



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Assessing Controls Over the Utility Payment Process

Audit Report

Report Number
SM-AR-16-003

December 30, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

***In FY 2014, the
Postal Service paid about
\$537 million for utilities
through two systems.***

Background

The U.S. Postal Service operates about 32,000 facilities that use various types of utilities. These utilities include electricity, natural gas, water, steam, sewerage, and regulated telecommunications. In fiscal year (FY) 2014, the Postal Service paid about \$537 million for utilities through two systems. Over 196,000 invoices totaling \$433.9 million were processed in the Utility Management System (UMS) and over 675,000 invoices totaling \$102.9 million were processed in the eBuy2 system.

A Postal Service contractor enters and processes utility bills in the UMS for about 5,500 larger Postal Service facilities. A system-generated email is then sent to designated local officials to verify the accuracy of the processed invoices. In addition, the Postal Service uses an exception report to identify invoice anomalies, such as excessive billing amounts, on all invoices processed in the UMS.

eBuy2 is designed for ordering goods and services that cost less than \$10,000; however, it is also used for requesting payment for utilities such as electricity and water for Postal Service facilities the UMS does not manage. Unlike UMS, Postal Service employees input and review utility invoices in eBuy2 rather than a contractor. Also, eBuy2 does not have the capability to produce exception reports.

In 2010, we issued a report addressing the certification process for electronic invoices, including utility invoices processed in

the UMS. In that audit, we found Postal Service personnel responsible for reviewing invoices were unaware of their roles, and contact information in the UMS was inaccurate. In response, the Postal Service developed training videos that described personnel roles in the UMS invoice process and how to access and update reviewer contact information in the UMS.

This report is a follow-up to the corrective actions taken to improve oversight of utility payments made through the UMS. We also reviewed the eBuy2 utility payment process. Our objective was to evaluate the Postal Service's controls over utility payments.

What the OIG Found

The Postal Service can improve controls over utility payments. Its processes for reviewing utility invoices in the UMS were overlapping and unclear. For example:

- Area and district personnel were responsible for resolving UMS invoice anomalies identified in the UMS exception report when designated local personnel were already tasked to review the invoices.
- For 49 of 55 (89 percent) sampled utility invoices analyzed, personnel designated to review, question, or approve invoices in UMS did not always do so because they were unaware of their roles and responsibilities.



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- Contact information for personnel designated to review and approve UMS invoices was inaccurate or incomplete for 35 of the 55 invoices we reviewed.
- Five of 39 district personnel we interviewed who were responsible for addressing invoice anomalies identified on the UMS exception report were not familiar with the exception reporting process.

Further, based on our sample of 153 eBuy2 invoices, 85 employees who input invoice data and 95 employees who reviewed the data stated they did not receive guidance on their roles and responsibilities. For example, the Postal Service was not able to take advantage of a potential tax exemption in at least 14 cases where employees were not aware they could request exemptions from certain taxes and fees. We also referred an invoice to the U.S. Postal Service Office of Inspector General Office of Investigation because the invoice had a Post Office box as its return address for payment, and the local utility authority stated it had not issued it.

These conditions existed because management had not established a comprehensive or cohesive formal policy to direct the utility payment process and help ensure proper payments through the UMS and eBuy2. Instead, management relied on piecemeal processes and informal guidance to mitigate potential risks associated with utility payments. For example, training videos about the UMS and eBuy2 utility payment processes were dated, and personnel were not always aware of the training videos existence.

Without clear policy and procedures to help defend against improper payments and the difficult “pay and chase” aspects of recovering improper payments, it is more challenging for the Postal Service to detect such payments.

What the OIG Recommended

We recommended management develop comprehensive formal policies and procedures to help ensure utility payments are properly made through UMS and eBuy2.

Transmittal Letter

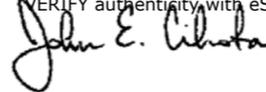


OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 30, 2015

MEMORANDUM FOR: SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT

THOMAS DAY
CHIEF SUSTAINABILITY OFFICER

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop


FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Supply Management

SUBJECT: Audit Report – Assessing Controls Over the Utility
Payment Process (Report Number SM-AR-16-003)

This report presents the results of our audit of Assessing Controls Over the Utility Payment Process (Project Number 15BG008SM000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Keshia L. Trafton, director, Supply Management and Facilities, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Findings

The Postal Service operates about 32,000 facilities that use various types of utilities, including electricity, natural gas, water, steam, sewerage, and regulated telecommunications services provided by governmental agencies or private enterprises.

Introduction

This report presents the results of our self-initiated audit on Assessing Controls Over the Utility Payment Process (Project Number 15BG008SM000). The objective of our review was to evaluate the U.S. Postal Service's controls over utility payments. See [Appendix A](#) for additional information about this audit.

The Postal Service operates about 32,000 facilities that use various types of utilities, including electricity, natural gas, water, steam, sewerage, and regulated telecommunications services provided by governmental agencies or private enterprises.

In fiscal year (FY) 2014, the Postal Service paid about \$537 million for utilities through two systems — the Utility Management System (UMS)¹ and eBuy2.² The UMS provides utility bill management services, such as capturing cost and consumption data, bill payment processes, database development, billing audits and corrections, utility data and reporting, and rate optimization. eBuy2 is a Postal Service tool designed for ordering goods and services that cost less than \$10,000. It is also used to request payment for utilities.

In FY 2014, the Postal Service processed about 196,000 invoices in the UMS totaling \$433.9 million and over 675,000 invoices in eBuy2 totaling \$102.9 million. We statistically sampled 208 utility invoices totaling \$117,688 paid during FYs 2013 and 2014. Fifty-five invoices (26 percent) totaling \$86,487 were paid through the UMS, and 153 invoices (74 percent) totaling \$31,201 were paid using eBuy2.

Utility Management System

In 2007, the Postal Service awarded a contract to Energy United to capture, record, and analyze energy-related data and pay the associated utility invoices in the UMS on behalf of the Postal Service. Utility payments made through the UMS are for about 5,500 larger Postal Service facilities (like processing and distribution centers) that have high energy consumption. At each facility, primary and secondary contacts are responsible for reviewing UMS invoices for accuracy. The contractor notifies both contacts and “reviewers” via email that an invoice has been entered into the UMS and is ready for review.

The primary contact reviews the invoice for accuracy and the secondary contact reviews it if the primary contact is not available. The contractor pays utility invoices without verification from the reviewers. If an invoice discrepancy is noted, the reviewer should contact Energy United for resolution, which can occur after payment. District coordinators are responsible for ensuring there are two current contacts, or “reviewers”, for each facility in each district and maintaining their names in the UMS. However, reviewers are responsible for initially requesting access to the UMS to receive and review invoices. They are also responsible for notifying the district coordinator if they no longer perform UMS duties because they change positions or retire.

The UMS produces an exception report to identify invoice anomalies, such as excessive amounts; improper bill dates; days out of billing cycle range; or overlapping, skipped, or missing billing periods. Any invoice that meets the pre-established exception criteria is highlighted for further review. Area and district coordinators are responsible for reviewing these invoices and resolving any discrepancies.

¹ A contractor-developed and managed system designed to track energy consumption and pay utility bills.

² A commercial, off-the-shelf application used by the Postal Service to buy goods and services. The software was modified to pay utility bills.

The Postal Service can improve controls over utility payments. Its current processes for reviewing utility invoices in the UMS were overlapping and unclear.

In 2010, the U.S. Postal Service Office of Inspector General (OIG) issued a report³ on the Postal Service's certification process for electronic payments. In that audit, we found designated Postal Service personnel responsible for reviewing invoices were unaware of their roles, and contact information in the UMS was inaccurate. In response, the Postal Service developed training videos that described personnel roles in the UMS invoice process and how to obtain access and update reviewer contact information in the UMS.

eBuy2

Utility payments for smaller Postal Service facilities, primarily post offices, are paid through eBuy2, which was initially designed as a purchasing system. It was later modified to process utility invoice payments. Management stated that bringing the large number of smaller facilities into the UMS was too expensive.

Paying utilities in eBuy2 is a two-step process. First, a Postal Service employee examines the utility bill, checks it for accuracy, and inputs the billing information into eBuy2. An approver then reviews the data and approves the invoice for payment, as appropriate.

Summary

The Postal Service can improve controls over utility payments. Its current processes for reviewing utility invoices in the UMS were overlapping and unclear. For example, Postal Service area and district personnel were responsible for resolving identified UMS invoice discrepancies (as exceptions based on pre-established review criteria) through the exception reporting process when designated local Postal Service personnel were already tasked to review the invoices.

In addition, Postal Service personnel designated to review, question, or approve invoices in the UMS did not always do so because they were unaware of their roles and responsibilities. Specifically, designated personnel did not review 49 of 55 (89 percent) utility invoices sampled in the UMS, and employees' contact information in the system was inaccurate or incomplete for 35 of the 55 invoices we reviewed. Five of 39 employees responsible for addressing invoice anomalies identified on the UMS exception report were not familiar with the exception review process. We also found 12 invoices that included various taxes; seven of those invoices may have been eligible for exemption from the taxing authority.

Further, based on our sample of 153 eBuy2 invoices, at least⁴ 85 employees who input invoice data and 95 employees who reviewed the data stated they were not provided guidance on their roles and responsibilities. For example, for 21 invoices involving taxes and fees, personnel were not aware they could contact the Facility Services Category Management Center (CMC)⁵ in Windsor, CT, to determine whether the Postal Service could request an exemption from the taxes and fees included in the payment. At least 14 of the 21 may have been eligible for a tax exemption if the Postal Service had applied for it.

These conditions occurred because management has not established a comprehensive or cohesive formal policy to direct the utility payment process and help ensure utility payments are properly paid through the UMS and eBuy2. Instead, management relied on piecemeal processes and informal guidance to mitigate potential risks associated with utility payments.

For example, management created training videos about the UMS and eBuy2 utility payment processes; however, these videos were dated and the UMS video was hard to find. Although staff members were instructed to watch the videos, there was no mechanism in place to ensure staff complied with the directive.

³ *Certification Process for Electronic Payments* (Report Number [CA-AR-10-006](#), dated September 30, 2010).

⁴ For the 153 sampled invoices, we were not able to interview some relevant personnel because they retired, changed duties or facilities, or we could not locate them.

⁵ This CMC oversees utility contracts.

Without clear guidance, the Postal Service is at risk of cost inefficiencies associated with duplicative effort.

Controls Over Utility Payment Processes

The Postal Service's processes for reviewing utility invoices in the UMS were overlapping and unclear. In addition, based on our sample of eBuy2 invoices, not all personnel who input invoice data or those who reviewed the data stated they received guidance on their roles and responsibilities.

Processes for Reviewing Utility Management System Invoices

The Postal Service's processes for reviewing utility invoices in the UMS were overlapping and unclear. Area and district coordinators were responsible for resolving UMS invoice anomalies identified in the exception report while primary and secondary contacts in the field were responsible for reviewing and approving these same invoices. Management had not addressed the necessity for all of these individuals to be involved in the invoice review process nor had they established policy to clearly define roles and responsibilities. By having multiple entities perform the same function without clear guidance, the Postal Service may, at a minimum, risk cost inefficiencies associated with duplicative efforts.

The Postal Service needs to provide clear direction on how utility payments should be managed to ensure operational goals are met. Best practices state that management should define responsibilities, assign them to key personnel, and delegate authority to ensure control objectives are achieved. Doing so will enable the Postal Service to leverage its resources and maximize efficiencies in all operational areas, including utility payments.

Personnel Knowledge of Reviewing Invoices

Postal Service personnel designated to review, question, or approve invoices in the UMS did not always do so because they were unaware of their roles and responsibilities. We statistically sampled 208 utility invoices paid in FYs 2013 and 2014. Our analysis of the 55 UMS invoices revealed that:



- Thirty-four primary contacts and 29 secondary contacts did not have access to the UMS and, therefore, had not reviewed any invoices. The contacts had not requested UMS access nor were they aware of their responsibilities when they received an email from the contractor indicating a bill would be paid on their behalf. Because of this audit, at least three sampled contacts requested UMS access in order to review utility invoices.
- Designated employees' contact information in the UMS was inaccurate or incomplete for 35 of the 55 invoices we reviewed. For example, 14 primary contacts and 13 secondary contacts listed in the UMS were not the current designated official for the facility. Listed contacts had retired, left the Postal Service, or transferred to another facility.
- Energy United paid 12 invoices that included \$470 in various taxes. The Postal Service might have been exempt from paying taxes (in the amount of \$384) for at least seven of these invoices had it applied for an exemption from the local authorities. Energy United also paid one invoice with a \$2.50 late fee. Personnel were not aware that they could contact the Postal Service Facility Services CMC to determine whether the Postal Service could apply for an exemption for taxes and fees included in the invoice.

Also, five of 39 district employees we interviewed who were responsible for addressing invoice anomalies identified on the UMS exception report were not familiar with the exception reporting process.

Of the 153 eBuy2 invoices we reviewed, 85 Postal Service employees designated to examine and input the utility invoices and 95 approvers stated they had not received any specific instructions on their job functions, or what taxes and fees to include when submitting or reviewing utility invoices in eBuy2. In addition, 11 employees inputting data and one approver stated that they did not check the accuracy of the invoices. Our analysis further revealed:

- Twenty-one eBuy2 invoices included state and local taxes totaling \$270. For at least 14 of those invoices (with \$225 in taxes) the Postal Service might have been exempt from paying taxes if it applied for an exemption from the local authority. For example, one transaction had state and franchise taxes of \$93.31 and \$22.79, respectively, totaling \$116.10 on an invoice totaling \$1,255.82. The approver assumed the taxes needed to be paid and did not consult with the Facility Services CMC.
- Four eBuy2 invoices included late fees totaling \$32.
- In one district, an employee input utility bills in eBuy2 without review for at least 150 facilities within the district that were paid under one finance number. The district finance manager then approved the invoices without consulting with the local facilities to verify the accuracy of the billing information.
- One district employee responsible for approving at least 6,200 invoices stated that he approved them all without review. The Postal Service has taken corrective action by assigning one reviewer per invoice.

- We were unable to obtain invoices for 12 sampled items. In many cases, the employees that input the invoice data or approved the invoice were no longer at the facilities, and the current personnel were not able to retrieve the invoices.
- We found an invoice from a local utility authority that used a Post Office box as its return address for payment. When asked, that local authority informed us it did not issue the invoice. We referred this invoice to the OIG's Office of Investigations.

The Postal Service developed training videos to assist personnel involved in the utility payment process. The UMS training videos described the reviewer's (primary and secondary contacts) and coordinator's roles and responsibilities, explained how to run reports and update contact information in the system, and identified the process for resolving critical payment issues. Although the Postal Service developed these videos and staff members were instructed to watch them, there was no mechanism in place to ensure staff complied with the directive. Further, the videos were dated 2011 and not easily accessible in the Learning Management System.⁶

The Postal Service also developed eBuy2 training videos and published a user guide⁷ to assist personnel in the eBuy2 utility payment process. Although this online guidance provided instructions on how to input and approve invoice data, it did not establish roles and responsibilities for receiving, inputting, reviewing, and approving invoices, or updating the contact information in eBuy2. It also did not explain what taxes and fees were potentially eligible for an exemption from the taxing authority.

These conditions occurred because management has not established a comprehensive or cohesive formal policy to direct the utility payment process and help ensure utility payments are correctly made through the UMS and eBuy2. Instead, management relied on piecemeal processes and informal guidance to mitigate potential risks associated with utility payments.

In 2014, the Government Accountability Office (GAO) provided testimony to Congress on improper payments and strategies to reduce them. The GAO noted that designing and implementing strong preventive controls can help protect against improper payments, increasing public confidence, and avoiding the difficult "pay and chase" aspects of recovering improper payments.

Without clear policy and procedures to govern and oversee the utility payment process, the Postal Service increases the risk that improper payments go undetected. Based on our analysis, \$755,819,528 in payments made through the UMS in FYs 2013 and 2014 were at risk because they were not properly reviewed.⁸ This total amount does not represent an actual loss but was at risk because the Postal Service's processes were not followed.

⁶ The Postal Service's individual learning and training system designed to improve job performance.

⁷ *eBuy2 User Guide*, dated August 30, 2011.

⁸ Total utility payments made through UMS in FY 2013 and FY 2014 were \$848,282,298.

Recommendation

We recommend the vice president, Supply Management, in coordination with the chief sustainability officer:

1. Develop comprehensive formal policies and procedures to help ensure utility payments are properly made through the Utility Management System and eBuy2.

Management's Comments

Management agreed with the findings and recommendation but disagreed with the risk impact of \$755,819,528.

Regarding the recommendation, management agreed to develop additional guidance on the administration of utilities. Management stated they have modified the review process for UMS and there is no longer an invoice reviewer at each facility. Instead, the system will rely on 67 district coordinators. Management stated they plan to conduct periodic training and review to update this group with relevant processes and procedures. Management told us they notified area vice presidents in a December 4, 2015, email.

Management further stated the Supply Management Utilities Management Team, Facilities Portfolio, will continue overseeing eBuy2 utility payments for contracted and electronic data interchange (EDI) billed accounts as they evaluate e-invoicing options and expand use of EDI invoicing. Management will develop additional guidance and communicate it to educate eBuy2 reviewers on utility taxes and on their roles and responsibilities for utility bill review. The target implementation date is September 30, 2016.

Regarding the impact risk, management stated the calculation was not correctly executed because it included the total value of utility invoices, when the audit findings indicated the risk was associated with a significantly small subset of fees and taxes. Management emphasized the Postal Service may be excluded from these payments and stated that a rough estimate indicates the risk as less than one hundredth of the amount the OIG calculated. Management further stated the Postal Service consumed the utilities and that timely payments were appropriate.

Management stated that a higher level review process for UMS invoices begins with the bill management service that produces an exception report of anomalies. Management also pointed out that, based on a prior OIG report, the Postal Service implemented additional reviews this audit considered redundant. Further, while the report indicates these additional reviews were not always performed and is the basis for the impact, management disagreed with the calculation because of the extensive controls performed, up front, in the bill paying process.

See [Appendix B](#) 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.

Regarding the disbursements at risk impact, we calculated this amount by totaling all utility invoices paid through UMS for FYs 2013 and 2014 and applying the percentage of invoices that were not reviewed based on our statistical sample for that period. This total amount does not represent an actual loss but was at risk because employees did not follow Postal Service processes.

Management commented that they have controls — such as an exception reporting process — as part of the upfront controls in the bill payment process; however, as noted in our report, employees responsible for reviewing the exception reports, as well

as those reviewing invoices, were not always aware of their roles and responsibilities. Having multiple entities perform similar functions without clear guidance increases the risk of not detecting improper payments.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. Recommendation 1 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendices

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Appendix A: Additional Information

Background

In FY 2014, the Postal Service paid about \$537 million for utilities – about \$434 million through the UMS and about \$103 million through eBuy2. The Postal Service requires vendors to submit utility invoices to a contractor for processing and payment in the UMS. For eBuy2, vendors may submit their invoices manually or via EDI to the Postal Service.

Currently, a contractor pays utility invoices in UMS on behalf of the Postal Service for about 5,500 larger postal facilities. All invoices processed and paid through the UMS are received electronically. The time allotted to review utility invoices is 3 to 15 days, depending on the payment due date. The contractor emails designated Postal Service officials when the invoice is ready for review. There are no “read receipts” to ensure the designated official reviews the information prior to paying the bill, and the official is not required to respond to the email notification unless the invoice charges are incorrect. The contractor pays the utility invoice without reviewing results from the designated officials. If errors are found later with the invoice, the Postal Service must request a refund or adjustment. This process is often called a “pay and chase” arrangement.

This “pay and chase” process is critical as the Postal Service pays the invoice when it is electronically received from the supplier whether or not a designated Postal Service official has approved the invoice for payment. The UMS also has an “exception process” function to identify invoices with anomalies and reduce the number of refunds that would have to be chased. The exception process monitors invoices for anomalies such as excessive amounts, improper bill dates, days out of range, overlapping periods, and skipped/missing billing periods.

In 2010, we conducted an audit of the certification process for electronic payments.⁹ That audit covered electronic payments made for highway contract routes, utilities, and communications. We found the Postal Service needed to improve oversight of electronic payments to ensure that payments to contractors are properly certified and that the agency has received goods and services before making payment. For utility payments, we recommended the Postal Service ensure that the designated official contact information in the UMS is accurate and the system required positive certification by the designated official before invoice payment.

The Postal Service began updating contact information in 2013; however, it did not take action to ensure a positive certification was required by a designated official before invoice payment. The Postal Service provided evidence that invoice data it input into the system was validated for accuracy prior to payment and that invoice information was sent to the facility for review, but that process did not require positive certification of the invoiced amount by a designated Postal Service official before payment.

Objective, Scope, and Methodology

Our objective was to evaluate the Postal Service’s controls over utility payments. To accomplish this objective we:

- Interviewed Postal Service Headquarters personnel to determine the process for receiving, certifying, and paying utility invoices managed and processed via the UMS and eBuy2.
- Interviewed personnel that oversee utility payments made via the UMS and eBuy2 to discuss the controls in place to ensure the accuracy of utility bills and payments.
- Identified policies and procedures that are applicable to the payment of utility expenses through the UMS and eBuy2.

⁹ *Certification Process for Electronic Payments* (Report Number [CA-AR-10-006](#), dated September 30, 2010).

- Statistically sampled 208 invoices from the UMS and eBuy2 and analyzed payment procedures/controls used in making the payment.

We conducted this performance audit from January through December 2015, 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 audit 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 November 18, 2015, and included their comments where appropriate.

We assessed the reliability of computer-generated data for the purposes of this report. We verified sampled electronic records in the UMS and eBUY2 system with source documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

We did not identify any prior audits or reviews related to utility payments that were conducted in the last 3 years. However, we issued an audit report¹⁰ in 2010 on the certification process for electronic payments that addressed the certification of utility payments. The audit found that designated Postal Service officials were unaware of their roles and responsibilities for receiving and reviewing utility invoices from Energy United, the contractor responsible for processing the UMS payments. In addition, contact information in the UMS was inaccurate. The recommendations associated with this finding were considered significant and remained open until March 2014. The Postal Service began action to update contact information but never took action to ensure invoices were reviewed by a designated official prior to payment.

¹⁰ *Certification Process for Electronic Payments* (Report Number [CA-AR-10-006](#), dated September 30, 2010).

Appendix B: Management's Comments



December 14, 2015

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

Subject: Response to Draft Audit Report - Assessing Controls Over the Utility Payment Process (Report Number SM-AR-16-DRAFT)

Thank you for the opportunity to provide comments on this report. We have reviewed the Office of Inspector General's (OIG) report and recommendations on Assessing Controls Over the Utility Payment Process. Management agrees with the findings and recommendation and disagrees with the monetary impact.

Monetary Impact

The calculation of risk was not correctly executed. The calculation included the total value of utility invoices, when in fact the findings of the audit indicated that the risk was associated with a significantly small subset of fees and taxes. The Postal Service may, emphasis on may, be excluded from these payments. A rough estimate would indicate the risk as less than one hundredth the amounts calculated. It was very clear from the audit that the Postal Service did consume these utilities (electric, gas, water) and that timely payments were appropriate.

Additionally, with the Utility Management System (UMS) invoices, the higher level review process begins with the bill management service that performs a plus/minus 25 percent variation that produces an exception report of any anomalies. Those invoices are then reviewed by the Utilities team to correct any issues. Based upon an earlier OIG report, the Postal Service implemented additional reviews that were considered redundant by this audit. While the report indicates that the additional reviews were not always performed, and is their basis for the impact, management disagrees with this calculation because of the extensive controls performed up front in the bill paying process. Therefore, since the impact is based upon the UMS invoices, management disagrees with the disbursements at risk impact.

OIG Recommendations

We recommend the Vice President, Supply Management, in coordination with the Chief Sustainability Officer:

Recommendation 1: Develop comprehensive formal policies and procedures to help ensure utility payments are properly made through the UMS and eBuy2.

Management Response: Management agrees with this recommendation and will develop additional guidance on the administration of utilities. The review process for UMS has been modified. There is no longer an Invoice Reviewer at each one of the

facilities. Instead the system will rely upon coordinators at the District. We already have a complete list of these 67 coordinators and plan to conduct periodic training and review to keep this group up to date with process and procedure. This number of coordinators is of a manageable size as compared to literally thousands at the individual facility level. The Area Vice Presidents were notified of this policy change via email on December 4, 2015.

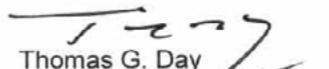
In order to further simplify the review process, UMS will only forward utility statements for review that represent an anomaly. At this time UMS utilizes a plus/minus 25 percent variation on invoices as the basis for an anomaly. As we have previously discussed we are open to any discussion as to a different range of variation that should be considered.

Oversight of e-Buy2 utility payments for contracted and Electronic Data Interchange (EDI) billed accounts is provided by the Utilities Management Team, Facilities Portfolio, Supply Management. This oversight will continue as e-invoicing options are evaluated and use of EDI invoicing expanded. Additional guidance will be developed and communicated to further educate e-Buy2 reviewers on utility taxes and on their roles and responsibilities for utility bill review.

Target Implementation Date: September 2016

Responsible Officials: Manager, Facilities Portfolio and Manager, Energy Initiatives


Susan M. Brownell
Vice President, Supply Management


Thomas G. Day
Chief Sustainability Officer

cc: Corporate Audit Response Management



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