



January 30, 2009

RUSSELL A. SYKES
MANAGER, SURFACE TRANSPORTATION CATEGORY MANAGEMENT CENTER

ROBERT A. BORRIS
MANAGER, CAPITAL METRO DISTRIBUTION NETWORK OFFICE

SUBJECT: Audit Report – Capital Metro Distribution Network Office
(Report Number FT-AR-09-008)

This report presents issues concerning Transportation Contract Support System (TCSS) access privileges and Rail Management Information System (RMIS) service claim payments at the Capital Metro Distribution Network Office (DNO). We identified these issues during our audit of the fiscal year (FY) 2008 Postal Service financial statements – St. Louis Information Technology and Accounting Service Center (IT/ASC) (Project Number 08BM001FT003). This audit addresses financial risk. See [Appendix A](#) for additional information about this audit.


Conclusion

Highway transportation payment information entered into TCSS at the Capital Metro DNO was properly supported, authorized, and accurate. However, internal controls over segregation of duties within TCSS needed improvement. In addition, although internal controls over RMIS service claims processed manually at the Capital Metro DNO improved from the previous audit, improvement is still needed to ensure RMIS service claim payments made to rail carriers are properly authorized and recorded and transactions entered into RMIS are accurate.¹

Transportation Contract Support System Access Privileges

Key duties and responsibilities related to contract administration and TCSS administration were not appropriately separated for an individual at the Capital Metro DNO. [REDACTED]

¹ Previously identified control deficiencies pertaining to the preparation of service claim supporting document packages and the retention of this documentation for 2 years were corrected, in part. However, management did not effectively implement related recommendations from our prior year audit report as noted in the finding.



Best practices indicate that management needs to divide or segregate key duties and responsibilities among different people to reduce the risk of error or fraud. No one individual should control or have the ability to control all key aspects of a transaction or event.² While TCSS was designed with controls to prevent any one individual from entering and approving payments, having full access to the system creates the potential to circumvent these controls.

While no inappropriate payments were noted during our review, the CO's ability to perform both CO and system administrative duties increases the Postal Service's risk of inappropriate payments being entered and passed through TCSS.

As a result of our audit, management completed and submitted business requirements for limiting access to TCSS. Management expects to implement these requirements after the next system upgrade, scheduled to be completed in Quarter 2, FY 2009.

We recommend the Manager, Surface Transportation Category Management Center:

1. Review access privileges for personnel at the Capital Metro Distribution Network Office and revoke those that are not appropriate to ensure adequate segregation of duties exists within Transportation Contract Support System.

Management's Comments

Management agreed with the intent of the recommendation and submitted business requirements to establish a new User Profile group that restricts user profile maintenance privileges to the Manager, Surface Transportation Category Management Center (CMC), and the highway team leader within that CMC. Only users in this group will be able to create, activate, deactivate, or modify user profiles in TCSS. The new User Profile group will strengthen accountability and enhance controls over the creation and modification of TCSS users and their profiles. Based on the implementation schedule, management expects this change to be made to TCSS no later than Quarter 3, FY 2009. See [Appendix B](#) for management's comments in their entirety.

² Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1, page 14, paragraph 4, Segregation of Duties, dated November 1, 1999.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to this recommendation, and the corrective action should resolve the issue identified in the report.

Rail Management Information System Service Claim Payments

RMIS service claim payments manually processed and paid were not adequately supported³ in accordance with Postal Service policy. Specifically, of the 221 paid RMIS service claim packages reviewed and valued at \$415,200:⁴

- None of the packages included the required standard request coversheet.⁵
- None of the packages included evidence of the RMIS contract master rate verification.⁶
- 141 packages, totaling \$251,381, did not have a copy of a signed delivery receipt or a computerized arrival record from the Postal Service destination facility verifying receipt.
- 15 packages, totaling \$27,954, did not have Postal Service (PS) Form 5186, Mail Movement Routing Instructions.

Postal Service policy requires DNO personnel to prepare a service claim supporting documentation package, which includes the standard request coversheet, print screens from RMIS showing contract master rate, verification of the carrier's arrival at the destination, and a copy of PS Form 5186.⁷

This occurred because [REDACTED] responsible for investigating and compiling RMIS service claim supporting documentation packages was not aware of the requirement to include this support. Although the information was not available in the package, [REDACTED] informed us he verified the master contract rate information in RMIS prior to payment. In addition, [REDACTED] responsible for review of the service claim packages and subsequent approval of the payments in RMIS was not fully aware of the supporting documentation requirements.

³ We acknowledge these payments may have been proper. However, because specific source documents were not included in the payment package as required, we were not able to validate them at the time of the audit.

⁴ These payments were processed from October 1, 2007, through June 18, 2008.

⁵ The standard cover sheet includes supplier contact information, date of dispatch or move, origin/destination Postal Service facilities, contract segment number, Postal Service contract segment rate or requested dollar amount, and waybill or reference number.

⁶ The service claim payment package must include "Screen print of RMIS contract master rate."

⁷ Management Instruction PO-540-2007-1, *Surface Intermodal/Rail Payments Manual Processing*, dated March 1, 2007.

When Postal Service personnel do not fully investigate and compile supporting documents for service claim packages and supervisors do not know supporting documentation requirements, the Postal Service increases its risk of making erroneous, duplicate, or fraudulent payments.

We recommend the Manager, Capital Metro Distribution Network Office:

2. Reiterate the requirement to prepare supporting documentation packages to personnel responsible for investigating, compiling, and entering service claim information into the Rail Management Information System.
3. Communicate supporting documentation requirements to personnel authorized to review and approve Rail Management Information System service claim supporting documentation packages.
4. Perform a review of all fiscal year 2008 service claim packages for the proper supporting documents, reconcile the claim payment with the Rail Management Information System master contract rate to ensure the payment was appropriate, and take collection action, as needed.
5. Conduct regular reviews of Rail Management Information System service claim packages and payments to ensure compliance with Postal Service policy, and maintain a written copy of the results of review, personnel who conducted the review, and date of the review in local files.

We will report the \$415,200 as unrecoverable unsupported questioned costs⁸ in our *Semiannual Report to Congress*.

Management's Comments

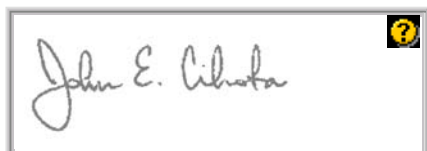
Management agreed with our finding, recommendations, and unsupported questioned costs of \$415,200. They reiterated the requirements for supporting documentation to staff members, including the network specialist and the budget analyst, and mandated strict compliance. Management also committed to reviewing payment files and, as a result of an ongoing review of FY 2008 rail payments, has generated adjusted payment documents to recover \$1,919 that the Postal Service had undercharged contractors as a result of incorrect rate applications. The target date for completion of this review is not later than January 31, 2009. Further, management will conduct biannual reviews of RMIS service claim packages and payments at the end of Postal Service Quarters 2 and 4, beginning April 1, 2009, and has developed a form to document review results, the employees involved, and the date of the review. Supporting documentation will also be attached to this form.

⁸ Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation. These costs are also not supported by adequate documentation.

Evaluation of Management's Comments

The OIG considers management's comments responsive to these recommendations, and the corrective actions should resolve the issues identified in the report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, Director, Financial Reporting, or me at (703) 248-2100.



John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachments

cc: H. Glen Walker
William P. Galligan, Jr.
Susan M Brownell
Lynn Malcolm
Susan A. Witt
Dwight D. Young
Jeffery A. Becker
Vincent H. DeVito, Jr.
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Highway transportation contracts and payments are processed through TCSS at the DNO. Transportation specialists at the DNOs negotiate and input contracts into TCSS, which COs then approve within the system. Once contracts are approved, the system can process both automatic and manual payments. Personnel must request access to TCSS through the eAccess System to obtain headquarters customer approval. Access levels within TCSS are based on assigned user groups. Individuals in the *headquarters group* have access to the *maintain users profile* function within TCSS and can create, modify, and delete users.

RMIS is a computerized system that certifies rail payments and controls trailer movement. The system operates in real-time mode; therefore, its accuracy depends on the employees responsible for collecting and inputting the required data. Origin DNOs process all RMIS service claims for payment. While RMIS processes most service payments automatically, origin DNOs process RMIS service claims manually when the origin point uses erroneous routing instructions; when origin, intermediate point, or destination Postal Service facility personnel enter erroneous data; or when an emergency routing is created.⁹

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether highway payment information entered into TCSS was properly supported, authorized, and accurate. We also conducted prior year audit follow up¹⁰ to determine whether internal controls over RMIS were adequate to ensure employees accurately and timely recorded transactions and management properly authorized service claim payments made to rail transportation carriers. We selected the Capital Metro DNO based on the volume, dollar value of payments, and prior audit results.

To accomplish our objectives, we traced highway payment data, processed through TCSS and maintained in the Accounts Payable Excellence (APEX) System, to highway payment source documents. We selected a random sample of 120 out of a total of 10,381 transactions for highway payments from October 1, 2007, through June 24, 2008. Also, as part of our review of internal controls, we reviewed access to TCSS for personnel at the Capital Metro DNO.

Further, we extracted data for all 221 RMIS manual service claim payments, valued at \$415,200 and processed from October 1, 2007, through June 18, 2008, at the Capital

⁹ Emergency routing is used to meet unusual needs that interrupt normal transportation services, such as a catastrophic event or a labor dispute.

¹⁰ *Rail Management Information System Claim Payments - Capital Metro Distribution Networks Office* (Report Number FT-AR-07-008, dated March 5, 2007).

Metro DNO. We traced these payments to service claim supporting documentation packages maintained at the Capital Metro DNO.

We conducted this audit from May 2008 through January 2009 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 audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on December 15, 2008, and included their comments where appropriate. We relied on computer-generated data extracted from APEX and RMIS. We performed specific internal control and transaction tests on these applications to assess the reliability of the data. For example, we traced selected information on payment data to supporting source documents such as supplier invoices. We concluded the data were reliable for our purposes.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Fiscal Year 2005 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center</i>	FT-AR-06-015	4/21/06	\$45,559	Seattle Branch DNO personnel did not always obtain appropriate supporting documentation for service claim payments. We have closed related recommendations.
<i>Rail Management Information System Service Claim Payments – Capital Metro Distribution Networks Office</i>	FT-AR-07-008	3/5/07	\$654,753	Capital Metro DNO personnel did not always maintain supporting documentation for RMIS service claim payments as required by Postal Service policy. We have closed recommendations related to record retention and revising and communicating policy.

APPENDIX B: MANAGEMENT'S COMMENTS

MANAGER, OPERATIONS SUPPORT
CAPITAL METRO AREA OPERATIONS



January 12, 2009

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Transmittal of Draft Audit Report – Capital Metro Distribution Network Office
(Report Number FT-AR-09-DRAFT)

The Capital Metro Area has reviewed the subject Draft-Audit-Report and is agreement with the report findings and recommendations.

Capital Metro Distribution Networks Manager, Robert Borris, has reiterated the requirements to subordinate staff members as outlined in Management Instruction PO-540-2007-1, and has mandated strict compliance with these instructions. Both the network Specialist and Budget Analyst have been provided copies of the Management Instruction.

DN Manager Borris will personally review the payment files to verify compliance. A review of 2008 rail payments is ongoing and adjusted payment documents have been generated to recover the \$1,919 in undercharges identified thus far due to incorrect rate application. Our expectation is to complete this review no later than January 31.

Please address any additional concerns or comments with DN Manager, Robert Borris, at (301) 618-4401.

A handwritten signature in blue ink, appearing to read "Jeffrey A. Becker".

Jeffrey A. Becker
cc: Jerry D. Lane

MAILING ADDRESS
16501 SHADY GROVE ROAD
GAITHERSBURG, MD 20898-9998
301 548-1415
FAX: 301 548-1471

PHYSICAL ADDRESS:
6 MONTGOMERY VILLAGE AVENUE
SUITE 655
GAITHERSBURG, MD 20879-3514



January 21, 2009

LUCINE M. WILLIS

SUBJECT: Draft Audit Report – Capital Metro Distribution Network Office
(Report Number FT-AR-09-DRAFT)

Thank you for the opportunity to review and comment on the subject audit report. We agree with the report's conclusion and are providing a separate response for recommendation 1 below.

Recommendation 1: Review access privileges for personnel at the Capital Metro DNO and revoke those that are not appropriate to ensure adequate segregation of duties exists within TCSS.

Management Response: We agree with the intent of the recommendation. We have developed and submitted business requirements for the updating of TCSS. The user profile maintenance privileges will be restricted to the Manager, Surface Transportation Category Management Center (CMC) and the Highway Team Leader within this CMC. Only users within that group will be able to create, activate, de-activate or modify user profiles.

Since only users in the new User Profile group will be able to add persons to that group, a one-time data request will be needed to initially enroll one or more users in the User Profile group. Establishing the new User Profile Group will strengthen accountability and enhance controls related to the creation and modification of TCSS users and their profiles. We have no definite schedule for implementation yet, but based on the current schedule it is estimated that this change will be made to TCSS during quarter 2 or quarter 3, FY 2009 timeframe.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act. If you have any questions about this response, please contact Susan Witt at (202) 268-4833.

Russell Sykes
Manager
Surface Transportation Category Management Center

- cc: H. Glen Walker
- William P. Galligan, Jr.
- Susan M. Brownell
- Lynn Malcolm
- Dwight D. Young
- Jeffery A. Becker
- Vincent H. DeVito, Jr.
- Katherine S. Banks

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260



January 22, 2009

Lucine M. Willis
Director, Audit Operations

SUBJECT: Transmittal of Draft Audit Report – Capital Metro Distribution Network Office (Report Number FT-AR-09-DRAFT)

As a follow up to management's response to the above subject Draft Audit Report, Capital Metro Area is in agreement with the findings of \$415,200 in unsupported questioned costs. With respects to recommendation 5, reviews of Rail Management Information System service claim packages and payments will be conducted bi-annually at the end of postal quarters 2 and 4, commencing April 1, 2009. A copy of the form used to document these reviews is attached and will be utilized to annotate the results of the reviews, personnel who conducted the review, and date of the review. Supporting documents will be attached and included in the file for corrective actions.

Please contact me at your earliest opportunity, should there be any outstanding concerns with respects to management's response to this audit.

A handwritten signature in black ink, appearing to read "Robert Borris".

Robert Borris
Manager, Distribution Networks
Capital Metro Area
301-618-4401

RMIS SERVICE CLAIM PAYMENT REVIEWS

PQ2-09	Date of Review _____	Completed by: _____
	# Payments	\$ Cost \$
Total Payments		
Payments with no cover sheets		
Payments missing rate verification		
Payments missing receipt record		
Payments with no 5186		
Other defects		
Total defective payments	<u>0</u>	<u>\$ -</u>
Error Rate	#DIV/0!	
<hr/>		
PQ4-09	Date of Review _____	Completed by: _____
	# Payments	\$ Cost \$
Total Payments		
Payments with no cover sheets		
Payments missing rate verification		
Payments missing receipt record		
Payments with no 5186		
Other defects		
Total defective payments	<u>0</u>	<u>\$ -</u>
Error Rate	#DIV/0!	
<hr/>		
PQ2-10	Date of Review _____	Completed by: _____
	# Payments	\$ Cost \$
Total Payments		
Payments with no cover sheets		
Payments missing rate verification		
Payments missing receipt record		
Payments with no 5186		
Other defects		
Total defective payments	<u>0</u>	<u>\$ -</u>
Error Rate	#DIV/0!	