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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C 20548

CIVIL DIVISION

APR 7 1970

Mr C R. Jauchem
Assistant Controller for Accounting
Bureau of Finance and Administration
Post Office Department

Dear Mr. Jauchem.

Our review of the [St Louis Postal Data Center's (PDC) administration of accounts payable] indicated certain weaknesses in the procedures and controls pertaining to payments for rail and surface (highway and water) transportation services.

We discussed these matters with Mr Elliott H. Forgosh, Acting Director, Financial Systems Management Division, on January 23, 1970, who stated that appropriate corrective action would be taken. A brief summary of the weaknesses are as follows

NEED TO STRENGTHEN PROCEDURES
FOR MAKING PAYMENTS TO CONTRACTORS

In fiscal year 1969, 173 incorrect payments amounting to about \$306,000 were made on 155 contracts for surface transportation of mail. At the time of our review about \$273,000 had been recovered from the carriers. Incorrect computations by St Louis PDC clerks and the PDC's failure to terminate payments on expired contracts and to process change orders caused some of the incorrect payments. Other causes were late receipt by the PDC of notices that contractors had deceased and/or that routes had been discontinued. Also, postmasters made incorrect certifications of services rendered by contract carriers.

In 10 other surface transportation contracts we reviewed, the St Louis PDC had made errors in computing payments which should have been detected by the PDC. For example, one contractor was overpaid \$38.92 as a result of a PDC clerk's computation errors. The clerk advised us, after we brought the errors to his attention, that the overpayments would be recovered by a deduction from the payment due to the carrier in that period. The nature of the errors indicates that the Department should review this matter to determine whether a final audit should be made of all terminated contracts.

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OTHER PROCEDURAL
DEFICIENCIES

Certain procedures described in the Fiscal Handbook were incomplete and lacked sufficient detail to clearly describe the actual controls exercised in processing and paying individual carrier claims for mail services rendered. Also, some procedures followed at the PDC were different from those documented in the Handbook. For example, the Handbook requires a review of documentation (POD Form 824) and related journal vouchers, a reconciliation of the journal vouchers with control totals, and approval of the journal vouchers by the accounts payable control desk. However, in actual practice no control register of Forms 824 is maintained by the control desk and the forms and related journal vouchers are never returned to the control desk for reconciliation.

The controls used at the PDC include the recording of Forms 824 in a log at the control desk to show the date they were forwarded to the General Ledger Section. Also, the Accounts Payable Branch, Transportation Claims Section, maintains rail obligation control sheets which are compared with general ledger account 16410 (Accounts Payable-Rail) at the end of each accounting period to determine that the totals are in agreement.

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We wish to acknowledge the cooperation given our representatives during our review. We will appreciate receiving your comments on the matters discussed above and information on corrective actions taken.

Sincerely yours,

F. Medico
Frank Medico
Assistant Director