



AUDIT REPORT

Internal Controls Over Local Purchases and Payments – Pottstown, PA, Post Office

January 25, 2017



Report Number FT-FM-17-008



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BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) uses data analytics, including predictive risk models and tripwires, to evaluate the U.S. Postal Service's financial information. The analytics seek to target financial anomalies that occur at field units.

The OIG's Field Financial Risk Model and our Office of Investigations' Local Payment Tripwire identified that the Pottstown, PA, Post Office made about \$38,000 in local purchases and payments using no-fee money orders from October 1, 2015, to September 30, 2016.

The Postal Service prefers to pay for its goods and services through its electronic purchasing system. When that is not possible, authorized users may use assigned credit cards. Cash not to exceed \$25, or a no-fee money order not to exceed \$1,000, may be used to make a one-time emergency payment.

The objective of this audit was to determine whether internal controls were in place and effective for making local purchases and payments at the Pottstown Post Office.

WHAT THE OIG FOUND:

Internal controls for making local purchases and payments were not always effective and needed

improvement. We verified 105 payments valued at \$38,099 for goods and services were made using cash and no-fee money orders instead of the Postal Service's preferred payment methods.

The unit paid 14 invoices for landscaping, utilities, and a rental van using 28 no-fee money orders. Multiple money orders were used to pay some invoices because the invoices exceeded the single payment limit of \$1,000 for money orders. Further, the unit made seven cash payments valued at \$180.63 for items other than the allowable one-time emergencies and one of those payments exceeded the \$25 payment limit.

Pottstown management was aware of the Postal Service's preferred payment methods. However, the retail associate responsible for local payments used cash and no-fee money orders to expedite payments to vendors based on instruction from a previous postmaster.

WHAT THE OIG RECOMMENDED:

We recommended management implement controls to ensure retail associates are aware of and use the preferred payment methods and adhere to the no-fee money order single payment limit policy.

[*Link to review the entire report*](#)



January 25 2017

MEMORANDUM FOR: CHU FALLING STAR
MANAGER, PHILADELPHIA DISTRICT

E-Signed by Lorie Nelson 
VERIFY authenticity with eSign Desktop
Lorie Nelson

FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Local Purchases and
Payments – Pottstown, PA, Post Office
(Report Number FT-FM-17-008)

This report presents the results of our audit of Internal Controls Over Local Purchases and Payments – Pottstown, PA, Post Office (Project Number 17BFM002FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Asha Mede, deputy director, Financial Controls, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of Internal Controls Over Local Purchases and Payments – Pottstown, PA, Post Office (Project Number 17BFM002FT000). The Pottstown Post Office is in the Philadelphia District of the Eastern Area. This self-initiated audit of local purchases and payments is 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 local goods and services. If a purchase cannot be satisfied through eBuy², authorized postal employees may use the SmartPay² credit card. Cash not to exceed \$25 or a no-fee money order not to exceed \$1,000 may be used to make a one-time emergency payment.³

We reviewed accounting records for local purchases and payments at the Pottstown Post Office for fiscal year (FY) 2016 (October 1, 2015, through September 30, 2016) to determine whether the transactions were valid. We also evaluated the process for making local purchases and payments and interviewed the postmaster and other personnel responsible for overseeing the process. We relied on computer-generated data from the Enterprise Data Warehouse (EDW)⁴ and Time and Attendance Collection System.⁵ We did not test the validity of controls over these systems; however, we verified the accuracy of the data by confirming our analysis and results with postal managers. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from November 2016 through January 2017, 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 objectives. We discussed our observations and conclusions with management on November 28, 2016, and included their comments where appropriate.

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

² The purchase card may be used only by the designated cardholder and only for official Postal Service business.

³ *No-Fee Money Order Quick Reference*, December 2015.

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.

⁵ A system used by all installations that automates the collection of employee time and attendance information.

Local Payments

Our tripwire showed the Pottstown Post Office made about \$38,000 in local purchases and payments using no-fee money orders in FY 2016. We reviewed the accounting records and verified the post office made 105 local payments valued at \$38,098.87 using no-fee money orders and cash instead of the Postal Service’s preferred payment methods, i.e. its electronic purchasing system and the purchase card. Specifically, Pottstown personnel used no-fee money orders for 98 local payments valued at \$37,918.24. They used cash for the remaining seven payments valued at \$180.63.⁶ See Table 1 for local payments at the Pottstown Post Office.

Table 1. FY 2016 Local Payments

Local Payment Transaction	Number of Payments	Amount
Employee Travel	22	\$1,222.90
Landscaper	18	7,030.00
Rental Van	16	11,691.86
Utility	15	6,800.05
Uniform	11	4,609.00
Bottled Water	8	2,334.96
Refunds	3	126.50
Office Supplies	3	791.14
Parking	3	1,206.00
Auto Body Repair	1	425.00
Fire Extinguisher Inspector	1	280.00
Retirement Cake	1	61.98
Paint	1	995.48
Tow	1	250.00
Scale Maintenance	1	274.00
Total	105	\$38,098.87

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of FY 2016 local payment documentation.

The unit paid 14 invoices for landscaping, utilities, and a rental van using 28 no-fee money orders. Multiple money orders were used to pay some invoices because the invoices exceeded the single payment limit of \$1,000 for money orders. See [Table 2](#) for no-fee money orders used to pay invoices greater than \$1,000.

⁶ The Pottstown Post Office paid \$61.98 for a retirement cake and \$118.65 for employee travel.

Table 2. Invoices Paid With More Than One No-fee Money Order

Local Payment Transaction	Date of Payment	Invoice Amount
Utility	1/14/2016	\$1,375.81
Rental Van	1/14/2016	1,409.40
Rental Van	2/12/2016	1,332.16
Landscaper	2/24/2016	1,800.00
Utility	3/7/2016	1,266.97
Rental Van	3/11/2016	1,416.80
Landscaper	3/18/2016	1,500.00
Rental Van	4/8/2016	1,490.13
Rental Van	6/6/2016	1,343.52
Utility	6/7/2016	1,234.51
Rental Van	7/8/2016	1,452.36
Rental Van	8/5/2016	1,390.56
Rental Van	9/9/2016	1,856.93
Utility	9/14/2016	1,266.97
Total		\$20,136.12

Source: OIG breakdown of no-fee money orders used to pay invoices over \$1,000.

In addition, for one of the seven cash payments, the Pottstown Post Office exceeded the \$25 one-time emergency cash limit for local payments. Specifically, it paid \$61.98 for a retirement cake for two employees retiring from the unit.

The Postal Service’s preferred payment methods for local purchases, in order of priority, are:

- eBuy2.
- SmartPay2 credit card.
- Invoice payment through Postal Service (PS) Form 8230, Authorization for Payment, or PS Form 8232, Payment for Personal Services Contracts.⁷
- Cash for a one-time emergency not to exceed \$25 or a no-fee money order not to exceed \$1,000.⁸

Pottstown management was aware of the Postal Service’s preferred payment method requirements for local payments. However, the retail associate responsible for making local payments stated she used cash and no-fee money orders to expedite payments to vendors based on instruction from a previous postmaster.

If proper payment methods are not used for local purchases and payments, there is an increased risk of unauthorized transactions. We considered the payments valued at

⁷ Submitted to the Scanning and Imaging Center and processed through the Accounts Payable System.

⁸ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 19-1.1 and *No-Fee Money Order Quick Reference*, December 2015.

\$38,098.87 as unrecoverable questioned costs⁹ because the retail associate responsible for making local payments did not follow the preferred payment method policy and exceeded the single payment limit for no-fee money orders.

Recommendation

We recommend the manager, Philadelphia District, instruct management, Pottstown, PA, Post Office to:

1. Implement controls to ensure retail associates are aware of and use the preferred payment methods and adhere to the no-fee money order single payment limit policy.

Management's Comments

Management agreed with the finding, recommendation, and monetary impact.

Management stated all retail associates have been trained on the proper use of no-fee money orders. Also, the unit supervisor was trained and received a purchase card for the unit in December 2016, that will be used for all purchases that cannot be made through eBuy2. In addition, a Field Financial Specialist from the Eastern Area visited the unit on January 11, 2017, and verified purchase card controls were in place.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation in the report. We consider the recommendation closed with the issuance of this report.

⁹ Questioned Costs – Unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, etcetera. May be recoverable or unrecoverable. Usually a result of historical events.

Appendix A: Management's Comments

PHILADELPHIA METROPOLITAN DISTRICT



01/20/2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over Local Purchases and Payments – Pottstown, PA, Post Office Report Number
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Management agrees with the OIG findings and with the calculations they came up with.

Recommendation:

"We recommended management implement controls to ensure retail associates are aware of and use the preferred payment methods and adhere to the no-fee money order single payment limit policy."

Management Response/Action Plan:

Management agrees with the recommendation.

All retail associates have been trained on the proper use of no-fee money orders. A supervisor in the office has taken training and received a credit card for the office.

Target Implementation Date:

Richard Stilwell received a credit card for the office in December 2016.

Mark Killen, Field Financial Specialist, visited the Pottstown office on January 11, 2017. He verified purchase card controls were in place and Mr Stilwell did obtain a credit card.

Responsible Official:

Richard Stilwell will be using the credit card for all purchases that cannot be made through Ebuy2.

A handwritten signature in blue ink that reads "Melissa Markoski".

Melissa Markoski
OIG Pottstown Post Office