



AUDIT REPORT

Financial Controls Policy for Retail Units

August 13, 2020

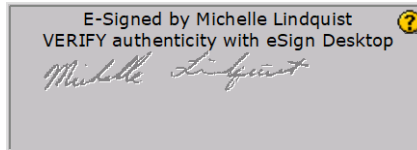


Report Number 20-264-R20



August 13, 2020

MEMORANDUM FOR: CARA GREENE
VICE PRESIDENT, CONTROLLER



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Financial Controls Policy for Retail Units
(Report Number 20-264-R20)

This report presents the results of our analysis of the fiscal year 2019 Financial Controls Policy for Retail Units.

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 the fiscal year (FY) 2019 financial controls policy for retail units (Project Number 20-264-DRAFT). During our FY 2019 audits of financial controls, we identified inconsistencies with U.S. Postal Service policies for performing financial transactions at retail units. The purpose of this report is to bring attention to these issues and make recommendations for corrective action.

During FY 2019, we issued 32 audit reports related to financial controls at postal retail units. We issued these audit reports to 19 different district managers across each Postal Service area with issues related to internal controls over financial activities. We issued 27 reports (84 percent) that used policies outlined in Postal Service Handbook F-101, *Field Accounting Procedures*, Draft, dated May 2017, as policy supporting our issues; however, this policy has been in draft for over three years. Postal Service Finance considers the Handbook F-101, Draft to be the authoritative version of the handbook; however, it is not located on the *PolicyNet* website, the centralized location of the published policies, forms, and directives.

We completed our fieldwork before the President of the U.S. issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect operational changes and/or service impacts that may have occurred at this facility as a result of the pandemic.

Objective, Scope, and Methodology

Our objective was to assess current refund and local purchases and payments policies for retail units and to determine if policies were consistent. To achieve our objective, we reviewed and compared policy cited for financial controls audits in FY 2019 and interviewed Postal Service management.

We conducted this audit from June through August 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 July 28, 2020, and included their comments where appropriate.

Finding #1: Policy

Retail units have been relying on Handbook F-101, Draft for guidance since May 2017. The draft policy is an updated version of the Handbook F-101, dated June 2016, that is currently on the *PolicyNet* website.

The significant updates in the Handbook F-101, Draft, included the following:

- Establishing closeout procedures for Retail Systems Software (RSS).¹
- Adding national and area contracts in the hierarchy for local payments.²
- Allowing the use of cash for refunds and local purchases and payments in amounts up to \$35 (from \$25).³
- Requiring refunds of over \$1,000 to be issued by Accounting Services⁴ (from \$500).⁵
- Prohibiting payment of invoices over \$1,000 from being paid with no-fee money orders (from \$500).⁶

In addition, Handbook F-101, Draft, did not always agree with Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, regarding local purchases and payments.⁷ Conflicts between the two handbooks include:

- Suppliers Accepting the Purchase Card
 - Handbook AS-709 states suppliers who will not accept the purchase card for payment must be replaced by suppliers who will accept the purchase card.⁸
 - Handbook F-101, Draft, does not have this requirement.
- Cash for Local Purchases and Payments
 - Handbook AS-709 states cash for an emergency, one-time expense cannot exceed \$25.⁹
 - Handbook F-101, Draft, allows for an emergency, one-time expense payment in cash not to exceed \$35.¹⁰

¹ The primary hardware and software system used to conduct retail sales transactions at post offices.

² The preferred methods of payment of local purchases are: eBuy2; national/area contracts; purchase card/purchase card checks; local payments using cash for an emergency one-time expense, not to exceed \$35, or no-fee money order for an emergency one-time expense, not to exceed \$1,000.

³ Handbook F-101, Draft, Chapters 19-1.1d and 21-1.1c, May 2017; and Handbook F-101, Chapter 19-1.1d and Chapter 21-1.1c, June 2016.

⁴ Accounting Services manages accounting processes and procedures in three Accounting Service Centers (Eagan, MN; St. Louis, MO; and San Mateo, CA), Headquarters Payroll and Accounting Center Support.

⁵ Handbook F-101, Draft, Chapter 21-1.2 and Handbook F-101, Chapter 21-1.2.

⁶ Handbook F-101, Draft, Chapter 19-1.1d and Handbook F-101, Chapter 19-1.1d.

⁷ As part of our audits, we used Handbook F-101, Draft, as authoritative, since Handbook AS-709 refers to Handbook F-101.

⁸ Handbook AS-709, Chapter 4-1.2.1, June 2018.

⁹ Handbook AS-709, Chapter 4-1.2.2.

¹⁰ Handbook F-101, Draft, Chapter 19-1.1d.

- Requisition Documentation
 - Handbook AS-709 states only the purchasing request reference number needs to be filed.¹¹
 - Handbook F-101, Draft, requires the complete hard copy requisition to be maintained on file for all purchases.¹²

Further, Handbook F-101, Draft, does not include any reference to the timeliness of refunds. However, the *Postal Operations Manual (POM)* states spoiled and unused meter stamp refunds of \$500 or less must be processed within 30 days, and spoiled and unused meter stamp refunds of more than \$500 must be processed within 60 days.¹³ Five of the 17 refund audits we conducted identified units that did not issue refunds timely.

We also noted the following issues:

- *Postal Bulletins* notifying the field of updates to Handbook F-101, Draft, were linked to the outdated Handbook F-101 on *PolicyNet*, dated June 2016. Handbook F-101, Draft, is located on the Accounting Services webpage, not *PolicyNet*, the centralized location of the published policies, forms, and directives.
- Some district and area management interpreted the \$1,000 no-fee money order limit as meaning a retail unit can issue multiple money orders to pay a single invoice, as long as each money order did not exceed the \$1,000 limitation. Eight of nine units we audited for local purchases and payments in FY 2019 used no-fee money orders to pay invoices greater than \$1,000.
- Effective March 2020, the Postal Service implemented a new purchasing system called eBuyPlus.¹⁴ All chapters referencing eBuy2¹⁵ need to be updated in Handbook F-101, along with any new procedures required.

It is Postal Service policy to manage its paper and online documents so that they are correct, up to date, easy to find, and in agreement with official Postal Service policies and procedures.¹⁶ Postal Service management stated that updating Handbook F-101 is a timely process that includes coordination through various Postal Service functional areas, including Brand and Policy, the legal department, Labor Relations, and unions. According to management, it takes about 60 days for the process and the entire handbook cannot be revised at one time. As of May 13, 2020, eight chapters have been

¹¹ Handbook AS-709, Chapter 3-3.2.

¹² Handbook F-101, Draft, Chapter 19-1.5c.

¹³ POM, Section 145.11.k, June 2020.

¹⁴ Postal Service electronic Web purchasing system accessible via the intranet.

¹⁵ EBuyPlus replaced eBuy2 in March 2020.

¹⁶ Management Instruction AS-310-2013-6, *Management of Policy and Procedures Information*, Document Management Section, June 26, 2013.

updated and reviewed by Labor Relations. There are four more chapters awaiting review. Handbook F-101 has 24 chapters and five appendices. Other manuals on *PolicyNet*, such as the *Employee Labor Relations Manual*, include a summary of changes. This summary identifies chapter and section updated, information updated, *Postal Bulletin* number communicating the change, and publication date. While Handbook F-101 has two bulletin updates listed in summary of changes from June 2016, no other updates have been included.

Since July 2019, we have inquired about the status of a published date for Handbook F-101, Draft; however, the Postal Service has not provided a date when the handbook will be completed. Although, the OIG recognizes the process for updating the Handbook F-101 takes time and is complex, the Postal Service should expedite the process and consider adding more resources, if needed, to have it completed.

Recommendation #1: We recommend the Vice President, Controller, in coordination with **the Vice President, Delivery & Retail Operations**, update and publish the final Handbook F-101, *Field Accounting Procedures, Draft*, and the *Postal Operations Manual*, as appropriate, to ensure consistency in conducting field office accounting and among policies and procedures associated with refunds.

Recommendation #2: We recommend the Vice President, Controller, in coordination with **the Vice President, Supply Management**, update Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, to ensure consistency in procedures associated with local purchases.

Management's Comments

Management agreed with our finding and recommendations. Regarding recommendation 1, management stated that updating Handbook F-101 requires key stakeholder review and approval and can require numerous cycles to complete. The Controller organization has worked with stakeholders to agree upon a semi-annual update cycle. The target implementation date is April 30, 2021.

Regarding recommendation 2, management will update Handbook AS-709 to align the sections on suppliers accepting the purchase card and cash for local purchases and payments with the Handbook F-101. Management had already agreed to modify Handbook AS-709 language regarding purchase card documentation to encourage electronic retention based upon a previous audit, Controls Over Expense Purchase Card Activity, report number [19SMG009SM000-R20](#). This should be completed by December 31, 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 finding and recommendations in the report, and corrective actions should resolve the issues identified in the report.

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

Appendix A. Management's Comments

CARA M. GREENE
VICE PRESIDENT, CONTROLLER



August 11, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Financial Controls Policy for Retail Units
(Project Number: 20-264)

I appreciate your team reviewing the topic of financial controls policy for retail units. Management agrees with the OIG finding and recommendations. Included are the comments and actions taken based on the OIG's recommendations. This audit had no monetary impacts.

Recommendation # 1:

We recommend the Vice President, Controller, in coordination with the Vice President, Delivery & Retail Operations, update and publish the final Handbook F-101, *Field Accounting Procedures, Draft*, and the *Postal Operations Manual*, as appropriate, to ensure consistency in conducting field office accounting and among policies and procedures associated with refunds.

Management Response/Action Plan:

Management agrees with the recommendation and is taking the necessary steps to update the F-101 and related policies.

Updating the F-101 requires key stakeholder review and approval and can require numerous cycles to complete. The Controller organization has worked with stakeholders to agree upon a semi-annual update cycle, with the next update scheduled to be published in Quarter 1, FY21.

Target Implementation Date:

April 30, 2021

Responsible Official:

Manager, Revenue and Field Accounting

Recommendation # 2:

We recommend the Vice President, Controller, in coordination with the Vice President, Supply Management, update Handbook AS-709, *Purchase Card Local*

Buying Policies and Procedures, to ensure consistency in procedures associated with local purchases.

Management Response/Action Plan:

Management agrees with this recommendation. Management will update Handbook AS-709 to align the sections on Suppliers accepting the purchase card, and, Cash for Local Purchases and Payments, from those contained in the F-101. Management has already agreed to modify the AS-709 language regarding purchase card documentation to encourage electronic retention pursuant to OIG audit 19SMG009SM000-R20 (Controls Over Expense Purchase Card Activity).

Target Implementation Date:

December 31, 2020

Responsible Official:

Manager, Supply Management Infrastructure



Cara Greene
Vice President, Controller

cc: Vice President, Supply Management
Successor to Vice President, Delivery and Retail Operations
Manager, Corporate Audit Response Management
Manager, Revenue and Field Accounting