



AUDIT REPORT

Local Purchases and Payments: Miscellaneous Services - Dickinson, ND, Main Post Office

August 23, 2019

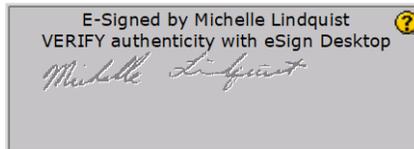


Report Number FCS-FM-19-023



August 23, 2019

MEMORANDUM FOR: DOUGLAS P. STEPHENS
MANAGER, DAKOTAS DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Local Purchases and Payments:
Miscellaneous Services – Dickinson, ND, Main Post Office
(Report Number FCS-FM-19-023)

This report presents the results of our audit of the Local Purchases and Payments: Miscellaneous Services - Dickinson, ND, Main Post Office (Project Number 19BFM022FCS000).

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 Local Purchases and Payments: Miscellaneous Services - Dickinson, ND, Main Post Office (MPO) (Project Number 19BFM022FCS000). The Dickinson MPO is in the Dakotas District of the Western 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 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 587 paid by cash or money order. Based on our data analysis of miscellaneous services for fiscal year (FY) 2019, Quarter (Q) 2, we determined the Dickinson MPO made local purchases and payments totaling \$7,060. This is a significant change from having no activity in FYs 2017 and 2018. In addition, the amount of these payments for FY 2019, Q2, at the Dickinson MPO, was the highest in the Dakotas District, or 23 percent of the district total of \$30,123. It is unusual for one office to have such a high percentage of local purchases and payments by cash or money order, compared to other offices in the same district.

Objective, Scope, and Methodology

The objective of this audit was to determine whether local purchases and payments made at the Dickinson MPO were valid, properly supported and processed. To accomplish our objective, we analyzed supporting documentation for the nine local transaction dates with charges to AIC 587 between January 1 and March 31, 2019. We also interviewed the acting postmaster and other personnel responsible for the oversight and processing of local purchases and payments.

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 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 conclusion

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.

based on our audit objective. We discussed our observations and conclusions with management on August 2, 2019, and included their comments where appropriate.

Finding #1: Local Purchases and Payments: Miscellaneous Services

Local purchases and payments for miscellaneous services were valid but not always properly supported and processed. We reviewed 13 invoices, totaling \$7,060, where the acting postmaster used 16 no-fee money orders to pay for local purchases. See Table 1 for details.

Table 1. Dickinson MPO Invoice Payments Made Using No-Fee Money Orders

Invoice	Invoice Service or Purchase	Invoice Amount	Number of No-Fee Money Order(s)	Issue(s)
1	Snow Removal ³	\$1,664	2 ⁴	Invoice amount exceeded no-fee money order limit of \$1,000, so two no-fee money orders issued for one payment; non-emergency.
2	Snow Removal	2,440	3 ⁵	Invoice amount exceeded no-fee money order limit of \$1,000, so three no-fee money orders issued for one payment; non-emergency.
3	Snow Removal	995	1	Non-emergency.
4	Snow Removal	580	1	Non-emergency.
5	Hardware	77	1	Non-emergency.
6	Hardware	89	1	Non-emergency.
7	Snow Removal	413	1	Non-emergency; payment processed by remote post office without Retail Systems Software ⁶ causing financial difference.
8	Snow Removal	281	1	Non-emergency.
9	Waste Disposal	47	1	Non-emergency.
10	Waste Disposal	47	1	Non-emergency.
11	Parcel Locker Locks	206	1	Non-emergency.
12	Keys and Locks	62	1	Emergency; sales clerk reimbursed Dickinson MPO acting postmaster; missing eBuy2 requisition approval.
13	Supplies; Training Refreshments	159	1	Non-emergency; sales clerk reimbursed Dickinson MPO acting postmaster.
Totals		\$7,060	16	

Source: OIG analysis of Dickinson MPO documentation.

Postal Service policy states that eBuy2⁷ is mandatory for all employees with intranet access, and all purchases of goods and services, regardless of payment type, require an

³ Snow removal can include various equipment use on different days. Snow removal contract is in progress.

⁴ No-fee money orders were valued at \$1,000 and \$664.

⁵ No-fee money orders were valued at \$1,000, \$1,000 and \$440.

⁶ The primary hardware and software system used to conduct retail sales transactions at post offices.

⁷ An electronic commerce portal that provides employees with electronic requisitioning, approval, and certification capability.

approved eBuy2 requisition.⁸ Postal Service policy also states it prefers eBuy2 for order placement after in-house access resources have been checked.⁹ Further, it states the office must use the purchase card when needs cannot be satisfied through eBuy2 or through other priority sources.¹⁰ The Postal Service's preferred payment methods for local purchases, in order of priority, are:

- eBuy2 (electronic funds transfer).
- National/Area contracts.
- Purchase card/Purchase card checks.
- Cash for emergency one-time expenses, not to exceed \$25, or no-fee money orders for emergency one-time local expenses, not to exceed \$1,000.¹¹

Postal Service policy also states the unit must file the invoice, approved eBuy2 requisition, and proof of payment locally as supporting documentation for the Postal Service (PS) Form 1412, Daily Financial Report, entries.¹²

According to the acting postmaster, the Dickinson MPO does not have a permanent postmaster, and the unit's customer service supervisor did not have a purchase card. In order to pay the invoices, he contacted the district finance manager and received approval to use no-fee money orders. However, we identified through interviews, a sales associate was issued a purchase card with an expiration date of February 2022, but the associate could not recall who approved issuance of the card.

During the exit briefing, the district manager noted, management, not a craft employee, should hold the purchase card and agreed the unit should not be issuing no-fee money orders for payments. He plans to close-out the purchase card that the sales associate was issued. Further, as a result of this audit, the current customer service supervisor at the Dickinson MPO applied for and received a purchase card for the unit.

Regarding invoice 7 from [Table 1](#), the acting postmaster stated he instructed the clerk to issue a no-fee money order at the New England, ND, Post Office, which is a remote post office,¹³ instead of processing it at the Dickinson MPO, since the \$413 charge for snow removal was for the New England Post Office. The Western Area Office flagged the payment as a financial difference shortage because remote post offices are not authorized to issue no-fee money orders for any reason. Therefore, the district office provided the Dickinson MPO with instructions to transfer the no-fee money order

⁸ Handbook F-101, May 2017 *DRAFT*, note in Section 19-1.5.1 and 19-1.2.

⁹ Handbook F-101, Section 19-1.2.

¹⁰ Handbook AS-709, *Purchase Card Local Buying and Procedures*, June 2018, Section 2-3.1.

¹¹ Handbook F-101, Section 19-1.1.

¹² Handbook F-101, Section 19-1.5c.

¹³ Remotely managed post offices offer part-time window service hours, staffed by Postal Service employees who operate from a Single Drawer Accountability (SDA). An SDA is comprised of stamp stock, cash, and money orders specifically assigned to the office, which is overseen by an administrative post office.

payment from AIC 587 to AIC 647, *Financial Differences Shortage*.¹⁴ Based on the action taken by the district and unit, we are not making a recommendation for this issue.

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.

When preferred methods of payment and required approvals are not submitted, the Postal Service has an increased risk of issuing unauthorized payments and recording incorrect financial data.

Recommendation #1: We recommend **the Manager, Dakotas District**, reiterate to the acting postmaster the policy for using vendors that accept the purchase card and on the use of no-fee money orders .

Finding #2: Tax Reportable Vendor Payments

The acting postmaster did not complete required tax documents for six payments valued at \$6,373 to two different vendors for snow removal.¹⁵ Postal Service policy states that PS Form 8231, Vendor Payment 1099 Reporting Form,¹⁶ must be completed to report services paid locally with cash or money orders.¹⁷ More importantly, federal law requires the Postal Service to report services paid locally with cash or money orders.¹⁸ The acting postmaster stated he was not aware of these requirements and, therefore, did not submit the required forms.

As a result of this audit, the acting postmaster stated that he would submit PS Form 8231 for the six payments as required by policy and federal law. We consider these six local payments, valued at \$6,373, unsupported questioned costs.¹⁹ When tax reportable payments to vendors are not reported as required, the Postal Service violates federal law.

¹⁴ Expense associated with financial shortages due to discrepancies in post office's daily financial report, related to banking, debit/credit card, money order, 1412 discrepancies and stock ledger (stock in-transit) exceptions.

¹⁵ The acting postmaster used nine money orders for these transactions that occurred between January 1 and March 31, 2019.

¹⁶ An online application that provides users the ability to view, complete, print, and submit forms processed by Accounting Services.

¹⁷ Handbook F-101, Section 19-6, and Handbook AS 709, section 4-1.2.2. This includes services paid locally with cash or money order to individuals, proprietorships or corporations.

¹⁸ The IRS requires each person to whom an entity has paid at least \$600 during the year for services performed in the course of that entity's business, but is not their employee, to file Form 1099-MISC, *Miscellaneous Income*.

¹⁹ 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.

Recommendation #2: We recommend **the Manager, Dakotas District**, reiterate to unit management the requirement to complete and submit appropriate documentation to report services paid locally with cash or money orders.

Recommendation #3: We recommend **the Manager, Dakotas District**, direct the acting postmaster, Dickinson Main Post Office, to provide Postal Service Form 8231, Vendor Payment 1099 Reporting Form, to the applicable vendors paid with money orders for snow removal services.

Management's Comments

Management generally agreed with the findings, recommendations, and monetary impact.

Regarding recommendation 1, the District Finance Manager instructed the acting postmaster to comply with Postal Service policy to (1) make every attempt to use vendors that accept credit cards and (2) use no-fee money orders for emergency, one-time expenses but not to exceed \$1,000.

Regarding recommendation 2, the District Finance Manager instructed the acting postmaster to comply with Postal Service policy (1) requiring an approved eBuy2 requisition and (2) completing PS Form 8231 whenever local buying payments are made to nonemployee individuals in excess of \$600 in a calendar year for services that are 1099-reportable.

Based on supplemental documentation, management provided training in these areas to the outgoing and the incoming acting postmasters, which were completed August 19, 2019.

Regarding recommendation 3, the District Finance Manager instructed the acting postmaster on how to complete the appropriate PS Form 8231. Based on supplemental documentation, management submitted the respective forms as stated in the report on August 12, 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 findings, recommendations, and monetary impact in the report. We reviewed management's correspondence and found it adequate to resolve the issues identified in this report. We consider recommendations 1, 2, and 3 closed with the issuance of this report.

APPENDIX A. MANAGEMENT'S COMMENTS

DISTRICT MANAGER
DAKOTAS MONTANA DISTRICT



August 20, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Local Purchases and Payments Miscellaneous Services
Dickinson ND, Main Post Office
FCS-FM-19-DRAFT (Project Number 19BFM022FCS000).

Management generally agrees with the Office of Inspector General's findings and monetary impacts as outlined in this audit report. Management's position on each recommendation is as follows:

OIG Recommendation #1

The Manager, Dakotas District, reiterate to the acting postmaster the policy for using vendors that accept the purchase card and on the use of no-fee money orders.

Management Response/Action Plan:

The Dakotas District Manager agrees with Recommendation #1. The acting postmaster will be informed to comply with the section in the F-101 Section 19-1.3c which states "Make every attempt to use vendors that accept credit cards". In addition, the acting postmaster will be informed to comply with section 4-1.2.2 of the AS-709 which states that No-fee money orders may also be used for emergency one-time expenses, but not to exceed \$1,000.

Target Implementation Date: Completed

Training completed on August 12, 2019 with outgoing OIC
Training completed on August 19, 2019 with incoming OIC

Responsible Official:

District Finance Manager

OIG Recommendation # 2

The Manager, Dakotas District, reiterate to unit management the requirement to complete and submit appropriate documentation to report services paid locally with cash or money orders.

US POSTAL SERVICE
PO Box 7500
SIOUX FALLS SD 57117-7500
605-333-2601

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Management Response/Action Plan:

The Dakotas District Manager agrees with Recommendation #2. The acting postmaster will be informed to comply with section 4-1.2.2 of the AS-709 which states "All purchases of goods and services, regardless of payment type, require an approved eBuy2 requisition. Complete PS Form 8231, *Vendor Payment 1099 Reporting Form*, whenever local buying payments are made via cash, money order, or purchase card check to nonemployee individuals in excess of \$600 in a calendar year for services (not goods) that are 1099-reportable".

Target Implementation Date: Completed

Training completed on August 12, 2019 with outgoing OIC
Training completed on August 19, 2019 with incoming OIC

Responsible Official:

District Finance Manager

OIG Recommendation # 3

The Manager, Dakotas District, direct the acting postmaster, Dickinson Main Post Office, to provide Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*, to the applicable vendors paid with money orders for snow.

Management Response/Action Plan:

The Dakotas District Manager agrees with Recommendation #3. The acting postmaster will be instructed on how to complete the appropriate Postal Service Form 8231, *Vendor Payment 1099 Reporting Form*, and will submit the respective forms for the appropriate items listed in Table 1.

Target Implementation Date: Completed.

Forms submitted on August 12, 2019
Training completed on August 12, 2019 with outgoing OIC
Training completed on August 19, 2019 with incoming OIC

Responsible Official:

District Finance Manager



Douglas P. Stephens Sr.
District Manager
Dakotas Montana District

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cc: Corporate Audit and Response Management
Kevin L. McAdams, Vice President, Delivery & Retail Operations
Gregory G. Graves, Vice President, Operations – Western Area
Felipe Flores, Manager, Operations Support / A
Kangcong Zhang, Controller/A

Attachments: 7