



January 6, 2005

LYNN MALCOLM
ACTING VICE PRESIDENT, FINANCE, CONTROLLER

STEPHEN J. NICKERSON
ACTING MANAGER, ACCOUNTING

SUBJECT: Management Advisory – Imprest Fund at the Former Columbia,
Maryland, Facilities Service Office (Report Number FT-MA-05-001)

This report presents the results of our review of an imprest fund at the former Columbia, Maryland, Facilities Service Office (Project Number 04XD018FT000). The report responds to a request from Postal Service Headquarters to review inactive imprest funds and presents an issue concerning \$1,470 in unaccounted funds, which will be reported as questioned costs in our Semiannual Report to Congress. The request listed eight imprest funds, totaling \$17,400, for which personnel at Postal Service Headquarters had not received sufficient responses regarding the status of the funds from the responsible parties.¹

Objectives, Scope, and Methodology

Our objectives were to determine the status of the eight imprest funds and whether they were adequately and effectively monitored. To do this, we judgmentally selected an imprest fund with a recorded balance of \$2,000, issued to the Columbia, Maryland, Facilities Service Office. See Appendix A for further details on the background, scope, and methodology of the review, and prior audit coverage.

Results

Monitoring of Imprest Funds Needed Improvement

Although the imprest fund associated with the Columbia, Maryland, Facilities Service Office remained open in the Postal Service's official records, the fund no longer existed because the facility had been closed for two years. Additionally, San Mateo Accounting

¹ As of March 31, 2004, 95 imprest funds at various Postal Service locations accounted for \$347,867.

Service Center (ASC) personnel did not adequately monitor the imprest fund. This occurred because a San Mateo ASC technician was not familiar with the requirement to monitor, initiate action, or report on funds not maintained in accordance with Postal Service policies and procedures. As a result, the Postal Service could not determine what happened to \$1,469.58 of the recorded \$2,000 imprest fund.

Handbook F-20a, Accounting Service Center Guidelines, Chapter 7, requires semiannual audits of imprest funds by a disinterested third party. If the examinations are not done, Handbook F-19, Accountability of Disbursing Officers, Chapter 8, requires the San Mateo ASC to notify those responsible of the audit requirements. If management takes no action, the ASC must forward delinquency reports to Postal Service Headquarters. Handbook F-19, Chapter 8, also requires, at fiscal year-end, all cashiers prepare Postal Service (PS) Form 1129, Cash Reimbursement Voucher and/or Accountability Report, for all expenditures made during the fiscal year (FY) and not previously claimed. These forms must be processed in the same manner as other reimbursements.

We visited the former site but could not locate any records for the fund. We contacted personnel at Postal Service Headquarters Facilities in an effort to obtain information on the fund. We received documentation showing the fund was closed, including a copy of a check for \$530.42 representing unspent funds deposited to a Postal Service account by the Eagan ASC and a letter to the Eagan ASC requesting the account be closed. However, the Manager could not provide any other documentation for the disposition of the remaining \$1,469.58 of the recorded \$2,000 balance.² See Appendix B for a description of the monetary impact.

San Mateo ASC personnel did not adequately monitor the status of this imprest fund account. For example, the San Mateo ASC had documentation showing that \$530.42 of the \$2,000 Columbia, Maryland, imprest fund was returned and deposited; however, the ASC did not record the transaction in its imprest fund records or follow up to determine the status of the rest of the fund. In addition, ASC personnel did not ensure required audits of the imprest funds were performed. Further, ASC personnel did not address the issue of fund custodians who did not submit PS Forms 1129, describing expenditures made during the fiscal year and not previously claimed. Consequently, the San Mateo ASC records continued to show a \$2,000 balance for the Columbia, Maryland, Facilities Services Office imprest fund, two years after the facility was closed. Since \$1,469.58 remains unaccounted for, we have referred this matter to our Office of Investigations. Because of the issues identified with the Columbia, Maryland, Facilities Service Office, we did not review the status of the other seven imprest funds.

² A Facilities headquarters individual contacted the former cashier, who told him the documents were sent to the Eastern Facilities Service Office in Greensboro, North Carolina. He also contacted the Eastern Facilities Service Office, but the office could not locate any related documentation.

Recommendation

We recommend the Acting Manager, Accounting:

1. Provide training to appropriate personnel regarding their responsibility to adequately monitor imprest fund accounts, which includes receiving and processing PS Forms 1129, Cash Reimbursement Voucher and/or Accountability Report, for each fund at fiscal year-end; ensuring required audits are conducted; and, if management takes no action, notifying Postal Service Headquarters of the delinquency.

Management's Comments

Management agreed with the recommendation and stated it is implementing corrective actions. The San Mateo ASC is confirming the balances of all imprest funds. Management will review procedures with personnel with respect to monitoring the funds and processing information. Completion is expected in the second quarter of fiscal year (FY) 2005. Management's comments, in their entirety, are included in Appendix C of this report.

Recommendation

2. Adjust Postal Service records, as appropriate, to account for the disposition of the fund, to include the \$530.42 deposited and \$1,469.58 currently missing.

Management's Comments

Management agreed with the recommendation and adjusted Postal Service records in November 2004 to reflect the closing of the Columbia, Maryland, Facilities Service Office fund and the subsequent deposit of monies.

Evaluation of Management's Comments

Management's comments are responsive to recommendations 1 and 2, and actions taken and planned should correct the issues identified in the finding.

Disposition of Remaining Imprest Funds

We commend Postal Service Headquarters personnel for making several attempts to determine the disposition of all inactive imprest funds. However, for the seven remaining funds, totaling \$15,400, in which responses were not provided, Postal Service personnel ultimately discontinued efforts to determine the status of the funds. We believe the Postal Service should continue contacting personnel up the responsible officials' chain-of-command until a response is provided detailing the status of the funds.

Recommendation

We recommend the Acting Vice President, Finance, Controller:

3. Contact appropriate supervisory personnel, including Postal Service Vice Presidents if necessary, for the status of the remaining seven imprest funds for which Postal Service Headquarters personnel received no response. As appropriate, adjust Postal Service records based on the supporting documentation received.

Management's Comments

Management agreed with the recommendation and stated it has contacted staff of the appropriate Area Finance Managers to resolve the matter. Completion is expected in the second quarter of FY 2005.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and actions taken and planned should correct the issues identified in the finding.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact John E. Cihota, Director, Financial Statements, or me at (703) 248-2300.

/s/ John M. Seeba

John M. Seeba
Assistant Inspector General
for Audit

Attachment

cc: Richard J. Strasser, Jr.
Rudolph K. Umscheid
Kevin T. McNamara
Russell W. Clark
Steven R. Phelps

APPENDIX A

Background

The Postal Service established imprest funds at facilities that do not generate revenue through the sale of postage or Postal Service products. Imprest funds may be used to pay for items such as rubber stamps, books, hardware, minor technical and special supplies, minor repairs to equipment, and other miscellaneous items when other purchasing means are not suitable. The Vice President, Finance, Controller, is the approval authority for all imprest fund requests. If approved, the Manager, Accounting, advises the Manager, San Mateo ASC, to establish the fund. Handbook F-19, Chapter 8, and Handbook F-20a provide guidance for establishing, replenishing, and controlling the funds and to employees seeking advances and reimbursements for expenses incurred in their duties.

Scope and Methodology

In FY 2004, Postal Service Headquarters personnel tried to contact individuals responsible for 16 inactive imprest funds, based on a report received from the San Mateo ASC. Headquarters personnel did not receive responses sufficient to determine the status of 8 of the 16 funds, totaling \$17,400, and, subsequently, requested assistance from the Office of Inspector General (OIG) in this matter. From the list of eight funds, we judgmentally selected the \$2,000 fund belonging to the Columbia, Maryland, Facilities Service Office because of its proximity to the OIG team conducting the review. In addition, the site had been closed since 2002.

To accomplish our objectives, we interviewed Postal Service employees, reviewed records maintained at Postal Service Headquarters, and examined documentation from the San Mateo and Eagan ASCs. Our review was conducted from April 2004 through January 2005 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our observations and conclusions with management officials and included their comments, where appropriate.

Prior Audit Coverage

We audited imprest funds as part of the FYs 1999 and 2001 financial statement audits of the San Mateo ASC and noted no significant issues.³ We also reviewed imprest funds as part of our FYs 2003 and 2004 protective review programs.⁴ However, the fund at the Columbia, Maryland, Facilities Services Office was not selected for review.

³ Report Number FR-AR-00-007, Fiscal Year 1999 Postal Service Financial Statement Audit – San Mateo Information Service Center, February 25, 2000, and FT-AR-02-009, Fiscal Year 2001 Postal Service Financial Statement Audit - San Mateo Information Technology and Accounting Service Center, February 12, 2002.

⁴ Report Number FT-MA-04-003, Fiscal Years 2003 and 2004 Protective Reviews Capping Report, August 12, 2004.

APPENDIX B. DESCRIPTION OF MONETARY IMPACT

Finding		Questioned Costs	
Recommendation No.	Title	Total Questioned Cost	Unsupported Costs
2	Adjust Postal Service records to account for the disposition of the fund, to include the \$530.42 deposited and \$1,469.58 currently missing.	\$1,470	\$1,470
Totals		\$1,470	\$1,470
Description		The \$1,470 of monetary impact represents questioned costs since the amount is unsupported. This is the result of Postal Service not being able to provide sufficient documentation, from its accounting records, for the disposition of the remaining \$1,470 of the recorded \$2,000 imprest fund balance at the Columbia, Maryland, Facilities Service Office.	
Calculation of basis		The \$1,470 is the unaccounted balance remaining after the deposit of \$530 in unspent funds is deducted from the \$2,000 imprest fund recorded balance in the accounting records.	
Implementation costs		There are no implementation costs as long as the Postal Service monitors the imprest fund in accordance with its policies and procedures.	

APPENDIX C. MANAGEMENT'S COMMENTS

FINANCE



December 9, 2004

JOHN M. SEEBA

SUBJECT: Draft Management Advisory – Imprest Fund at the Former Columbia Maryland,
Facilities Service Office
(Report Number FT – MA – 05 - DRAFT)

We have reviewed your recommendations on the subject report. Attached are our responses to your recommendations.

We see nothing in this report or management response which contains proprietary or other business information that may be exempt from disclosure under the Freedom of Information Act (FOIA).

If you have any questions please call Kevin McNamara at (202) 268-3273.

Thank you for providing this report.



Stephen Nijkerk
Acting Manager, Accounting
Attachment

cc: Richard J. Strasser, Jr.
Lynn Malcolm
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Steven R. Phelps

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**Management Response to Office of Inspector General Draft Management Advisory
Imprest Fund at the Former Columbia, Maryland, Facilities Service Office
(Report Number FT – MA – 05 – DRAFT)**

Monitoring of Imprest Funds Needed Improvement

We recommend the Acting Manager, Accounting:

1. **Provide training to appropriate personnel regarding their responsibility to adequately monitor imprest fund accounts, which includes receiving and processing PS Forms 1129, Cash Reimbursement Voucher and/or Accountability Report, for each fund at fiscal year-end; ensuring required audits are conducted; and, if management takes no action, notifying Postal Service Headquarters of the delinquency.**

We agree. The San Mateo ASC is in the process of confirming the balances of all imprest fund on the books. We will reinforce the procedures associated with monitoring imprest funds and processing the Reimbursement Voucher and/or Accountability Report. This will be completed in Qtr. 2, FY2005.

2. **Adjust Postal Services records, as appropriate, to account for the disposition of the fund, to include the \$830.42 deposited and \$1469.58 currently missing.**

We agree. The Postal Service records were adjusted to reflect the deposit of funds and closing of the imprest funds at the former Columbia, Md. FSO in November 2004.

Disposition of Remaining Imprest Funds

We recommend the Acting Vice President, Finance, Controller:

3. **Contact appropriate supervisory personnel, including Postal Service Vice Presidents if necessary, for the status of the remaining seven imprest funds for which Postal Service Headquarters personnel received no response. As appropriate, adjust Postal Service based on the supporting documentation received.**

We agree. We are working with the staff of the appropriate AFM's to take appropriate action or reflect action already taken for the remaining seven imprest funds for which no response has been received. Actions will be completed in Quarter 2, Fiscal Year, 2005.