



AUDIT REPORT

Local Purchases and Payments: Miscellaneous Services – Sturgeon Bay, WI, Post Office

August 21, 2019

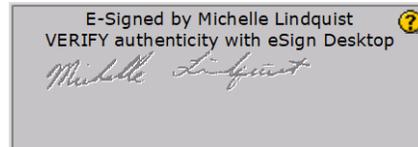




August 21, 2019

MEMORANDUM FOR:

RICHARD MORETON
ACTING MANAGER, LAKELAND DISTRICT



FROM:

Michelle Lindquist
Director, Financial Controls

SUBJECT:

Audit Report – Local Purchases and Payments:
Miscellaneous Services – Sturgeon Bay, WI, Post
Office (Report Number FCS-FM-19-019)

This report presents the results of our audit of the Local Purchases and Payments: Miscellaneous Services – Sturgeon Bay, WI, Post Office (Project Number 19BFM028FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Mary Aleman, Operations 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 – Sturgeon Bay, WI, Post Office (Project Number 19BFM028FCS000). The Sturgeon Bay Post Office is in the Lakeland District of the Great Lakes 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 office, 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 Sturgeon Bay Post Office totaled \$4,325 for fiscal year (FY) 2019, Quarter (Q) 2, which is a significant change from having no activity for FY 2018, Q2. In addition, miscellaneous services for FY 2019, Q2, at the Sturgeon Bay Post Office were the highest for the Lakeland District, or 48 percent of the district's total of \$9,022. 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

Our objective was to determine whether local purchases and payments made at the Sturgeon Bay Post Office for miscellaneous services were valid, properly supported, and processed.

To accomplish our objective, we analyzed supporting documentation for local payments charged to AIC 587 between January 1 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 findings and conclusions based on our objective. We believe

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.

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 August 2, 2019, and included their comments where appropriate.

Finding #1: Local Purchases and Payments: Miscellaneous Services

Local purchases and payments for miscellaneous services we reviewed were valid and properly supported but not properly processed. During our scope period, unit personnel made three payments totaling \$4,325 for cleaning and flooring services to one vendor, using six no-fee money orders. Two of these payments exceeded the \$1,000 no-fee money order limit. See Table 1 for details of these payments.

Table 1. Payments for Cleaning and Flooring Services

Payment	Payment Purpose	Payment Date	No-Fee Money Oder Amount	Total Amount
1	Emergency temporary cleaning service (6 weeks of service)	2/21/2019	\$1,000	\$2,250
		2/21/2019	1,000	
		2/21/2019	250	
2	Emergency cleaning service (2 weeks of service)	3/7/2019	750	750
3	Waxing floors (one-time service)	3/7/2019	750	1,325
		3/7/2019	575	
Total				\$4,325

Source: Postal Service EDW, unit records, and OIG analysis.

Postal Service policy states that employees must make purchases from suppliers who accept the purchase card to fulfill their business needs when other priority sources are not available.³ Suppliers who will not accept the purchase card for payment must be replaced by suppliers who will accept the purchase card.⁴ Additionally, the Postal Service prefers eBuy2⁵ for order placement after in-house excess resources have been checked.⁶ eBuy2 is mandatory for all employees with intranet access and all purchases of goods and services, regardless of payment type, require an approved eBuy2 requisition.⁷

³ Handbook AS-709, *Purchase Card Local Buying Policies and Procedures*, Section 1-12, June 2018 and *Postal Bulletin* Issue 22361, Forms, April 18, 2013.

⁴ Handbook AS-709, Section 4-1.2.1, June 2018.

⁵ An electronic commerce portal that provides employees with electronic requisitioning, approval, and certification capability.

⁶ Handbook AS-709, Section 4-1, June 2018.

⁷ Handbook F-101, Section 19-1.2 and Handbook AS-709, Section 4-1.2.2, June 2018.

The Postal Service's preferred payment methods for local purchases, in order of priority, are:

- eBuy2 (Electronic Funds Transfer).
- National or Area Contracts.
- Purchase Card or Purchase Card Checks.⁸
- Cash for emergency one-time expenses, not to exceed \$25, or money orders for emergency one-time local expenses, not to exceed \$1,000.⁹

According to the postmaster, the post office's maintenance custodian retired and the post office did not have a cleaning service. Lakeland District management approved the postmaster's request to join the district's consolidated cleaning contract. While waiting for the contract to be awarded, the postmaster spoke with three vendors in the local area to obtain emergency cleaning service. Only one of vendors was available and willing to perform the emergency cleaning services for a six-week period.

The postmaster submitted a contract request through eBuy2 for the temporary cleaning service, as required. District management approved the eBuy2 request. According to the postmaster, he did not know the vendor did not accept the purchase card until after the services were performed. As a result, the postmaster asked the district contract technician how to pay the vendor and she advised the postmaster to use no-fee money orders to pay the vendor even though the invoice amount of \$2,250 exceeded the limit for no-fee money orders.

Once the temporary cleaning service contract expired, the postmaster submitted another contract request through eBuy2 for an additional six weeks of cleaning services, which was approved through the eBuy2 process. After two weeks of service, the district's cleaning contract was awarded, so the postmaster canceled the remainder of the temporary cleaning service contract. Subsequently, the postmaster re-hired the cleaning service vendor to clean and wax the post office floor. The postmaster used no-fee money orders to pay the invoice but said he misinterpreted the language regarding the no-fee money order limit. He thought the \$1,000 limit was the maximum amount that could be issued per no-fee money order, not per invoice. To avoid issues in the future, the postmaster agreed he will make sure a vendor accepts the purchase card for payment.

Sturgeon Bay personnel followed directions from district personnel when they issued multiple no-fee money orders to pay invoices that exceeded the limit, which was against Postal Service policy. Therefore, we are not making a recommendation on this issue at this time. Our continuous financial control audits show an increasing number of occurrences where units made local payments using no-fee money orders when the amounts were over \$1,000 and the events were not emergencies. We will follow up on

⁸ Handbook F-101, Section 19-1.4.

⁹ *No-Fee Money Orders Quick Reference*, December 2017.

these issues in the future as part of related work at the district, area, or headquarters levels. If proper payment methods are not used for local purchases and payments for miscellaneous services, there is an increased risk of issuing unauthorized payments.

Recommendation #1: We recommend **the District Manager**, reiterate to the postmaster the policy for using vendors that accept the purchase card and the policy on the use of no-fee money orders.

Management's Comments

Management agreed with the finding and recommendation; however, district personnel were unable to substantiate that Sturgeon Bay personnel followed the direction of the district to issue multiple no-fee money orders that exceeded the limit. District personnel did confirm, however, that it consistently provides direction to the field that is in alignment with Postal Service policy on the use of vendors who accept purchase cards and the use of no-fee money orders.

Regarding recommendation 1, the district manager reiterated to the postmaster the policies for using vendors who accept the purchase card and on the use of no-fee money orders. In a supplemental document, the district manager provided excerpts from Postal Service policies and acknowledgement from the postmaster that he read and understood the policies as they relate to the use of vendors who accept the purchase card and the use of no-fee money orders.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation in the report and corrective action should resolve the issues identified 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

DISTRICT MANAGER
LAKELAND DISTRICT



August 14, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Local Purchases and Payments: Miscellaneous Services – Sturgeon Bay, WI Post Office (Report Number FCS-FM-19-DRAFT)

Lakeland District acknowledges the receipt and findings of Audit: Local Purchases and Payments: Miscellaneous Services – Sturgeon Bay, WI Post Office (Report Number FCS-FM-19-DRAFT) conducted during the time frame of July 2019 to August 2019. The objective of the audit was to determine whether local purchases and payments made at the Sturgeon Bay Post Office for miscellaneous services were valid, properly supported and processed. It was determined that local purchases and payments were valid and likewise properly supported but in some instances - not properly processed. The District was not able to substantiate the reference made by the OIG that Sturgeon Bay personal had followed the direction of the District when multiple no-fee money orders were issued to pay invoices that exceeded the limit. It can confirm however, that it consistently provides direction to the Field that is in alignment with Postal Policy on the use of vendors that accept purchase cards and on the use of no-fee money orders as referenced in Handbook AS709, Postal Bulletin Issue 22361 and Handbook F101.

Recommendation #1:

We recommend the District Manager, reiterate to the postmaster the policy for using vendors that accept the purchase card and the policy on the use of no-fee money orders.

Management Response/Action Plan: Management agrees with this recommendation.

The District Manager has reiterated to the Postmaster the policy for using vendors that accept the purchase card and the policy on the use of no-fee money orders. Copies of the documents provided to the Postmaster are included with Management's Response and should suffice as a Request to Close Recommendation #1. Documents include:

- o Acknowledgment from Postmaster that reference documents were received and reviewed.
- o Copy of Handbook AS-709, Purchase Card Local Buying Policies and Procedures
 - o Section 1-12 Sourcing Methods
 - o Section 4-1.1 Electronic Funds Transfer with eBuy2 and National/Area Contracts
 - o Section 4-1.2.1 Purchase card and Purchase Card Checks
 - o Section 4-1.2.2 cash and No-Fee money Orders Local payments

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- Copy of Handbook F-101 Field Accounting and Procedures
 - Section 19-1.2 eBuy
 - Section 20-9.3 Non-recurring One Time Cleaning Services
 - Section 19-1.5 Local Payments
- Copy of Postal Bulletin Issue 22361, Forms, April 18, 2013
 - Forms: PS Form 8230 is Going Away
 - Attachment letter (pages 8-10) Subject: October 1, 2013, the PS form 8230, Authorization for Payment method will become obsolete and will no longer be accepted for the local purchases of goods and services.

Target Implementation Date:

August 2019

Responsible Official:

Finance Manager, Lakeland District



Richard Moreton
A/District Manager, Lakeland

cc: *Aaron Lawson, A/Controller*
Beverly Williams, Manager Accounting
Manager, Corporate Audit Response Management