



## AUDIT REPORT

# Local Purchases and Payments: Miscellaneous Services - Kearny, NJ, Main Post Office

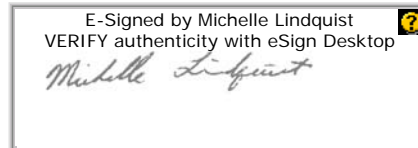
September 19, 2019





September 19, 2019

**MEMORANDUM FOR:** MICHAEL DEIGNAN  
MANAGER, NORTHERN NEW JERSEY DISTRICT



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

**SUBJECT:** Audit Report – Local Purchases and Payments:  
Miscellaneous Services – Kearny, NJ, Main Post Office  
(Report Number FCS-FM-19-032)

This report presents the results of our audit of the Local Purchases and Payments: Miscellaneous Services – Kearny, NJ, Main Post Office (Project Number 19BFM034FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna PruDe, 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 – Kearny, NJ, Main Post Office (Project Number 19BFM034FCS000). The Kearny Main Post Office (MPO) is in the Northern New Jersey District of the Northeast 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)<sup>1</sup> 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 data analysis identified the Kearny MPO had \$9,644 in miscellaneous services during fiscal year (FY) 2019, Quarters (Q) 1 through 3.<sup>2</sup> This was a significant change from having no activity for all of FY 2018. In addition, these purchases were 37 percent of the overall amount of local purchases in the Northern New Jersey District for the same timeframe. It is unusual for one office to have such a high dollar increase of miscellaneous services in three quarters.

## Objective, Scope, and Methodology

Our objective was to determine whether local purchases and payments made at the Kearny MPO were valid, properly processed, and supported. To meet the objective, we analyzed purchase and payment data and examined money order receipts and other payment supporting documentation for miscellaneous expense transactions. We also interviewed Postal Service management regarding the \$9,644 in miscellaneous expense transactions that occurred in FY 2019, Qs 1 through 3.

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 July through September 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

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

<sup>2</sup> FY 2019 Q1 is October 1 through December 31, 2019; Q2 is January 1 through March 31, 2019; Q3 is April 1 through June 30, 2019.

<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.

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 finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 30, 2019 and included their comments where appropriate.

## **Finding #1: Local Purchases and Payments**

Local purchases and payments were valid but not always properly processed and supported. We reviewed \$9,644 for local purchases charged to AIC 587 on four dates. During peak season in December 2018, traffic was very heavy and caused safety hazards at the Greater Newark Processing & Distribution Center (P&DC).<sup>4</sup> The Northeast Area contracted with the local police department to provide security immediately as well as to control traffic. The police department did not accept purchase card payments; therefore, the district approved for the area to make payments with no-fee money orders. Specifically, we found that:

- On December 11, 2018, a payment of \$2,500 was made with three no-fee money orders.
- On December 17, 2018, a payment of \$2,500 was made with three no-fee money orders.
- On December 20, 2018, a payment of \$3,500 was made with four no-fee money orders.
- On May 10, 2019, a payment of \$1,144 was made with two no-fee money orders for the remaining balance owed on the contract.

Additionally, the unit did not have copies of the invoices on file to support any of these payments to the local police department. They did have the approved eBuy2 requisitions and copies of the no-fee money orders. These items were included in the daily closeout records, except for those supporting the December 20, 2018, transaction.<sup>5</sup>

The Customer Service supervisor stated that she should have reviewed the daily reporting records for December 20, 2018 and did not know why the money order receipts or invoices were not in the file. However, during our site visit unit personnel located the missing documentation, except for the invoices, that supported the payment and we verified it was placed in the daily closeout reporting file, as required. Regarding the invoices, unit personnel believed that since the district office requested the unit to

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<sup>4</sup> Due to its proximity, the Kearny MPO is an office designated to process financial transactions for the Greater Newark P&DC.

<sup>5</sup> Supporting documentation includes approved eBuy2 requisitions, district approval to use the no-fee money orders for payments, and copies of money order receipts.

pay for the security, they did not need to keep a copy of the invoices on file locally. Subsequent to the site visit, the district provided invoices for \$4,352 and \$1,144 of the \$9,644 amount paid.

Postal Service policy states that the office must use the purchase card when needs cannot be satisfied through eBuy2 or other priority sources.<sup>6</sup> The Postal Service's preferred payment methods for local purchases, in order of priority, are:

- eBuy2 (electronic funds transfer).
- National/area contracts.
- Purchase card/Purchase card checks.
- Cash for emergency one-time expenses, not to exceed \$25, or no-fee money orders for emergency one-time local expenses, not to exceed \$1,000.<sup>7</sup>

Postal Service policy states that units must file invoices, approved eBuy2 requisitions, and proof of payment locally as supporting documentation for Postal Service (PS) Form 1412, *Daily Financial Report*, entries.<sup>8</sup> In addition, policy requires the field unit manager to review supporting documentation for all entries on daily PS Forms 1412 as part of the closeout procedures.<sup>9</sup>

Unit personnel followed direction from district management to issue no-fee money orders for the police department payment, even though this violated Postal Service policy. Therefore, we are not making a recommendation at this time related to the no-fee money order exceeding the \$1,000 limitation. However, we may follow up in the future as part of related work at the district, area, or headquarters levels.

When supporting payment documentation is not maintained, the Postal Service has no assurance that it properly paid \$4,148 for services rendered by the police department.

**Recommendation #1:** We recommend the **District Manager, Northern New Jersey District**, direct the Postmaster, Kearny, Main Post Office, reiterate with applicable personnel the procedures for the daily closeout, including maintaining all appropriate supporting documentation.

<sup>6</sup> Handbook AS-709, *Purchase Card Local Buying and Procedures*, Section 2-3.1, June 2018.

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

<sup>8</sup> Handbook F-101, DRAFT, Section 19-1.5c.

<sup>9</sup> Handbook F-101, DRAFT, Section 2-4.1.

## Management's Comments

Management agreed with the finding and recommendation but disagreed with the monetary impact. Management provided a service talk to applicable unit personnel on September 17, 2019, reiterating the daily closeout procedures that specifically included unit closeout procedures outlined in Handbook F-101.

Regarding monetary impact, management subsequently provided support for the \$3,500 payment to the police department. The remaining balance of \$648 was identified as an overpayment, and management has requested a refund.

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 corrective action taken should resolve the issues identified in the report. Management subsequently provided all invoices to support the full amount paid; therefore, the OIG eliminated the monetary impact in the report.

We reviewed management's correspondence and found it adequate to resolve the issues identified in this report. We consider recommendation 1 closed with the issuance of this report.

## APPENDIX A. MANAGEMENT'S COMMENTS



September 18, 2019

LAZERICK POLAND  
DIRECTOR, AUDIT OPERATIONS

**SUBJECT:** Local Purchases and Payments: Miscellaneous Services – Kearny, NJ Main  
Post Office – Report Number FCS-FM-19-DRAFT

The finding and recommendation outlined in the above noted audit report has been reviewed and we agree with the finding. However, we do not agree with the Monetary Impact accessed as documentation was subsequently provided to the OIG that supported the \$3,500 paid to the County of Hudson. The remaining balance of \$648 was identified as an overpayment to the Town of Kearny and a refund request has been submitted to recapture the overpayment.

Our response to the Recommendation is as follows:

**Recommendation #1**

We recommend the **District Manager, Northern New Jersey District**, direct the Postmaster, Kearny, Main Post Office, reiterate with applicable personnel the procedures for the daily closeout, including maintaining all appropriate supporting documentation.

**Management Response:**

We agree with the recommendation. The Postmaster provided a Service Talk to all EAS and Closeout Personnel at the Kearny MPO reiterating the procedures for the daily closeout; specifically, Handbook F-101, *Field Accounting Procedures*, Chapter 5, *Daily Financial Reporting*, Section 5-3, *Retail Systems Software*. Upon completion, all applicable personnel signed and dated the reviewed document (Section 5-3).

**Target Implementation Date:**

Completed – September 17, 2019

**Responsible Official:**

Postmaster, Kearny, Main Post Office

A handwritten signature in black ink, appearing to read "Michael P. Deignan".

Michael P. Deignan  
District Manager, Northern New Jersey

cc: VP Area Operations (Northeast)  
Manager Operations Support (Northeast)  
Controller (Northeast)  
Area Accounting Manager (Northeast)  
Finance Manager (Northern New Jersey)  
Manager, Corporate Audit Response Management