

POSTAL REGULATORY COMMISSION

OFFICE OF INSPECTOR GENERAL



FINAL INSPECTION REPORT

CERTIFICATION OF PRC INVOICES

December 4, 2013

Table of Contents

INTRODUCTION	1
Background	1
Objectives, Scope and Methodology	2
Prior Audit Coverage	3
RESULTS	3
COR and COTR Delegation Letters	3
<i>Recommendations 1-2</i>	4
Management’s Comments	4
Evaluation of Management’s Comments	4
Certification of Invoice Policies and Procedures	4
<i>Recommendations 3-4</i>	5
Management’s Comments	5
Evaluation of Management’s Comments	5
Training	6
<i>Recommendation 5</i>	6
<i>Recommendation 6</i>	7
Management’s Comments	7
Evaluation of Management’s Comments	7
Other Issues	7
<i>Recommendation 7</i>	7
Management’s Comments	7
Evaluation of Management’s Comments	8
APPENDIX A: MANAGEMENT’S COMMENTS	9

Introduction

Background

Postal Regulatory Commission's (PRC) employees involved in contracting must act in the public's interest to ensure contracting dollars are managed in accordance with relevant laws and regulations, and that goods and services procured meet the technical needs of the agency.

The PRC's Secretary and Chief Administrative Officer or the Assistant Secretary serve as Contracting Officer (CO). They have the authority to commit the PRC to any contract and sign contracts on behalf of the agency. PRC's Purchasing Policy¹ states that the Secretary and Chief Administrative Officer may appoint a PRC employee as the Contracting Officer Representative (COR) to oversee and manage a PRC contract. The COR monitors PRC's contract performance, ensures quality assurance processes are in place, resolves grievances and verifies satisfactory delivery of invoiced goods and services, which ensures that PRC's strategic goals and objectives are achieved.

The CO may also appoint a Contracting Officer Technical Representative (COTR) to work with the COR. The COTR is the technical liaison between the COR and the vendor, and has technical knowledge of the goods or services being provided under the contract.

Certification of vendor invoices is a standard practice the federal government uses to ensure contract terms are met and goods and services have been received prior to payment.² When an invoice is received, PRC staff inputs the purchase information into the United States Postal Service's (USPS) eBuy2 system,³ which creates a requisition that requires the approval of the Secretary and Assistant Secretary.

Invoices less than \$10,000 that are certified using the PS Form 8230, Authorization for Payment, are submitted to the Postal Service Scanning and Imaging Center in Janesville, Wisconsin for processing. Contractual invoices require a certification stamp and are submitted to the Postal Service Accounting Service Center in San Mateo, California for payment.

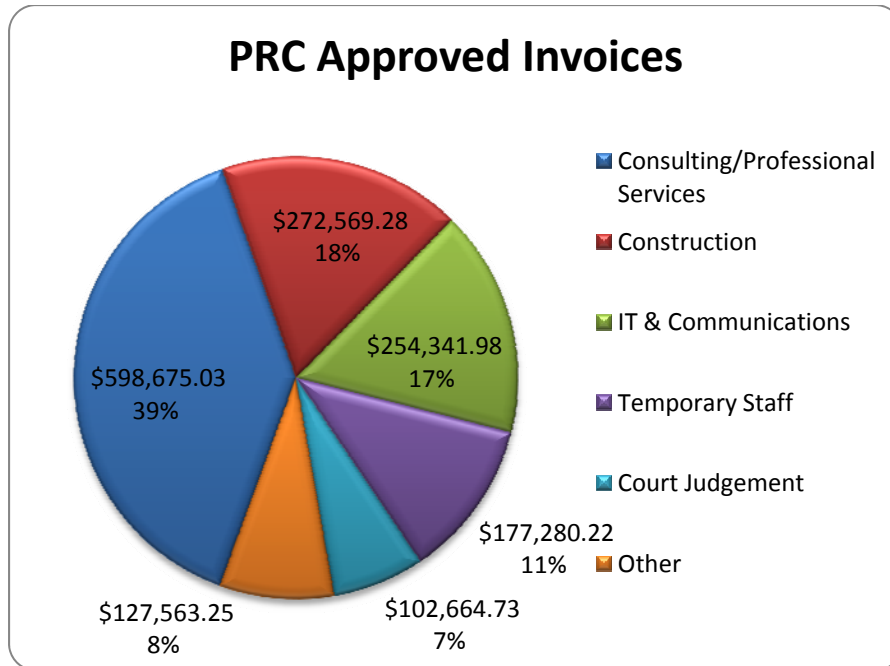
From July 1, 2011 through June 30, 2012, PRC certified approximately 287 invoices⁴ totaling \$1.5 million for goods and services received. The chart below shows the total dollars spent by PRC for acquiring goods and services.

¹ PRC Policy: *Purchasing*, effective 9/8/11 and reissued on 6/27/12.

² *Certification Process for Electronic Payments*, Report Number CA-AR-10-006.

³ eBuy2 is the Postal Service's electronic purchasing tool. eBuy2 allows users to order online from national mandatory and priority source contracts with order status checking, reconciliation, reporting and payment capabilities.

⁴ Invoice totals exclude purchases made on travel cards, purchase cards, eBuy2 purchases, and rental payments.



Objectives, Scope and Methodology

The objective of our review was to assess whether PRC officials properly certified invoices to ensure goods and services were received prior to paying the invoice. To accomplish our objective, we:

- interviewed PRC management and personnel regarding their roles, responsibilities and the approved invoice certification process;
- interviewed USPS officials regarding their certification processes;
- performed a review of PRC's invoice certification processes and internal controls;
- reviewed PRC Purchasing Policy and procedures;
- obtained PRC's universe of invoice payments covering July 1, 2011 to June 30, 2012;
- obtained and analyzed PRC's universe of invoice payment data covering July 1, 2011 to June 30, 2012;
- obtained and reviewed eBuy2 requisitions;
- obtained PRC contract and purchase order files;
- sampled invoices; and
- discussed findings and observations with PRC officials.

We conducted this inspection between July 2012 and September 2013 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspections and Evaluation*. We believe that the documentation obtained provides a reasonable basis for our conclusion based on our objective. We discussed our observations and conclusions with the Office of the Secretary and Administration of the PRC on September 16, 2013.

Prior Audit Coverage

There were no PRC or U.S. Government Accountability Office prior reviews on this topic conducted within the last three years.

Results

Our review revealed 287 invoices totaling approximately \$1.5 million in payments for goods or services received from July 1, 2011 to June 30, 2012 were not properly certified. PRC's certification process was not effective to ensure goods and services were received prior to paying invoices. This occurred because PRC did not have an approved invoice certification policy or procedure in place, which significantly increases PRC's risk of paying for goods and services not rendered.

Contractor Officer Representative (COR) and Contracting Officer Technical Representative or (COTR) Delegation letters

PRC's Purchasing Policy did not address the delegation process for either the COR or the COTR, or provide appointed officials with the roles and responsibilities for receiving, reviewing, and certifying invoices from contractors.

For example, PRC officials informed us that the CO sends an email notifying the PRC employee of their designation as the COR or COTR. PRC officials provided documentation regarding the process; however, the officials did not outline or identify the processes associated with delegating the proper authorization for certifying invoices.

We reviewed invoices and contract files and found the CO sent several emails designating a PRC employee as the COR or COTR. However, the emails did not explain or identify the designated individual's roles and responsibilities related to certifying invoices. In addition, we found an invoice that was certified by the COR prior to receiving the email designation notice.

We obtained and identified USPS policies related to invoice certification to determine a delegation process. Based on information obtained, the CO delegates his or her role to a COR, through a formal designation letter defining at a minimum:

- contract identification;
- roles and responsibilities;
- recordkeeping duties; and
- contract management duties.

The Postal Service designation letter is signed by the CO and countersigned by the COR, ensuring full understanding and acceptance of roles and responsibilities. The delegation letter

helps protect USPS and the COR from adverse effects of a COR acting beyond the scope of his or her authority.

Since PRC's policy did not provide specific guidance to designate the COR or COTR, or provide roles and responsibilities addressing certifying invoices, occasionally PRC personnel who had been improperly designated certifies invoices for goods and/or services.

We recommend the PRC:

- 1. Enhance PRC's Purchasing Policy to require COR and COTR appointment notifications.**
- 2. Ensure the CO formally designates the COR and/or COTR and the individuals countersign the agreement accepting their roles and responsibilities.**

Management's Comments

Management agreed with these recommendations and strengthened their existing COR/COTR designation process on July 17, 2013. In addition, they will enhance the existing Purchasing Policy to require formal designation of COR/COTRs by September 30, 2014.

Evaluation of Management's Comments

Management's comments are responsive to the recommendations, and the action taken or planned should correct the issue identified.

Certification of Invoice Policies and Procedures

Based on documents obtained from PRC officials, there were no adequate policies or procedures in place requiring certification of invoices prior to payment. PRC's Purchasing Policy, effective September 8, 2011, did not address the invoice certification process, which is a significant internal control purchasing procedure. The policy allows the CO to delegate responsibilities to a COR that includes monitoring the contract performance, ensuring quality assurance process, verifying satisfactory delivery of invoiced goods and services, and coordinating with the budget official on prompt payment. At PRC, however, the policy lacks specific procedures required for the certification of invoices.

In addition, our review found the CO certified cleaning service invoices prior to services being completed. Specifically, on November 16, 2011 and March 14, 2012, invoices were certified and forwarded to USPS for payment. According to PRC officials, the invoices were submitted early and paid prior to delivery of services.

On July 31, 2013, a PRC staff stated that the cleaning contractor would bill PRC after the services are rendered. The PRC staff also stated that the PRC would confirm the work was performed by the contractor before certifying the invoice.

To determine requirements for submitting proper invoices, we benchmarked against Postal Service policy for invoice submissions. Under Postal Service policy, each invoice must contain:

- supplier's name and address;
- contract number;
- any applicable task or delivery order number;
- description of supplies or services and dates delivered or performed;
- point of shipment or delivery;
- unit prices and extension;
- shipping and payment terms, and additional information required by the contract; and
- invoice create date.

If the invoice is improper, the supplier must be notified of the defect in the invoice within 7 days of receiving the invoice.

Lack of adequate policy and procedures related to the certification of invoices creates an internal control weakness, significantly increasing PRC's financial and reputational risk.

We recommend the PRC:

- 3. Develop and implement comprehensive policies and procedures for the invoice certification and submission process.**
- 4. Develop and implement comprehensive policies and procedures for proper invoice data elements.**

Management's Comments

Management agreed with these recommendations and will strengthen the existing invoice certification policy and procedures by September 30, 2014.

Evaluation of Management's Comments

Management's comments are responsive to the recommendations, and the action taken or planned should correct the issue identified.

Training

PRC policy requires the completion of annual training and the maintenance of accurate training files and records. The policy also requires the CO to enroll in one business or contracting course per year, and COR or COTRs to enroll in a one-time contracting officer representative or contracting officer course.

In a previous PRC OIG report,⁵ PRC management agreed to ensure staff would complete required contract training and would properly document training requirements. During our review, we determined that PRC officials did not:

- ensure staff completed the required contract training;
- record COR or COTR training requirements; and
- maintain training records as outlined in the PRC policy.

During Fiscal Year (FY) 2011, PRC staff tracked employee training using an internal Microsoft (MS) Excel spreadsheet⁶ which did not contain complete training course data. In FY 2012, PRC implemented the Learning Management System⁷ (LMS) to track employee training. According to PRC officials, they made the change to improve the efficiency and effectiveness of tracking the training requirements.

We reviewed the PRC training MS Excel spreadsheet and LMS to identify employees who completed the required training. We were successful in identifying and reviewing training certificates for three employees based on information provided from PRC officials. An additional four employees training certificates were not provided or recorded by PRC officials within LMS. In addition, a contracting officer did not document meeting the annual business training requirement during FY12.

PRC officials said if staff did not provide Office of Secretary and Administration their training certificate, it would not be recorded in LMS. We found two training certificates provided to OSA and were not recorded in the system. In addition, PRC officials stated staff assigned as project managers were not required to take COR or COTR training. We found the “project managers” were responsible for managing the contract and had similar roles to a COR, and as such, training should be mandated.

We recommend the PRC:

- 5. Ensure the PRC staff members involved in the invoice certification process complete the required training outline in the PRC Purchasing Policy.**

⁵ PRC Contracting Practices: Acquisition Planning, Inspection Report 11-1-A01, September 27, 2011.

⁶ Created by PRC personnel.

⁷ System used to manage and integrate the full range of training administration processes.

- 6. Ensure the PRC properly documents training requirements as required in the PRC Purchasing Policy, and that staff turn in training certificates upon completing training.**

Management's Comments

Management agreed with these recommendations and will ensure staff completes required training by September 30, 2014 and turn in the training certificates upon completion.

Evaluation of Management's Comments

Management's comments are responsive to the recommendations, and the action taken or planned should correct the issue identified.

Other Issues

According to PRC policy, eBuy2 requisitions require approvals from both the Secretary and Assistant Secretary. During our invoice review, we found the Assistant Secretary electronically approved eBuy2s by signing as the Assistant Secretary and also on the behalf of the Secretary resulting in inadequate segregation of duties. Appropriate segregation of duties reduces the risk of error or fraud. Duties that should be segregated include:

- authorizing transactions;
- processing and recording;
- reviewing the transactions; and
- handling any related assets.

PRC officials agreed and stated the process has been changed, but they did not provide documentation.

We recommend the PRC:

- 7. Strengthen internal controls for eBuy2 requisition approvals.**

Management's Comments

Management agreed with this recommendation and has delegated an additional employee the authority to approve eBuy requisitions in the absence of either the Secretary or Assistant Secretary.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.




U.S. POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Office of the Secretary

DATE: November 27, 2013

TO: Jack Callender, Inspector General

FROM: Shoshana Grove, Secretary and Chief Administrative Officer 

RE: Draft Audit Report 12-02-A01 - CERTIFICATION OF PRC INVOICES

This memo is in response to the Draft Audit Report (Report) received November 20, 2013. The Postal Regulatory Commission (Commission) is committed to compliance with its purchasing policy and procedures, including certification of invoices. The Commission appreciates the diligence and professionalism exhibited by you and your staff during this audit.

The Commission management agrees with the recommendations contained in the Report and provides responses below. The Commission appreciates that the Inspector General found that all purchases were made for business purposes, and the audit covered spending that was proper, justified and necessary to the work of the agency.

BACKGROUND

In FY 2010, the Secretary reviewed existing purchasing processes, and determined that the legacy policy and procedures, which were heavily manual and paper dependent, did not provide sufficient transparency, accountability and operational efficiency. As a result of this review, the Secretary considered available options and recommended that the Commission implement the USPS eBuy purchasing system, an online procurement application provided to the Commission at no charge by the USPS. The choice of this system was not intended to presume adoption of USPS policies. The Commission is an independent establishment of the executive branch and is not subject to the policies and procedures of the USPS, although it leverages many of USPS's administrative shared service systems in order to save costs, such as the USPS SmartPay Purchase card.

The eBuy system was implemented for use at the beginning of FY 2011, the year of the subject audit. During the implementation year, Commission staff monitored the new process and fine-tuned policies and procedures to ensure that it continued to manage financial risk while successfully transitioning to the online system.

RECOMMENDATIONS AND RESPONSES

Recommendation 1: Enhance the PRC's Purchasing Policy to require COR and COTR appointment notifications.

Recommendation 2: Ensure the CO formally designates the COR and/or COTR and the individuals countersign the agreement accepting their roles and responsibilities.

Response: The Commission management agrees with the recommendation contained in the Report. In line with the Inspector General's recommendations, the Commission strengthened its existing COR/COTR designation process on July 17, 2013. Further, the Commission will enhance the existing Purchasing Policy to require formal designation of COR/COTRs by September 30, 2014.

Recommendation 3: Develop and implement comprehensive policies and procedures for the invoice certification and submission process.

Recommendation 4: Develop and implement comprehensive policies and procedures for proper invoice data elements.

Response:

The Commission management agrees with the recommendation contained in the Report. The Commission has an eBuy system which was implemented for official use at the beginning of FY 2011. Since the implementation, the Commission staff monitored the new process and added policies and procedures as needed to ensure that it continued to manage financial risk while successfully transitioning to the online system. The Commission has an existing invoice certification process that ensures all invoices are certified before payment. The Commission accounting team consists of two Financial Specialists. As part of their daily responsibilities, they certify invoices using unwritten, but well practiced invoice certification processes in place at the Commission for many years. These processes require invoices to be certified before submission to the USPS Accounting Service Centers for payment. The Commission will strengthen the existing invoice certification process by enhancing the existing purchasing policies and procedures to include written invoice certification and submission processes and procedures by September 30, 2014.

Recommendation 5: Ensure PRC staff members involved in the invoice certification process complete the required training outlined in the PRC Purchasing Policy.

Recommendation 6: Ensure PRC properly documents training requirements as required in the PRC Purchasing Policy, and that staff turn in training certificates upon completing training.

Response: The Commission management agrees with the recommendations contained in the Report. During the audit period, the Secretary and Assistant Secretary instituted a regular

contracts meeting to review contract files. The COR/COTR training information is part of the contracts review log in each file.

It is important to note that at the time of the subject audit, the Commission did not consider the temporary employees invoice certification as a COR/COTR duty, and those employees were not required to take training. Rather, the invoices were signed by the person with the most knowledge of the hours worked by the temp and certified by the Secretary and Assistant Secretary. Therefore, no training certificate was required for these individuals.

The Commission will strengthen its policies and procedures by September 30, 2014 to ensure that all PRC staff members involved in the invoice certification process complete the required training outlined in the PRC Purchasing Policy, and that staff turn in training certificates upon completing training.

Recommendation 7: Strengthen internal controls for eBuy2 requisition approvals.

Response: The Commission management agrees with the recommendations contained in the Report, as the management and staff are very aware of the importance of segregation of duties in their functions. There were three invoices in question for the above recommendation. They were approved while the Secretary was on approved annual leave, and eBuy2 system limitations did not allow the Secretary to approve or delegate her approval during her leave. During this time, the Assistant Secretary did approve invoices to a regular recurring vendor. The Secretary was to countersign those (and all other invoices) received during her absence. These three invoices were inadvertently filed before the Secretary initialed.

In fiscal year 2012, the Commission instituted a process improvement after this situation that the Secretary and/or Assistant Secretary must provide at least email approval for invoices if they must be approved before the eBuy2. Also, the Commission has instituted a practice of delegating authority to approve eBuy requisitions to the Financial Specialist in the absence of either the Secretary and/or Assistant Secretary.