



Internal Controls Over Local Purchases and Payments – Gloucester, VA, Post Office

January 4, 2017





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**Internal Controls Over Local Purchases and
Payments – Gloucester, VA, Post Office**
Report Number FT-FM-17-007

BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) uses data analytics, including predictive risk models and tripwires, to evaluate the U.S. Postal Service's financial information. The analytics seek to target financial anomalies that occur at field units.

The OIG's Field Financial Risk Model and the Office of Investigations' Local Payment Tripwire identified that the Gloucester Post Office made about \$33,000 in local purchases and payments using no-fee money orders from October 1, 2015, to September 30, 2016.

The Postal Service prefers to pay for goods and services through its electronic purchasing system. When that is not possible, authorized personnel may use assigned credit cards. Custodial cleaning services exceeding \$10,000 annually must be paid through a contract established by the Supply Management Category Management Center (CMC).

The objective of this audit was to determine whether internal controls were in place and effective for making local payments at the Gloucester Post Office in Gloucester, VA.

WHAT THE OIG FOUND:

Local payments were not always authorized and internal controls needed improvement. We verified the

postmaster made 27 local payments valued at \$34,020 for custodial cleaning services from October 1, 2015, to September 30, 2016, without an authorized contract.

The postmaster properly submitted a request for a contract in July 2015; however, due to a staffing transition at the CMC, the request was not reviewed for 8 months and then was closed. The postmaster repeatedly contacted the CMC regarding the status of the request, but was never informed it was closed. In the interim, instead of using the electronic purchasing system, the postmaster paid for cleaning services with no-fee money orders and her assigned credit card to keep the Post Office clean. As a result of this audit, on November 10, 2016, the CMC began to establish a contract for cleaning services.

WHAT THE OIG RECOMMENDED:

We recommended district management implement controls to ensure management uses proper local payment methods, including payments for contract cleaners, when a contract has not been established. We also recommended headquarters management implement procedures to track contract requests and ensure timely notifications of contract request denials or closures during employee transitions.


[Link to review the entire report](#)



January 4, 2017

MEMORANDUM FOR: SCOTT BOWER
MANAGER, RICHMOND DISTRICT

JENNIFER BEIRO-REVEILLE
MANAGER, FACILITIES PORTFOLIO,
SUPPLY MANAGEMENT

E-Signed by Lorie Nelson 
VERIFY authenticity with eSign Desktop
Lorie Nelson

FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Local Purchases and
Payments – Gloucester, VA, Post Office
(Report Number FT-FM-17-007)

This report presents the results of our audit of Internal Controls Over Local Purchases and Payments – Gloucester, VA, Post Office (Project Number 17BFM001FT000).

In compliance with Office of Management and Budget directives on the independence of the OIG, we will make the final determination based on the spirit and specific provisions of the FOIA and related laws and guidance.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Asha Mede, deputy director, Financial Controls, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of internal controls over local purchases and payments at the Gloucester, VA, Post Office (Project Number 17BFM001FT000). The Gloucester Post Office is in the Richmond District of the Capital Metro Area. This self-initiated audit of local purchases and payments is designed to provide U.S. Postal Service management with timely information on potential financial control risks at postal locations.

The Postal Service prefers to use eBuy2¹ to pay for goods and services. But, if a purchase cannot be satisfied through eBuy2, authorized postal employees can use the SmartPay2² credit card.³ Cleaning services above \$10,000 annually must be paid through a contract established by the Supply Management Category Management Center (CMC).⁴

We reviewed accounting records for local purchases and payments at the Gloucester Post Office from October 1, 2015, to September 30, 2016, to determine whether the transactions were valid. We also evaluated the process for making local purchases and payments and interviewed the postmaster and other personnel responsible for overseeing the process. We relied on computer-generated data from the Enterprise Data Warehouse (EDW)⁵ and the Time and Attendance Collection System.⁶ We did not test the validity of controls over these systems; however, we verified the accuracy of the data by confirming our analysis and results with postal managers. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from November through December 2016, in accordance with generally accepted government auditing standards. 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 objectives. We discussed our observations and conclusions with management on November 18, 2016, and included their comments where appropriate.

Local Payments

Our tripwire showed the Gloucester, VA, Post Office made about \$33,000 in local payments using no-fee money orders from October 1, 2015, to September 30, 2016.

¹ An electronic commerce portal that provides employees with electronic requisitioning, approval, and certification capability.

² The purchase card may be used only by the designated cardholder and may be used only for official Postal Service business.

³ Handbook F-101, *Field Accounting Procedures*, June 2016 Section 19-1.

⁴ The Supply Management CMC is responsible for commercial cleaning services.

⁵ 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.

⁶ A system used by all installations that automates the collection of employee time and attendance information.

We reviewed the accounting records and verified the postmaster made 27 local payments valued at \$34,020 for custodial cleaning services. However, the postmaster did not have an authorized contract to make these payments as Postal Service policy requires. The postmaster used no-fee money orders for 26 payments of \$1,260 each. She used a SmartPay2 credit card for the remaining payment (see Table 1).

Table 1. Custodial Cleaning Services Payments

Method of Payment	Number of Payments	Amount
No-Fee Money Orders	26	\$32,760.00
SmartPay2 Credit Card	1	1,260.00
Total	27	\$34,020.00

Source: EDW and U.S. Postal Service Office of Inspector General (OIG) analysis.

In July 2015, the postmaster properly submitted a contract request through eBuy2 for cleaning services. District management approved the request and sent it to the Supply Management CMC for approval. However, the CMC did not process the request for 8 months and then closed it on March 28, 2016. The CMC manager stated the center was undergoing staff transitions that caused the delay in approval.

The postmaster repeatedly contacted the CMC regarding the status of the request. However, the CMC did not inform the postmaster that the request was closed. In the interim, the postmaster paid for cleaning services with no-fee money orders to keep the post office clean, even though she knew that policy did not permit it. In September 2016, the district finance manager instructed the postmaster to stop using the no-fee money orders for this purpose, so the postmaster used her SmartPay2 credit card.

According to Postal Service policy, cleaning services exceeding \$10,000 annually must be serviced through a contract established by the Supply Management CMC.⁷ Further, no-fee money order payments must not exceed \$1,000 for a one-time expense.⁸

If proper payment methods are not used for local purchases and payments, there is an increased risk unauthorized transactions could occur. We considered the local payments valued at \$34,020 for cleaning services as unrecoverable questioned costs⁹ because the purchases should have been made under an authorized contract.

On November 10, 2016, the CMC began establishing a contract for cleaning services at the Gloucester Post Office.

⁷ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 19-3.4 (b); *Cleaning Services Local Buying Agreement Guidelines*, August 1, 2014, CMC Contracts.

⁸ *No-Fee Money Order Quick Reference*, December 2015.

⁹ Unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, etcetera. May be recoverable or unrecoverable. Usually a result of historical events.

Recommendations

We recommend the manager, Richmond District:

1. Implement controls to ensure management uses proper local payment methods, including payments for contract cleaners, when a contract has not been established.

We recommend the manager, Supply Management Facilities Portfolio, instruct the manager, Facility Services Category Management Center, to:

2. Implement procedures to track contract requests and ensure timely notifications of contract request denials or closures during employee transitions.

Management's Comments

Management agreed with the findings and recommendation 1, but disagreed with recommendation 2 and the monetary impact.

In response to recommendation 1, management stated the district has a process in place to review weekly reports detailing all local refunds and preferred payment methods, including potential payments for custodial services. By December 31, 2016, management planned to reemphasize the requirement and take appropriate action with the responsible postmaster or manager for any unauthorized payments. Management confirmed implementation in separate correspondence.

In response to recommendation 2, management stated that Facility Services CMC employees follow standard operating procedures for managing and responding to requests for contract actions but that employee transitions and high vacancy levels attributed to the lack of response to the contract request. Management stated the new Facility Services CMC management team will ensure timely responses to requisitions and more seamless transitions.

In response to the monetary impact, management stated an approved requisition existed and the postmaster made every effort to have the contract established.

See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. Regarding recommendation 2, the purpose of the recommendation was to ensure timely notifications for contract request denials or closures during employee transitions. Since the new Facility Services CMC management team will ensure timely responses to contract requests and more seamless transitions, we do not intend to pursue this audit resolution at this time.

Regarding the monetary impact, we acknowledge that district management approved the initial contract request; however, that alone does not constitute a valid contract in accordance with the Postal Service's policy. Therefore, we continue to believe that local payments from July 2015 through September 2016, valued at \$34,020, were unauthorized because a contract was never established.

We consider the recommendations closed with the issuance of this report.

Appendix A. Management's Comments



December 29, 2016

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over Local Purchases and Payments – Gloucester,
VA, Post Office (Report Number FT-FM-17-DRAFT)

Thank you for providing the United States Postal Service with an opportunity to review and comment on the draft audit report, Internal Controls Over Local Purchases and Payments – Gloucester, VA, Post Office. Management agrees with the findings, but would like to emphasize its commitment to ensuring the Gloucester Post Office remained clean and presented a professional image to our customers. Per a recent area-wide audit of Facility Conditions made by the OIG, appearance of postal facilities to the employees and the public was a major focus. In this case, the postmaster was attempting to secure these services for sanitary and appearance needs, as well as to ensure a clean and safe environment for employees and customers.

Regarding the monetary impact, management does not agree that payments made are unrecoverable questioned costs, as an approved requisition existed and the postmaster made every effort to have the contract established over many months and responsible managers were made aware of the issues as a resolution was sought.

Management's response to the recommendations included in the draft report may be found below.

We recommend the manager, Richmond District:

Recommendation 1: Implement controls to ensure management uses proper local payment methods, including payments for contract cleaners, when a contract has not been established.

Management Response/Action Plan: Management agrees with the recommendation that controls need to be in place to ensure management uses proper local payment methods. Richmond District already has a process in place where weekly reports are pulled by Finance/Accounting detailing all local refunds and preferred payment methods, including those in AIC 587 where potential payments for custodial services would be recorded. This information is shared every week with leadership for review and action. Management will reemphasize the requirement to review this report each week and take appropriate action with the responsible postmaster/manager for any unauthorized payments.

Target Implementation Date: December 2016

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Responsible Official: Lisa Reed, Richmond District Finance Manager

We recommend the manager, Supply Management Facilities Portfolio, instruct the manager, Facility Services Category Management Center, to:

Recommendation 2: Implement procedures to track contract requests and ensure timely notifications of contract request denials or closures during employee transitions.

Management Response/Action Plan: Management disagrees with this recommendation. The Facility Services Category Management Center (CMC) follows its standard operating procedures for managing and responding to requests for contract action. These procedures are followed by all employees. The management transitions and high vacancy levels in the Denver office during the period of time noted in the draft audit report attributed to the lack of response to the specific eBuy2 requisition discussed in the draft report.

The new management team in the Facility Services CMC has been briefed on this audit report. Management will ensure timely response to requisitions and more seamless employee transitions.



Scott Bower
Manager
Richmond District
Capital Metro Area



Jennifer Beiro-Réveillé
Manager
Facilities Portfolio
Supply Management

cc: Manager, Corporate Audit Response Management