



## AUDIT REPORT

# Local Purchases and Payments: Miscellaneous Services - Ellensburg, WA, Main Post Office

March 3, 2020

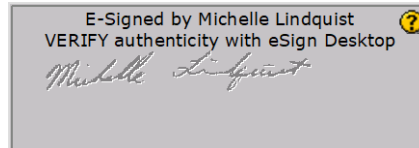


Report Number 20-165-R20



March 3, 2020

**MEMORANDUM FOR:** PAM J. COOK  
(ACTING) MANAGER, SEATTLE DISTRICT



**FROM:** Michelle Lindquist  
Director, Financial Controls

**SUBJECT:** Audit Report – Local Purchases and Payments:  
Miscellaneous Services – Ellensburg, WA, Main Post Office  
(Report Number 20-165-R20)

This report presents the results of our audit of the Local Purchases and Payments:  
Miscellaneous Services – Ellensburg, WA, Main Post Office.

We appreciate the cooperation and courtesies provided by your staff. If you have any  
questions or need additional information, please contact Dianna Smith, Operational  
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 – Ellensburg, WA, Main Post Office (MPO) (Project Number 20-165). The Ellensburg MPO is in the Seattle 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.

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 account identifier code (AIC)<sup>1</sup> 587, *Miscellaneous Services*,<sup>2</sup> which were paid by cash or money order. Based on our data analysis for fiscal year (FY) 2019, we identified that the Ellensburg MPO had local purchases and payments totaling \$8,041. Local purchases for miscellaneous services for Ellensburg MPO increased 106 percent from FY 2018. In addition, the MPO's FY 2019 local purchases and payments total was 11 percent of the Seattle District's FY 2019 total of \$71,916.

## Objective, Scope, and Methodology

Our objective was to determine whether local purchases and payments made at the Ellensburg MPO were valid and properly supported and processed. To meet the objective, we analyzed local purchase and payment data and examined money order receipts and other payment supporting documentation for miscellaneous expense transactions recorded in AIC 587 in the amount of \$8,041. We also interviewed Postal Service management regarding the transactions that occurred in FY 2019.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).<sup>3</sup> 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 personnel. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from January through March 2020 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 finding and conclusion based on our audit objective. We discussed our observations and conclusions with management on February 21, 2020, and included their comments where appropriate.

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

<sup>2</sup> Expense associated with payment for office, non-custodial, custodial, and all miscellaneous services only.

<sup>3</sup> 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.

## Finding #1. Local Purchases and Payments

Local purchases and payments at the Ellensburg MPO were valid and properly supported but not always properly processed. Specifically, of the transactions reviewed, unit management made five payments using 13 no-fee money orders for non-emergency payments. In addition, unit management used the incorrect AIC for the travel costs (see Table 1).

**Table 1. FY 2019 Non-Emergency Local Purchases and Payments**

Payment	Payment Purpose	Payment Date	Number of No-Fee Money Orders	Amount	Issue(s)
1	Rented delivery vans <sup>4</sup> during Christmas/travel card payment	3/28/2019	3	\$2,267	Payment was initially made with travel card due to vendor not accepting money orders. No-fee money orders were used to pay travel card. No-fee money orders exceeded the limit.
2	Fire Extinguisher and Scale Maintenance	5/3/2019	2	185	Non-emergency. Preferred payment methods were not utilized.
3	Uniforms for new City Carriers Assistants (CCA)	7/10/2019	1	420	Non-emergency. Preferred payment methods were not utilized.
4	Uniforms for new CCAs	7/11/2019	2	921	Non-emergency. Preferred payment methods were not utilized.
5	Travel costs for new employees	8/16/2019	5	2,999	Travel claims should have been submitted through eTravel <sup>5</sup> and paid by Accounting Services. In addition, AIC 538, Local Transportation, should have been used versus AIC 587. No-fee money orders exceeded the limit.
<b>Total</b>			<b>13</b>	<b>\$6,792</b>	

Source: OIG analysis of Ellensburg MPO documentation.

Further, unit management made two payments using two no-fee money orders totaling \$445. The payments were necessary to avoid adverse actions. While we agree that these can be considered emergency payments under these circumstances, they would not have been emergencies had they been paid on time (see Table 2).

<sup>4</sup> Approved in eBuy2.

<sup>5</sup> eTravel is a web-based system that automates the expense management process.

**Table 2. FY 2019 Emergency - Late Payments**

Payment	Payment Purpose	Payment Date	Number of No-Fee Money Orders	Amount
1	Past due snow removal service from April 30, 2017.	5/3/2019	1	\$225
2	Past due water bill to avoid shut off.	8/15/2019	1	220
<b>Total</b>			<b>2</b>	<b>\$445</b>

Source: OIG analysis of Ellensburg MPO documentation.

Postal Service policy states that employees must make purchases from suppliers who accept the purchase card to fulfill their business needs when other priority sources are not available.<sup>6</sup> The Postal Service's preferred payment methods for local purchases, in order of priority, are:

- eBuy2 (electronic funds transfer)
- National or area contracts
- Purchase card or purchase card checks
- Cash for emergency one-time expenses, not to exceed \$25, or money orders for emergency one-time local expenses, not to exceed \$1,000<sup>7</sup>

The postmaster used no-fee money orders for non-emergency and emergency purchases because her purchase card was closed due to inactivity. She did not pursue getting another card due to competing priorities and thought that no-fee money order payments were acceptable with proper support. Further, she stated that the vendors for the non-emergency payments were not in eBuy2. During fieldwork, the postmaster stated that she understood the reasons for using a purchase card and contacted the district to start paperwork to get another purchase card. She was unaware that she used the incorrect AIC for the travel costs and stated that she would use the correct AIC in the future. Finally, the postmaster state that she thought the snow removal and water bill had been paid, but to avoid any further issues, she paid those bills with no-fee money orders.

If proper payment methods are not used for local purchases and payments for miscellaneous goods and services, there is an increased risk of issuing unauthorized payments. We consider the unit's 13 no-fee money orders totaling \$6,792 for non-emergency payments as disbursements at risk.<sup>8</sup> We plan to follow up on acceptable methods of local payments as part of related work at the district, area, or headquarters levels.

<sup>6</sup> Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, June 2018, Section 1-12.

<sup>7</sup> Handbook F-101, *Field Accounting Procedures (DRAFT)*, May 2017, Section 19-1.1.

<sup>8</sup> Disbursements made where proper Postal Service internal controls and processes were not followed.

**Recommendation #1: We recommend the Acting Manager, Seattle District,** reiterate to the postmaster the policy for using the preferred payment methods and the appropriate account identifier codes for those payments.

## **Finding #2: Return Undeliverable Mail**

Although outside the scope of the audit, on January 14, 2019, we observed nine parcels with return dates ranging from September 4 to December 13, 2019, left in the postage due area. Unit management did not return these parcels after 15 days to the senders as required.<sup>9</sup> These parcels were held for postage due, but the addressee did not pay the required postage.

According to unit management, unit personnel had forgotten about these parcels left in this area. If employees do not follow procedures for handling undeliverable mail, there is an increased risk of undetected theft and lost revenue.

On January 15, 2020, unit management took immediate corrective action and returned all parcels to the senders. Therefore, we are not making a recommendation on this issue.

## **Management's Comments**

Management agreed with the findings and recommendation. Management will reiterate the policies addressing the issues in this report, to the postmaster, by March 6, 2020.

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 and should resolve the issue identified in the report.

The recommendation requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. The recommendation 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.

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<sup>9</sup> *Domestic Mail Manual*, January 2020, Section 507 3.2.1, Mailing Standards of the United States Postal Service.

## Appendix A. Management's Comments



February 28, 2020

Lazerick C. Poland  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Local Purchases and Payments Miscellaneous Services  
Ellensburg WA, Main Post Office  
Project Number 20-165.

Management agrees with the OIG findings and observations in this case.

Recommendation 1: We recommend **the Acting Manager, Seattle District**, reiterate to the postmaster the policy for using the preferred payment methods and the appropriate account identifier codes for those payments.

Management Response/Action Plan:

We agree with the findings and recommendations. The Manager Post Office Operations will reiterate postal policy for using the proper payment methods to the Ellensburg Postmaster. These findings and violations to postal rules and regulations will be discussed with the Ellensburg Postmaster.

Target Implementation Date:

Findings of the official OIG report will be reviewed with the Ellensburg Postmaster on 3/6/20 and appropriate action taken.

Responsible Official:

Manager Post Office Operations, Area 1

A handwritten signature in black ink, appearing to read "Pam J. Cook".

Pam J. Cook  
Manager/A, Seattle District

cc: Gregory G. Graves, Vice President, Operations – Western Area  
[REDACTED] Controller – Western Area  
Corporate Audit and Response Management