



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

---

**Fiscal Year 2013 Postal Service  
Financial Statements Audit –  
St. Louis Accounting Services**

**Audit Report**

March 20, 2014

---

**Report Number FT-AR-14-009**



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

# HIGHLIGHTS

---

**Fiscal Year 2013 Postal Service  
Financial Statements Audit –  
St. Louis Accounting Services**

Report Number FT-AR-14-009

## **BACKGROUND:**

The U.S. Postal Service St. Louis Accounting Services is responsible for accounting functions related to money orders, real property, international mail, transportation, field sales, and accounts payable. The Postal Service's Financial Testing Compliance group examines key financial reporting controls. Our objectives were to determine whether St. Louis Accounting Services:

- Accounting transactions were fairly stated and selected controls were designed and operating effectively.
- Ensured account balances followed the Postal Service's general classification of accounts consistent with that of the previous year.
- Complied with laws having a direct and material effect on the financial statements taken as a whole.

We also determined whether the Financial Testing Compliance group properly tested, documented, and reported key financial reporting controls.

## **WHAT THE OIG FOUND:**

St. Louis Accounting Services' accounting transactions were fairly stated and account balances conformed to the general classification of accounts. In addition, it complied with laws having a direct and material effect on the statements. Finally, the Financial Testing Compliance group properly tested, documented, and reported its

examination of key financial reporting controls.

We did not propose any account adjustments; however, we found the automated travel system was not designed to automatically return travel expense reports to St. Louis Accounting Services' personnel for follow up to ensure travelers addressed initial concerns. Rather, expense reports went to payment. Without appropriate follow-up review, the Postal Service risks making improper reimbursements to travelers.

In addition, the Postal Service could reduce costs associated with foreign currency conversion for international travel. Travelers paid between 1.1 and 4.9 percent in fees for foreign currency conversions and may not be aware that they can decline the conversion fee portion of the transaction. Although the savings would be minimal, management recognizes the opportunity and is taking action to inform travelers how to eliminate this fee.

## **WHAT THE OIG RECOMMENDED:**

We recommended management modify the travel system to return resubmitted expense reports for review and revise official travel policy to direct employees to decline merchants' offers of foreign currency conversion.

[Link to review the entire report](#)



March 20, 2014

**MEMORANDUM FOR:** SCOTT G. DAVIS  
ACTING VICE PRESIDENT, CONTROLLER

JOHN T. EDGAR  
VICE PRESIDENT, INFORMATION TECHNOLOGY

A rectangular box containing a handwritten signature in cursive script, which appears to read "John E. Cihota". A small yellow circular icon with a question mark is located in the top right corner of the box.

**FROM:** John E. Cihota  
Deputy Assistant Inspector General  
for Financial and Systems Accountability

**SUBJECT:** Audit Report – Fiscal Year 2013 Postal Service Financial  
Statements Audit – St. Louis Accounting Services  
(Report Number FT-AR-14-009)

This report presents the results of our audit of the selected financial activities and accounting records at the U.S. Postal Service Accounting Services in St. Louis, MO, for the fiscal year ended September 30, 2013 (Project Number 13BM002FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michelle V. Lindquist, acting director, Finance, or me at 703-248-2100.

Attachment

cc: Julie S. Moore  
Corporate Audit and Response Management

## TABLE OF CONTENTS

Introduction .....	1
Conclusion .....	1
Electronic Travel Voucher Expense Report Accounting Review .....	2
International Travel Foreign Currency Expenses .....	3
Recommendations .....	4
Management’s Comments .....	4
Evaluation of Management’s Comments.....	4
Appendix A: Additional Information .....	5
Background .....	5
Objectives, Scope, and Methodology .....	6
Prior Audit Coverage .....	8
Appendix B: Management’s Comments .....	9

## Introduction

This report presents the results of our audit of the selected financial activities and accounting records at the U.S. Postal Service Accounting Services in St. Louis, MO, for the fiscal year (FY) ended September 30, 2013 (Project Number 13BM002FT000).

The Postal Reorganization Act of 1970, as amended, requires annual audits of the Postal Service's financial statements. In addition, the Sarbanes-Oxley (SOX) law was enacted in 2002 to strengthen public confidence in the accuracy and reliability of financial reporting. Section 404 of SOX requires management to state its responsibility for establishing and maintaining adequate internal controls over financial reporting. The Postal Accountability and Enhancement Act of 2006 requires the Postal Service to comply with Section 404 of SOX. The Postal Service Board of Governors (Board) contracted with an independent public accounting firm (IPA) to express an opinion on the Postal Service's financial statements and internal controls over financial reporting. Our audit augments the IPA's opinions.<sup>1</sup> See [Appendix A](#) for additional information about this audit.

## Conclusion

During our audit of St. Louis Accounting Services we noted:

- Accounting transactions were fairly stated in the general ledger and selected key controls surrounding those transactions were designed and operating effectively.
- General ledger account balances conformed to the general classification of accounts of the Postal Service on a basis consistent with that of the previous year.
- The Postal Service complied with laws and regulations having a direct and material effect on the financial statements as a whole.

Finally, the Financial Testing Compliance group properly tested, documented, and reported its examination of key financial reporting controls. We did not propose any adjustments or identify any issues that were material to the financial statements or that would affect the overall adequacy of internal controls. However, throughout the year, we reviewed internal controls over financial reporting and identified a control deficiency<sup>2</sup> regarding the Electronic Travel Voucher (eTravel) System.<sup>3</sup> Specifically, the eTravel

---

<sup>1</sup> The IPA maintains overall responsibility for testing and reviewing significant St. Louis Accounting Services' accounts and processes. The U.S. Postal Service Office of Inspector General (OIG) coordinated audit work with the IPA to ensure adequate coverage.

<sup>2</sup> A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

<sup>3</sup> A web-based system to electronically create travel expense reports.

system did not automatically return travel expense reports<sup>4</sup> for follow-up review by St. Louis Accounting Services to ensure the traveler adequately addressed initial issues identified by St. Louis. Rather, the travel expense reports went straight to payment. In addition, the Postal Service has an opportunity to reduce costs associated with foreign currency conversion for international travel.

The IPA also identified other control deficiencies affecting St. Louis Accounting Services that were not in the scope of our audit and are not reported here.<sup>5</sup> The IPA informed management of these issues on November 1, 2013.

### Electronic Travel Voucher Expense Report Accounting Review

We judgmentally selected a sample of 25 eTravel expense reports that St. Louis Accounting Services previously processed and reviewed<sup>6</sup> to determine whether expense amounts corresponded with supporting documentation and whether the reports were properly approved.<sup>7</sup> We determined that St. Louis Accounting Services personnel properly reviewed these expense reports and returned them to employees (travelers) for correction, as needed. However, the eTravel system did not automatically return one of the resubmitted expense reports to Accounting Services personnel to ensure the traveler adequately addressed the issue identified. Instead, the eTravel system automatically processed it for payment.

This occurred because the eTravel system was not designed to automatically return expense reports to Accounting Services personnel for follow-up accounting review.<sup>8</sup> In this specific instance, the expenses were appropriate; however, without follow-up review, there is a risk the Postal Service will make improper payments to travelers.

As a result of our audit, management:

- Identified and implemented a temporary manual procedure that would return resubmitted expense reports for follow-up review. Specifically, the accounting specialist who performs the accounting review manually selects an option in eTravel titled "Audit Return Flag" before returning the expense report to the traveler. Selecting this option results in the system returning the expense report to the Accounting Services employee for a follow-up review.

---

<sup>4</sup> The travel expense report is also referred to as a travel reimbursement request or travel voucher.

<sup>5</sup> For example, the IPA identified that the Surface Air Management Support System Alaska shipper and carrier modules did not enforce password settings.

<sup>6</sup> As part of the review, the accounting specialist matches each expense from the expense report to supporting documentation and resolves any exceptions with the individual who submitted the expense report. The accounting specialist then changes the approval status from "accounting review" to "approved" in eTravel, which triggers payment of the expense report.

<sup>7</sup> Our audit focused on expense reports the eTravel system automatically selected for accounting review and that were paid during the period October 1, 2012, through June 30, 2013. From that population, we judgmentally selected five expense reports with the highest total expense amounts and randomly selected 20 more, for a total of 25 sampled expense reports. Five of the 25 sample items were related to international travel.

<sup>8</sup> The eTravel system automatically selects all international expense reports and expense reports greater than \$15,000, as well as a 1 percent random selection of other expense reports for initial accounting review.

- Approved a software change request (SCR) to require the eTravel system to automatically return resubmitted travel expense reports for follow up when returned to the traveler for corrections.
- Updated desk procedures to include the manual process until the SCR is implemented.

### International Travel Foreign Currency Expenses

Based on our testing of the same 25 eTravel expense reports, we found an opportunity for the Postal Service to reduce costs associated with international travel. Specifically, the Postal Service can reduce the currency conversion fees it pays for foreign transactions.

When an employee travels to a foreign country and uses the government travel card<sup>9</sup> to make a purchase, the merchant or Visa converts the foreign amount to U.S. dollars. Visa transmits the converted amount to Citibank, which then transmits it to the eTravel system. Five of the 25 expense reports we audited were for international travel.<sup>10</sup> For these five reports,<sup>11</sup> we converted travel expenses<sup>12</sup> made in foreign currency to U.S. dollars using the currency conversion rates<sup>13</sup> applicable at the time of the charge. We then compared the amounts claimed in the eTravel system to our calculated amounts for reasonableness.

The eTravel amounts were usually between 1.1 and 4.9 percent higher than the purchase amounts. A portion of the difference is composed of a standard 1 percent service fee that Visa charges for processing foreign transactions. The remaining portion of the difference includes a fee the merchant charges its customers for converting transactions from foreign currency to U.S. dollars.

According to Postal Service personnel, at the time of payment, the merchant may offer to convert the foreign amount to U.S. dollars. If the traveler chooses that option, the merchant charges a conversion fee in addition to the standard 1 percent Visa service fee. If the traveler does not choose that option, there will only be a standard Visa service fee.

Although the merchant fees identified from the five travel expense reports reviewed are minimal, management recognizes the potential savings and took action to reduce these fees. Specifically, management issued an article in the January 23, 2014, *Postal Bulletin* advising employees to decline merchants' offers to convert foreign amounts to U.S.

---

<sup>9</sup> The Postal Service uses the General Services Administration's SmartPay Program to administer its travel card program. Citibank, provider of the travel card for the Postal Service, issues Visa-branded travel cards to Postal Service employees for use while on official travel.

<sup>10</sup> Three of five international expense reports involved the use of a government travel card to pay for travel expenses.

<sup>11</sup> Some of the expense reports contained more than one foreign currency transaction.

<sup>12</sup> Lodging expenses, for example.

<sup>13</sup> We used one of the currency conversion websites that Postal Service personnel use ([x-rates.com](http://x-rates.com)).

dollars. We believe this is an interim solution. A long-term solution would be to include the change in Handbook F-15, *Travel and Relocation*.

### Recommendations

We recommend the vice president, Controller, in coordination with the vice president, Information Technology:

1. Develop and implement a software solution to require the eTravel system to automatically return resubmitted travel expense reports to St. Louis Accounting Services for follow-up review.

We recommend the vice president, Controller:

2. Update and include specific language in Handbook F-15, *Travel and Relocation*, advising employees to decline the merchant's offer to convert foreign currency to U.S. dollars.

### Management's Comments

Management agreed with the findings and recommendations and will update the eTravel system to have resubmitted travel expense reports automatically returned to St. Louis Accounting Services. The planned action is scheduled for implementation by July 31, 2014. In addition, management will update Handbook F-15 by June 30, 2015, to encourage international travelers to decline a merchant's offer to convert foreign currency to U.S. dollars. See [Appendix B](#) for management's comments, in their entirety.

### Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and their corrective actions should resolve the issues identified in the report.



## Appendix A: Additional Information

### Background

St. Louis Accounting Services is one of three accounting services of the Postal Service.<sup>14</sup> Its employees are responsible for accounting functions related to money orders, real property, transportation, international mail, field sales, and accounts payable.<sup>15</sup> Employees at this facility also process financial and accountability data from field units. The Postal Service's Financial Testing Compliance group examines key financial reporting controls.

With regard to travel, Postal Service employees use a web-based system, eTravel, to create travel expense reports to get reimbursed for their travel expenses. The eTravel system automatically selects all international expense reports and expense reports greater than \$15,000, as well as a 1 percent random selection of other expense reports for initial accounting review. As part of that review, St. Louis Accounting Services' personnel match each expense from the travel expense report to supporting documentation. Any exceptions are resolved with the submitter of the expense report. Accounting personnel will then change the approval status from "accounting review" to "approved" in the eTravel system for the expense reports to be paid.

When an employee travels to a foreign country and uses a government travel card to make a purchase in foreign currency, the merchant or Visa converts the foreign amount to U.S. dollars. Visa transmits the converted amount to Citibank, which then transmits it to the eTravel system. The converted amount includes the standard 1 percent service fee Visa charges for processing foreign transactions. It could also include a fee the merchant charges for converting transactions from foreign currency to U.S. dollars.

We have issued separate financial statements audit reports for Eagan Accounting Services<sup>16</sup> and headquarters.<sup>17</sup> We will issue a separate report for San Mateo Accounting Services. Further, in addition to the overall opinions on the Postal Service's financial statements and internal controls over financial reporting, the Board's IPA issued a separate report on its consideration of the Postal Service's internal controls and its test of compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report was to describe the scope of testing of internal controls over financial reporting and compliance and the results of that testing, not to provide an opinion on internal controls over financial reporting or on compliance.<sup>18</sup> The OIG will also issue a separate report for the audit of the FY 2013 information system

---

<sup>14</sup> Other accounting services are in Eagan, MN and San Mateo, CA.

<sup>15</sup> Includes accounting for rents and leases, contract stations, uniform allowance, indemnity claims, tort claims, and travel (eTravel).

<sup>16</sup> *FY 2013 Postal Service Financial Statements Audit – Eagan Accounting Services* (Report Number [FT-AR-14-006](#), dated February 24, 2014).

<sup>17</sup> *FY 2013 Postal Service Financial Statements Audit – Washington, D.C. Headquarters* (Report Number [FT-AR-14-007](#), dated February 21, 2014).

<sup>18</sup> In addition to the IPA's work, these reports encompass work the OIG performed at headquarters, the three information technology/accounting services sites, and the Raleigh, NC Information Technology Service Center (ITSC).

controls at the Eagan, San Mateo, and St. Louis information technology and accounting service centers; and the Raleigh ITSC.

### Objectives, Scope, and Methodology

The objectives of the audit were to determine whether St. Louis Accounting Services:<sup>19</sup>

- Accounting transactions were fairly stated in the general ledger, and selected key controls surrounding those transactions were designed and operating effectively.
- General ledger account balances conformed to the general classification of accounts on a basis consistent with that of the previous year.
- Complied with laws and regulations that have a direct and material effect on the financial statements taken as a whole.

In addition, we determined whether the Financial Testing Compliance group properly tested, documented, and reported its examination of key financial reporting controls.

As part of our audit, we assessed internal controls, tested transactions, and verified account balances. The OIG originated independent audit tests and repeated key control tests originally completed by the Postal Service. We conducted this audit from November 2012 through March 2014<sup>20</sup> in accordance with the standards of the Public Company Accounting Oversight Board and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the comptroller general of the U.S. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to limit audit risk to a low level that is, in our professional judgment, appropriate for supporting the overall audit opinion on financial statements. Those standards also require that we consider the results of previous engagements and follow up on known significant findings and recommendations that directly relate to the audit objectives. An audit also requires a sufficient understanding of internal controls to plan the audit and determine the nature, timing, and extent of audit procedures to be performed. We believe the evidence obtained provides a reasonable basis for our conclusion based on our audit objectives.

We supported the IPA in obtaining reasonable assurance that the financial statements were free of material misstatements (whether caused by error or fraud). Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, an audit conducted in accordance with the Public Company Accounting Oversight Board (PCAOB) and *Government Auditing Standards* may not detect a material misstatement. However, external auditors and the OIG are responsible for ensuring that appropriate Postal Service officials are aware of any significant deficiencies that come to our attention. We discussed our observations and

---

<sup>19</sup> The IPA maintains overall responsibility for testing and reviewing significant St. Louis Accounting Services' accounts and processes. The OIG coordinated audit work with the IPA to ensure adequate coverage.

<sup>20</sup> The scope of our audit was October 1, 2012 through September 30, 2013.

conclusions with management on February 18, 2014, and included their comments where appropriate.

We relied on computer-generated data from Postal Service financial systems, including:

- Accounting Enterprise Data Warehouse (EDW) Reporting.<sup>21</sup>
- eTravel.

To assess the reliability of these systems' data, we performed specific internal control and transaction tests, including tracing selected financial information to supporting source records, for testing originated by the OIG. For example, we traced general ledger transactions from EDW to supporting documentation. We determined that the data were sufficiently reliable for the purposes of this report.

---

<sup>21</sup> A reporting technology in the areas of accounts payable, complement, finance number control master, general ledger and financial performance, payroll summary, property and equipment, and standard accounting for retail.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Fiscal Year 2012 Postal Service Financial Statements Audit – St. Louis Accounting Service</i>	FT-AR-13-005	12/17/2012	None
<b>Report Results:</b> We did not propose any adjustments; however, throughout the year, we reviewed internal controls over financial reporting and identified control deficiencies regarding domestic air mail irregularities, travel expense reimbursements and travel card usage, and international mail. We communicated these issues to management through interim reports. Accordingly, we did not propose recommendations in this report.			
<i>Fiscal Year 2011 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center</i>	FT-AR-12-010	1/18/2012	\$861,075
<b>Report Results:</b> We did not propose any adjustments; however, throughout the year we reviewed internal controls over financial reporting and identified control deficiencies regarding inbound international mail, money order adjustments, lease appraisals, and lease checklists. In addition, we found that Financial Control and Support (FCS) personnel <sup>22</sup> did not provide sufficient working paper evidence for the OIG to determine whether our results were consistent for establishing accountability for highway contract modifications and adjustments. Because these controls are considered key, <sup>23</sup> any error could impact the IPA's opinion on internal controls over financial reporting. Management agreed in part with our only recommendation pertaining to lease appraisals and lease checklists, which was not a significant recommendation.			

<sup>22</sup> FCS management review specialist.

<sup>23</sup> A key control is a control that, if it fails, there is at least a reasonable likelihood that a material error in the financial statements would not be prevented or detected timely.

## Appendix B: Management's Comments



March 13, 2014

To: JUDITH LEONHARDT

SUBJECT: Draft Audit Report - OIG Audit - FY2013 Postal Service Financial Statements Audit – St. Louis Accounting Services (Project Number 13BM002FT000)

Management agrees with the findings and recommendations in the report.

### **Recommendation #1**

We recommend the Vice President, Controller, in coordination, with the Vice President, Information Technology:

Develop and implement a software solution to require the eTravel system to automatically return resubmitted travel expense reports to St. Louis Accounting Services for follow-up review.

### **Target Implementation Date**

Completion of update will be no later than FY 14 - July, 2014.

### **Recommendation #2**

We recommend the vice president, Controller:

2. Update and include specific language in Handbook F-15, *Travel and Relocation*, advising employees to decline the merchant's offer to convert foreign currency to U.S. dollars.

### **Management Response/Action Plan**

1. Management is in the process of updating the workflow for the eTravel system to have resubmitted travel expense reports automatically returned to the St. Louis Accounting Service Center (Back-Office) for final follow-up review.

2. Management will update the F-15 Travel and Relocation Handbook to encourage international travelers to decline the merchant's foreign conversion offer to U. S. dollars.

### **Target Implementation Date**

Completion of update will be no later than FY 15 – June, 2015.

475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260-5200  
202-268-2296  
FAX: 202-268-8104  
WWW.USPS.COM

- 2 -

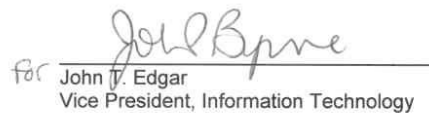
**Responsible Official**

Ricardo Jackson, Manager Travel and Relocation Management will be responsible for the implementation of the agreed upon action.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



Scott G. Davis  
(A) Vice President, Controller



for John F. Edgar  
Vice President, Information Technology