



AUDIT REPORT

Local Purchases and Payments – Miscellaneous Services – Denver, CO, General Mail Facility Station

August 8, 2019

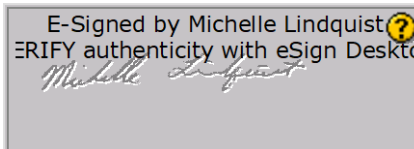


Report Number FCS-FM-19-017



August 8, 2019

MEMORANDUM FOR: KEVIN V. ROMERO
MANAGER, COLORADO/WYOMING DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Local Purchases and Payments –
Miscellaneous Services – Denver, CO, General Mail Facility
Station (Report Number FCS-FM-19-017)

This report presents the results of our audit of the Local Purchases and Payments – Denver, CO, General Mail Facility Station (Project Number 19BFM024FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact please contact Mary Aleman, Operational Manager, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of Local Purchases and Payments: Miscellaneous Services – Denver, CO, General Mail Facility (GMF) Station (Project Number 19BFM024FCS000). The Denver GMF Station is located in the Colorado /Wyoming 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.

Account Identifier Code (AIC)¹ 587, Miscellaneous Services, is used to record purchases or expenses associated with payment for non-custodial, custodial and all miscellaneous services. 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 AIC 587 paid by cash or money order. Based on our data analysis, miscellaneous services at the Denver GMF Station totaled \$8,917 for fiscal year (FY) 2019, Quarter's (Q) 1 and 2. This was a significant change from FY 2018 where the entire fiscal year totaled \$6,383. In addition, miscellaneous services for FY 2019, Q1 and Q2, at the Denver GMF Station were the highest for the Colorado/Wyoming District (40 percent of the district's total of \$22,404). It is unusual for one office to have such a high percentage as it relates to other offices in the same district.

Objective, Scope and Methodology

The objective was to determine whether local purchases and payments for miscellaneous services made at the Denver GMF Station were valid and properly supported and processed. To accomplish our objective, we analyzed supporting documentation for the seven local payments charged to AIC 587 between October 1, 2018, and March 31, 2019. We also interviewed the postmaster and other personnel responsible for the oversight and processing of local purchases and payments.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).² 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 employees. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from June through August 2019, 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 finding and conclusion based on our objective. We believe that

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

² 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.

the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective. We discussed our observations and conclusions with management on July 22, 2019, and included their comments where appropriate.

Finding #1: Local Payments and Purchases: Miscellaneous Services

Local purchases and payments for miscellaneous services were valid and properly supported but not processed correctly. We reviewed seven payments, totaling \$8,917,³ for local purchases charged to AIC 587 between October 1, 2018, and March 31, 2019. All seven payments⁴ were made using no-fee money orders instead of using the purchase card⁵ or purchase card checks.⁶ Specifically,

- For three of the seven payments, totaling \$7,873, unit personnel used 10 no-fee money orders⁷ to pay three service-related invoices. The total purchase amounts for each payment exceeded the \$1,000 no-fee money order limit and were not considered emergency, one-time expenses.⁸
- For the remaining four payments, totaling \$1,044, while no payment exceeded the \$1,000 no-fee money order limit, none were emergency, one-time expenses.

Unit personnel used no-fee money orders because the suppliers would not accept credit cards. The district finance manager and unit personnel were not aware that purchase card checks were an option. Therefore, with the district finance manager's approval, the customer service supervisor and unit personnel processed these payments using no-fee money orders.

Postal Service policy states that the office must use the purchase card when needs cannot be satisfied through eBuy2 or through other priority sources.⁹ The Postal Service's preferred payment methods for local purchases, in order of priority, are:

- eBuy2¹⁰ (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 \$1,000.¹¹

³ The postmaster made seven payments for invoice amounts of \$4,058, \$2,066, \$1,750, \$984, \$40, \$10, and \$10.

⁴ Colorado/Wyoming district personnel requested the unit to make payment for the district. Four of the seven payments were for court reporting and legal related expenses. The other three payments were for vehicle emission testing and vehicle accident report requests.

⁵ Handbook F-101, *Field Accounting Procedures*, May 2017 DRAFT, Section 19-1.

⁶ Expense purchase card checks are issued only if the purchase card is not accepted.

⁷ The 10 no-fee money orders consisted of seven for \$1,000 and one each for \$750, \$65.50, and \$57.75.

⁸ No-Fee Money Order Quick Reference, December 2017.

⁹ Handbook AS-709, *Purchase Card Local Buying and Procedures*, June 2018, Section 2-3.1.

¹⁰ An electronic commerce portal that provides employees with electronic requisitioning, approval, and certification capability.

¹¹ Handbook F-101, Section 19-1.1.

In addition, according to policy,¹² suppliers who will not accept the purchase card for payment must be replaced by suppliers who will accept the purchase card.

If proper payment methods are not used for local purchases and payments, miscellaneous services, there is an increased risk unauthorized transactions could occur. In addition, because these expenses were paid using no-fee money orders, the Denver GMF Station absorbed these costs on their finance number¹³ when the expenses should have been recorded on the Colorado/Wyoming Districts' finance number.

<p>Recommendation #1: We recommend the manager, Colorado/Wyoming District, provide training to the district finance manager, district staff, and Denver, CO General Mail Facility Station personnel on the correct policies and procedures for making local purchases and payments.</p>
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Management's Comments

Management agreed with the finding and recommendation. Regarding recommendation 1 management stated the Western Area Finance Office will provide training on purchasing procedures and related heirarchy. The training date is scheduled for September 1, 2019.

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 recommendation in the report.

The recommendation requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are 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.

¹² Handbook AS-709, Section 4-1.2.1.

¹³ The finance number consists of six digits. It is used to track financial reporting Information for an area, post office, station or project.

Appendix A. Management's Comments



August 6, 2019

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: – Local Purchases and Payments – Miscellaneous Services
Denver, CO, General Mail Facility Station
(Report Number FCS-FM-19-DRAFT; Project #19BFM024FCS000)

Management agrees with the findings.

Recommendation 1: We recommend the manager, Colorado/Wyoming District, provide training to the district finance manager, district staff, and Denver, CO General Mail Facility Station personnel on the correct policies and procedures for making local purchases and payments.

Management Response/Action Plan: Management agrees with the findings. Area Finance will provide training on purchasing procedures and related hierarchy.

Target Implementation Date:
September 1, 2019

Responsible Official:
Area finance office



Humberto Trujillo
District Manager/A
CO/WY

cc: Corporate Audit and Response Management
Gregory G. Graves, Vice President, Operations – Western Area
Felipe Flores, Manager, Operations Support / A – Western Area
Kangcong Zhang, Controller/A – Western Area
Marilyn Ross, Finance – Western Area