garland PO, to properly exchange vending machine checks and to guide the Garland Social and Recreational Committee to establish a checking account and use proper procedures to separate funds from Postal Service accounts. Management plans to complete this action by August 30, 2019.

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

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the finding and recommendations in the report.

The recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed.

Recommendations 1 and 2 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Management's Comments

DISTRICT MANAGER
DALLAS CUSTOMER SERVICE & SALES



July 31, 2019

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Local Purchases and Payments: Miscellaneous Services - Garland, TX,
Main Post Office and North Garland, TX, Station (Report Number FCS-FM-19-
DRAFT)

Management agrees with all the findings of this audit conducted by U.S. Postal
Service Office of Inspector General.

Recommendation 1:

We recommend the Manager, Dallas District direct the District Finance Manager,
Dallas, TX, to provide training regarding record keeping requirements for the Garland
Social and Recreational Committee Fund activities, including proper completion of
Postal Service Form 3241.

Management Response/Action Plan:

District Manager initiated a letter to District Finance Manager about providing training
regarding record keeping requirements for the Garland Social and Recreational
Committee Fund activities, including proper completion of Postal Service Form 3241.

Target Implementation Date:

August 30, 2019.

Responsible Official:

District Finance Manager

Recommendation 2:

We recommend the Manager, Dallas District, to coordinate with the Postmaster to
properly exchange vending machine commission checks and to guide the Garland
Social and Recreational Committee to establish a checking account and use proper
procedures to separate funds from Postal Service accounts.

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Management Response/Action Plan:

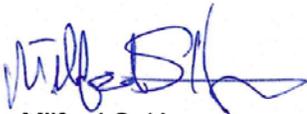
District Manager initiated a letter instructing the Postmaster, Garland PO, to properly exchange vending machine commission checks and to guide the Garland Social and Recreational Committee to establish a checking account and use proper procedures to separate funds from Postal Service accounts.

Target Implementation Date:

August 30, 2019

Responsible Official:

Postmaster, Garland PO



Milford S. Hooper
Dallas District Manager

cc: Corporate Audit and Response Management