

December 1, 1999

A. KEITH STRANGE  
VICE PRESIDENT, PURCHASING AND MATERIALS

JOHN H. WARD  
VICE PRESIDENT, FINANCE, CONTROLLER

SUBJECT: Capital Personal Property  
Report Number FR-FA-00-003

This report presents an interim finding identified during our audit of the United States Postal Service Financial Statements for fiscal year (FY) 1999, St. Louis Information Service Center (Project No. 99-PA-008-FR-002).

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## Results in Brief

Controls over the accountability of capital personal property need improvement. Personnel at postal installations:

- ◆ Were not always aware of their responsibilities or the applicable requirements.
- ◆ Did not provide appropriate attention to their duties.
- ◆ Did not have well organized records.

In some instances, no one was specifically assigned to perform the required accountability functions. As a result, the Postal Service cannot ensure that capital personal property is adequately protected from unauthorized use or loss.

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## Background

During the FY 1996 audit,<sup>1</sup> Inspection Service personnel identified that property records were not accurate and capital personal property could not be located. Based on Inspection Service recommendations, the vice president, controller, agreed to work with Purchasing and Materials to conduct reviews as directed in the handbook AS-701, Material Management. In addition, a national inventory would be conducted during FY 1997 of items

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<sup>1</sup> United States Postal Inspection Service Case No. 311-96-001-1177545-AD(1)

costing \$10,000 or more, with an analysis done to determine the effectiveness of the capital personal property controls.

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**Objective, Scope, and Methodology**

Our objective was to evaluate whether controls over the handling of capital personal property at postal installations were effective and whether the property<sup>2</sup> recorded in the accounting system was physically located at the accountable postal installations. During FY 1999, the Inspection Service conducted financial installation audits at 200 statistically selected postal installations and 8 judgmentally selected district offices. In order to supplement our financial statement audit, we provided the Inspection Service with a sample of 1038 capital personal property items costing about \$56.2 million for 119 sites audited. Two hundred fifty-four finance office locations were reviewed for the 119 audit sites visited. This portion of the audit was conducted throughout FY 1999 in accordance with generally accepted government auditing standards and included tests of internal controls as were considered necessary under the circumstances. Inspection Service personnel discussed conclusions and observations with appropriate officials while conducting the individual installation audits.

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**Capital Personal Property Controls at Postal Installations**

Controls over the accountability of capital personal property need improvement. Specifically, the following issues were identified during the review of 1038 sample items:

- One hundred fifty-eight of the sample items, valued at about \$6.6 million, were not located for verification. A list of these unverified items was provided to the St. Louis accounting service center for follow-up action.
- One hundred fifty-three of the Postal Service Forms 961-A, Post Office Property Record, were not found.<sup>3</sup>
- One hundred twenty-three of the forms 961-A found, did not have the correct location of the property noted.<sup>4</sup>

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<sup>2</sup> Only capital personal property items costing \$10,000 or more were included in our sample.

<sup>3</sup> Handbook AS-701, Material Management, dated September 1997, Section 573.3, provides that the Form 961-A is the primary document for the accountability of capital property. The accountable facility must retain this card as long as the capital property is under its accountability.

<sup>4</sup> Handbook AS-701, Section 573.1, notes that the Form 961-A tracks data such as the six-digit identification code that should be affixed to the property and the equipment location.

- Two hundred twenty-three of the sample items did not have an identification label affixed.<sup>5</sup>
- One hundred thirteen of 254 finance office locations visited did not complete semi-annual evaluations of capital personal property.<sup>6</sup>

This condition occurred because personnel at postal installations:

- ◆ Were not always aware of their responsibilities or the applicable requirements.
- ◆ Did not provide appropriate attention to their duties.
- ◆ Did not have well organized records.

In addition, in some instances, no one was specifically assigned to perform the required accountability functions. As a result, the Postal Service cannot ensure that capital personal property is adequately protected from unauthorized use or loss.

The Inspection Service reported similar issues in their FY 1996 audit. Although the number of occurrences decreased, a systemic problem still exists that requires attention.

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## Recommendations

We offer the following recommendations.

The vice president, purchasing and materials, should:

1. Advise accountable personnel (i.e., material accountability officers) of their responsibility to:
  - (a) Maintain and adequately complete Forms 961-A.
  - (b) Ensure that all capital personal property has an identification label appropriately attached to the property or, if not possible to attach to the property, Form 961-A.

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<sup>5</sup> Handbook AS-701, Section 574.1, states that identification labels should be affixed to items of postal property as official identification of the property. The label must remain with the property throughout its life. Section 573.6 continues that the label should be attached to the equipment in a location that is easy to view and scan. The label can be attached to the Form 961-A if the item cannot be labeled.

<sup>6</sup> Handbook AS-701, Section 541.28, requires the Material Accountability Officer to evaluate the status of property records and files by conducting an internal review (semi-annually).

- (c) Complete internal reviews of the capital personal property inventory on a semi-annual basis.
- 2. Assess the reported problem areas on an independent and periodic basis to ensure the Material Accountability Officers adequately perform their responsibilities in accordance with prescribed guidelines to protect the capital personal property inventory.

The vice president, finance, controller, should:

- 3. Ensure that all unverified capital personal property is located and properly recorded in the accounting system.

Please furnish a reply within 20 days describing the corrective action planned or taken, including the timeframes, on our recommendations. This finding will be included in a consolidated report for the St. Louis Accounting Service Center at the conclusion of the FY 1999 financial statement audit. The report will include your comments and any planned corrective actions. If you have any questions, please contact me at (703) 248-2300 or [REDACTED].

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Richard F. Chambers  
Assistant Inspector General  
for Performance

cc: Jayne E. Schwarz  
Kristine A. Wright  
Edward L. Brown  
John R. Gunnels