

## UPDATE NOTICE

Handbook F-1, *Accounting and Reporting Policy*, July 2008, has been replaced with an updated version, January 2009.

The following table is a list of updates incorporated into the January 2009 version.

| Section      | Title                     | Type of Change   |
|--------------|---------------------------|--|
| 2-4.1.7.1    | Field Units Policy        | <b>Addition:</b> <ul style="list-style-type: none"> <li>• Field units report accounting activities and transactions on a Daily Financial Report (1412).</li> <li>• Field unit managers must ensure that the Daily Financial Report is prepared in accordance with procedures detailed in the Handbook F-101, <i>Field Accounting Procedures</i>, Chapter 5.</li> </ul> |
| 2-4.1.15.1.1 | Field Units Policy        | <b>Heading Change Only:</b> This section has been re-numbered to 2-4.1.15.1.   |
| 2-4.1.15.1.2 | Headquarters Units Policy | <b>Heading Change Only:</b> This section has been re-numbered to 2-4.1.15.2.   |
| 3-1.1.1.3    | Cash Retained             | <b>Clarification:</b> Field Units must conduct examinations of all cash retained in accordance with frequency requirements specified in Handbook F-101, <i>Field Accounting Procedures</i> .   |
| 3-6.3.1      | Record Keeping            | <b>Addition:</b> Added new heading 3-6.3.1, Record Keeping.  |

This document replaces all previous versions.

Accounting Policy, Finance

January 2009

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LYNN MALCOLM  
VICE PRESIDENT, CONTROLLER



July 7, 2008

### Accounting and Reporting Policy

Handbook F-1

July 2008  
Transmittal Letter

1. **Explanation.** This new Handbook F-1, *Accounting and Reporting Policy*, replaces the old Handbook F-1, *Post Office Accounting Procedures*, as the reference for accounting policies. The old Handbook F-1 is being replaced with two new Handbooks.
  - New Handbook F-1, *Accounting and Reporting Policy*, contains only the accounting policies.
  - New Handbook F-101, *Field Accounting Procedures*, provides the comprehensive field accounting procedures to support the policies defined in the new Handbook F-1.
2. **Purpose.** Handbook F-1 sets forth Postal Service policies governing field units and Headquarters units accounting and reporting practices.
3. **Availability.** You may view this handbook in electronic format on the Accounting Web site.
  - a. Go to <http://blue.usps.gov/wps/portal/accounting>.
  - b. Under "References" in the right-hand column, click on Handbook F-1, *Accounting and Reporting Policy*.
4. **Comments and Questions.** Address any comments or questions on the content of this handbook to:
 

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5. **Effective Date.** This handbook is effective July 2008.

  
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# 1 Introduction

Handbook F-1, *Accounting and Reporting Policy*, sets forth Postal Service policies governing “Field Units” and “Headquarters Units” accounting and reporting practices.

Field units include area offices, district offices, postal retail units (PRUs), Business Mail Entry Units (BMEUs), stamp distribution offices (SDOs), contract postal units (CPUs), and all other non-Headquarters postal facilities that conduct financial transactions.

Headquarters units include units operating within the Headquarters building, Headquarters-related units at field locations, and Accounting Service Centers.

Handbook F-1 provides policy guidance that helps ensure assets are safeguarded against material loss from unauthorized use or disposition and that financial records are reliable for preparing financial statements.

The policies in this handbook support the accounting framework established by management and contained in Handbook F-23, *Accounting Policy Reference*. Handbook F-1 policies are not intended to address policies specific to other functional groups outside of finance and accounting.

## 1-1 Basic Framework of Handbook F-1

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This Handbook is designed to further define the basic framework of authority, responsibility, and restriction established by management in Handbook F-23. Handbook F-1 lists responsibilities that must be fulfilled and activities that are restricted within field units and Headquarters units based on a system of internal controls.

As a general policy, conservative accounting practices must be applied when dealing with accounting and financial reporting matters.

Postal Career Executive Service (PCES) managers should take note of their fiduciary responsibilities established each year during the annual individual accountability process when accounting and financial reporting situations require judgmental decisions.

This Handbook provides policy guidance within three basic groupings; general policy statements that apply to the Postal Service as a whole, “field unit” specific policies and “Headquarters unit” specific policies.

**1-1.1 Field Unit Accounting Procedures**

Handbook F-101, *Field Accounting Procedures* (FAP), supports Handbook F-1 by setting forth best practices for use by field units in complying with the applicable Postal Service financial policies defined in this handbook. Handbook F-101 serves as desk level procedures for field units.

**1-1.2 Headquarters Unit Accounting Procedures**

Accounting procedures performed by Headquarters units must be documented by detailed desk procedures, service level agreements, and process descriptions on file in those various locations.

Headquarters units play key roles in processing, monitoring, and recording in the general ledger, substantially all of the accounting transactions that originate in field units. Accordingly, there is significant coordination and communication between field units and Headquarters units.

## 2 General Policies

### 2-1 Basis of Accounting and Use of Estimates

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#### 2-1.1 Generally Accepted Accounting Principles

All policies contained in this handbook are intended to be consistent with United States Generally Accepted Accounting Principles (GAAP). When faced with an accounting decision of how to report a unique financial transaction, the Postal Service's guiding principle is to apply the most conservative approach (i.e., lowest revenue, highest expense).

Corporate Accounting manages the development, implementation and analysis of accounting and reporting policies to ensure consistency with the overall Postal Service accounting and financial reporting policy framework outlined in Handbook F-23, *Accounting Policy Reference*.

#### 2-1.2 Accrual Basis of Accounting

The Postal Service maintains its accounting records and prepares its financial statements on the accrual basis of accounting.

The accrual basis of accounting dictates that the Postal Service record revenues when earned and expenses when incurred, regardless of when the related assets and liabilities are collected or paid. Accordingly, field units and Headquarters units are expected to record or report all accounting activity within the same month that activity occurs. Unwarranted delays in the processing of invoices or other documents that are the basis for recording accounting transactions within an applicable accounting period are violations of this policy.

#### 2-1.3 Recording and Reporting Estimates

Use of the accrual basis of accounting requires the Postal Service to make estimates and assumptions that affect the amounts that are recorded in the General Ledger. It is important to provide accurate and timely information in support of accounting estimates and ensure that all accounting estimates reflected in the General Ledger are supportable and reasonable.

Management's best estimate of the known financial and operational trends is reported in Management Discussion and Analysis in the annual report and the quarterly financial reports. It is important that the financial and operational data provided for inclusion in the Management Discussion and Analysis be accurate, supportable, and reasonable.

## 2-2 New Accounting Pronouncements

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The notes to the Postal Service financial statements must include a discussion of new accounting pronouncements that could possibly have a significant effect on the Postal Service's future financial position or future operations. To ensure meeting the financial statement requirement and to ensure timely compliance with disclosure requirements, Corporate Accounting is responsible for the following:

- a. Monitoring regulatory accounting pronouncements that could possibly have an effect on future accounting and financial reporting requirements.
- b. Quantifying, to the extent possible, the effects of adopting new or proposed accounting pronouncements.
- c. Briefing senior management on any significant matter that might impact accounting and/or financial reporting.
- d. Documenting new accounting pronouncements and financial reporting developments expected to affect the financial statements of the Postal Service. This documentation quantifies, to the extent possible, the effects that the accounting or financial reporting development may have on the Postal Service financial statements, estimates, or reporting disclosures, when adopted.
- e. Providing information on possible changes to financial reporting disclosures to the Disclosure Committee for their consideration.

## 2-3 Confidentiality and Financial Systems

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### 2-3.1 Confidentiality

Non-public information related to the business of the Postal Service is considered confidential and is not to be shared outside the Postal Service organization. Non-public information is information that an employee acquires as a result of Postal Service employment, and the employee knows or should reasonably know the information should not be made available to the general public.

All Postal Service employees are prohibited from disclosing any non-public information that has not been authorized to be made available to the general public. In addition, an employee must not engage in a financial transaction using non-public Postal Service information, nor allow the improper use of non-public information to further his or her private interest or that of another, whether through advice or recommendation.

## **2-3.2 Financial Systems**

### **2-3.2.1 Security**

Financial systems contain proprietary information of the Postal Service, and access is granted based on security guidelines. Field unit and Headquarters unit managers and supervisors must periodically review employee financial system access to ensure that work requirements match the level of system access.

When an employee is promoted, transferred, or reassigned, a manager or supervisor must advise Information Technology (IT) Security if changes are necessary.

### **2-3.2.2 Electronic Data Access**

Senior management may temporarily restrict access to electronic data for brief periods of time such as the monthly review of the data prior to closing or during the year-end audit.

Data access is controlled by system access, and it is obtained through the eAccess process, which is managed by IT. Field unit and Headquarters unit managers and supervisors must ensure that employees with financial systems access are properly trained in the use of the system and system data is protected. Employees are expected to protect the integrity and confidentiality of Postal Service electronic financial data.

### **2-3.2.3 Data Acceptance**

Accounting Services is authorized to reject any financial data files that are known to contain errors or files that are not properly authorized. It is the responsibility of the provider of data files to promptly correct and resubmit files that are not accepted by Accounting Services. Accounting Services is responsible for monitoring the status of unaccepted data files and ensuring that all such files are resubmitted and processed in the proper accounting period.

### **2-3.2.4 Business Rules**

Business rules that set the parameters for accounting transaction systems processing are the responsibility of Corporate Accounting. Corporate Accounting is expected to maintain accurate documentation of all business rules that have been implemented or are otherwise valid.

Corporate Accounting is authorized to set the documentation requirements for proposed business rule changes to financial systems. Proposed changes to business rules or financial systems must be documented and submitted for approval to Corporate Accounting.

Corporate Accounting is responsible for documenting the approval of proposed business rule changes, determining that the changes are properly implemented, and updating the business rule documentation.

## 2-4 Financial Reporting

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### 2-4.1 Financial Reporting Framework

#### 2-4.1.1 Financial Reporting Hierarchies

Postal Service accounting and financial reporting processes need a consistent set of financial reporting hierarchies. Accordingly, the Postal Service has policies that guide the design and management of those reporting hierarchies. Corporate Accounting must review and respond to all requests by senior management for changes in the financial reporting hierarchies and must ensure that recommended changes can be made without negatively impacting the reliability and timeliness of financial reporting prior to concurring with the change.

Headquarters units are responsible for monitoring the financial information they process for compliance with approved financial reporting hierarchies.

#### 2-4.1.2 Finance Numbers

Six-digit finance numbers are assigned to track financial reporting information. For example, the following can be assigned a finance number:

- a. Headquarters group or area.
- b. Post Office.
- c. Project.
- d. Station or branch.

Corporate Accounting assists in implementing the finance number-driven financial reporting hierarchy that senior management establishes.

Four-digit extensions (unit IDs) to six-digit finance numbers are available for management purposes.



### 2-4.1.2.1 Field Units Policy

Requests for new finance numbers must have the concurrence, depending upon the point of origin, of the district manager and the vice-president of Area Operations. The request providing the justification for a new finance number, must be submitted, with supporting documentation, to the manager of Accounting Policy, Headquarters for review and concurrence. If Accounting concurs, the request is forwarded to the Deputy Postmaster General/Chief Operating Officer (DPMG/COO) for final approval of the field request. Corporate Accounting will advise the originating requestor or designated contact whether the request is approved or denied.

The district finance office is authorized to approve requests for change or to create a new four-digit extension to finance numbers except for military units which are approved by Accounting Services.

Requests for change to a unit ID or a request for a new unit ID must be submitted to the district finance office at least 30 days in advance of the required implementation date. The district Finance office is responsible for monitoring records in the Finance Number Control Master (FNCM) system to ensure unit ID data integrity and prevent financial system processing errors.

### 2-4.1.2.2 Headquarters Units Policy

Before a new administrative finance number will be issued for a Headquarters entity, confirmation that Organizational Design and Management (ODM), under the vice president of Employee Resource Management, has officially approved the new organizational entity must be provided.

All requests for establishing a new six-digit finance number must be submitted to Corporate Accounting.

**Corporate Accounting** is specifically responsible for the following:

- a. Reviewing the facts supporting requests to establish a new finance number record in the FNCM system to determine if the request has a sufficient business case to merit proceeding with the requested action.
- b. Coordinating with all stakeholders to ensure accuracy of initial finance number set-up.
- c. Monitoring the FNCM system to ensure financial integrity within the finance numbers.

**Accounting Services** is specifically responsible for the following:

- a. Implementing newly approved six-digit finance numbers in a timely manner.
- b. Administering finance number changes and Unit ID.
- c. Administering unit finance number (UFN) creation for military units.
- d. Administering the process of closing a UFN in the FNCM.

- e. Reporting to the district Finance manager any four-digit extension errors noted during processing that impact financial reporting.
- f. Monitoring FNCM entries to ensure financial integrity within the six-digit finance numbers

### **2-4.1.3 Chart of Accounts**

The Postal Service maintains two distinct charts of accounts: the Legacy Chart of Accounts and the Oracle General Ledger (OGL) Natural Accounts.

The Legacy Chart of Accounts is an eight-digit account numbering system documented in the online general ledger account master. The eight-digit accounts are used primarily in sub-ledger systems that feed into the general ledger.

The Oracle General Ledger (OGL) Natural Accounts is a five-digit account numbering system used for corporate financial reporting. The eight-digit Legacy Chart of Accounts is mapped to the OGL Natural Accounts as part of the general ledger data accumulation process.

#### **2-4.1.3.1 Field Units Policy**

Although infrequent, field units may request changes to the Legacy Chart of Accounts. Requests for changes must be submitted through the area finance office to Corporate Accounting.

#### **2-4.1.3.2 Headquarters Units Policy**

Legacy Chart of Accounts and Oracle General Ledger Natural Accounts are the responsibility of Corporate Accounting.

All Headquarters unit requests for changes in the charts of accounts must be submitted directly to Headquarters Accounting.

Corporate Accounting is specifically responsible for the following:

- a. Reviewing requests to add, change, or delete from the chart of accounts to determine if the request has sufficient business case merit.
- b. Documenting the approval of additions, changes, or deletions.
- c. Authorizing additions, changes, or deletions of Legacy and Natural Accounts via F-8 letter.

Accounting Services is responsible for adding, changing, or deleting Legacy and Natural Accounts based on approved F-8 letters received from Corporate Accounting.

#### **2-4.1.4 Account Identifier Codes (AIC)**

AICs consist of three digits representing either a debit or credit entry to a general ledger account number. Two (2) AIC entries are required for proper recording of field transactions in the General Ledger.

**2-4.1.4.1 Field Units Policy**

All requests for changes to AICs must be forwarded through the area finance office to Corporate Accounting for review and approval.

**2-4.1.4.2 Headquarters Units Policy**

Corporate Accounting is responsible for approving all AIC change requests and ensuring that financial reporting systems changes are implemented properly and in a timely manner.

**2-4.1.5 Financial Reporting Responsibilities**

The Postal Service prepares monthly, quarterly, and annual financial statements and reports, consistent with applicable accounting month-end closing procedures and specific reporting objectives.

Financial reporting responsibilities include reflecting the financial operations of the Postal Service accurately and consistently in both the general ledger and the Accounting Data Mart (ADM). The financial information in each must be coordinated and maintained to ensure the information reconciles.

Management reports are available through the ADM and financial statements are available on the Postal Service Web site at <http://www.usps.com/financials>.

Field units and Headquarters units are required to document and report all significant financial reporting matters in a timely manner, and be diligent towards reflecting all transactions in the proper account, amount, and reporting period.

A false entry made by a field unit to the daily financial reports to force a balance or show an incorrect condition violates Federal Law (18 U.S.C. 2073). Accounting Services must report suspected violations of this policy to the Office of Inspector General (OIG).

**2-4.1.6 Periodic Monitoring****2-4.1.6.1 Field Units Policy**

Field unit managers are responsible for performing specific financial related monitoring procedures outlined in Handbook F-101, *Field Accounting Procedures* (FAP), subchapter 2-4. These monitoring procedures include daily, weekly, monthly, quarterly, semi-annual, and annual procedures designed to ensure the accuracy and reliability of financial information.

**2-4.1.6.2 Headquarters Units Policy**

Headquarters units are responsible for monitoring financial reporting duties to ensure that responsibilities contained in specific desk procedures and service level agreements are adequately fulfilled.

Corporate Accounting is responsible for monitoring changes to the Postal Service operating environment that could have an impact on future accounting practices and briefing senior management on any such matters. Corporate Accounting should also perform analysis on the financial statements and reports to detect anomalies in financial reporting.

**2-4.1.7 Daily Reporting****2-4.1.7.1 Field Units Policy**

Field units report accounting activities and transactions on a Daily Financial Report (PS Form 1412). Field units are required to transmit their Daily Financial Report at the close of business on the same business day.

Field unit managers must ensure that the Daily Financial Report is prepared in accordance with procedures detailed in the Handbook F-101, *Field Accounting Procedures*, Chapter 5.

To ensure that all accounting transactions for contract postal units (CPUs) are included in the financial systems, the CPU must provide its daily financial activity to the host Post Office at the close of business on the same business day.

The host Post Office is responsible for transmitting daily financial activities for their CPUs on the day of receipt.

CPUs cannot utilize postal retail reporting systems to input their own financial data; all data must be input by designated postal employees at the host Post Office.

**2-4.1.7.2 Headquarters Units Policy**

Daily reporting requires designated accounting and financial reporting systems to meet a defined daily reporting schedule. Accounting Services must notify Corporate Accounting of any unusual daily processing delays in accounting or financial reporting systems.

Accounting Services must identify on a daily basis, the field units that have not reported as scheduled. Accounting Services must determine the nature of the problem and insure that the unit reports those transactions within three business days. At month-end, Accounting Services must provide a summary report of missing stores to Corporate Accounting.

## **2-4.1.8 Monthly Reporting**

### **2-4.1.8.1 Field Units Policy**

To ensure that all accounting information is included in the financial systems at the end of each month, field units must submit all required monthly reports and information in a timely manner based on published schedules or requests from Headquarters units.

### **2-4.1.8.2 Headquarters Units Policy**

Corporate Accounting has the overall responsibility of ensuring that the monthly financial reports are representative of the financial activity during that month. Corporate Accounting is also responsible for authorizing the closing of the financial systems for the month.

To ensure that the monthly financial reports fairly represent all financial activity, Accounting Services must make every effort to determine the extent of any unreported field unit activity and/or unprocessed accounting system data that should have been included in the monthly activity.

Accounting Services must notify Corporate Accounting of the current status of any known unreported or unprocessed financial activity prior to each monthly close. Corporate Accounting must determine if the unreported data should be recorded based on estimation techniques.

Monthly financial reports must be approved by both the Controller and Chief Financial Officer prior to release.

## **2-4.1.9 Quarterly Reporting**

### **2-4.1.9.1 Field Units Policy**

To ensure that all accounting information is included in the financial systems at the end of each calendar quarter, field units must submit all required quarterly reports and information in a timely manner based on published schedules or requests from Headquarters units.

Any items that could result in a contingent liability (section 4-2.1.3) or impaired asset (subchapter 3-7) must be reported to the applicable district finance manager as soon as discovered, but at a minimum prior to the close of each quarter.

**2-4.1.9.2 Headquarters Units Policy**

To ensure that the quarterly financial reports represent all financial activity, Accounting Services must make every effort to determine the extent of unreported field unit activity and/or unprocessed accounting system data that should have been included in the quarterly activity. Accounting Services must then notify Corporate Accounting of the current status of unreported or unprocessed financial activity and Corporate Accounting must determine if the unreported data should be recorded based on estimation techniques.

Corporate Accounting has the overall responsibility of ensuring that the calendar year quarterly reports are representative of the financial activity during the quarterly reporting period. Corporate Accounting is responsible for producing and distributing quarterly financial statements to comply with established internal, statutory, or regulatory schedules. Quarterly financial statements must be approved by the controller, chief financial officer, Postmaster General, and the board of governors prior to release.

Any items that could result in a contingent liability (section 4-2.1.3) or impaired asset (subchapter 3-7) should be reported to Headquarters Accounting prior to each quarterly close.

**2-4.1.10 Annual Reporting****2-4.1.10.1 Field Units Policy**

To ensure that all accounting information is included in the financial systems at the end of each fiscal year, field units must submit all required annual reports and information in a timely manner based on published schedules or requests from Headquarters units.

Field units must report any items that could result in a contingent liability (section 4-2.1.3) or impaired asset (subchapter 3-7) to the applicable district finance manager prior to year-end close.

**2-4.1.10.2 Headquarters Units Policy**

Corporate Accounting is responsible for authorizing the closing of the reporting year.

To ensure that the annual financial reports represent all financial activity, Accounting Services must make every effort to determine the extent of unreported field unit activity and/or unprocessed accounting system data that should have been included in annual reports. Accounting Services must then notify Corporate Accounting of the current status of unreported or unprocessed financial activity and Corporate Accounting must determine if the unreported data should be recorded based on estimation techniques.

Corporate Accounting has the overall responsibility of ensuring that the annual reports are representative of the financial activity during the annual reporting period. Corporate Accounting is responsible for producing and distributing annual financial statements to comply with established internal, statutory, or regulatory schedules. Annual financial statements must be approved by the controller, chief financial officer, Postmaster General, and the board of governors prior to release.

Reporting of annual financial data to the U.S. Treasury is the responsibility of Corporate Accounting. These reports must be approved by Corporate Accounting and by the OIG.

## **2-4.1.11 Accounting Accruals**

### **2-4.1.11.1 Field Units Policy**

Field units are not authorized to record accounting accruals. Requests for accruals must be forwarded to Corporate Accounting or Accounting Services for review, approval and recording.

Corporate Accounting or Accounting Services may request that possible accrual items be identified by field units and submitted per instructions provided.

Field units are expected to comply fully with such instructions and perform a "good faith" effort to accurately identify any such items in a timely manner. (See section 2-4.1.11.2.2.)

Field units must follow year end closing instructions to ensure prior year field accruals, if any, are cleared in a timely manner.

### **2-4.1.11.2 Headquarters Units Policy**

Only Corporate Accounting and Accounting Services are authorized to record accruals. Requests for accruals from other Headquarters units or field units must be forwarded to Corporate Accounting or Accounting Services for consideration.

#### **2-4.1.11.2.1 Service-wide Accruals**

Only Corporate Accounting is authorized to establish service-wide accruals for recording in the general ledger. Accounting Services is authorized by Corporate Accounting to process scheduled and non-scheduled service-wide accruals.

#### **2-4.1.11.2.2 Field Accruals**

Field units are expected to identify possible items for accrual at the request of Corporate Accounting or Accounting Services, generally limited to non-contract obligations incurred during the last two months of the fiscal year.

Closing instructions are issued in the *Postal Bulletin* on an annual basis by Corporate Accounting and include reporting deadlines, reporting criteria, and minimum dollar limits for reporting items to be accrued at year end.

The closing instructions serve as authorization for Accounting Services to establish accruals in support of closing the fiscal year.

#### **2-4.1.11.2.3 Capital Investment Accruals**

Capital investment accruals are initiated by request from the appropriate vice president and supported by a Capital Investment Committee (CIC) recommendation or Decision Analysis Report (DAR). CIC and DAR accruals are reviewed, approved, and recorded by Corporate Accounting.

#### **2-4.1.11.2.4 Contract Accruals**

For regular invoices that will not be submitted for processing by the end of the fiscal year deadline, field units and Headquarters units must follow the year-end closing instructions and proper documentation must be sent to Accounting Services by the required due date published in the *Postal Bulletin*. Corporate Accounting and Accounting Services must take steps to monitor that all contract invoices are identified and submitted in a timely manner to facilitate proper accounting.

#### **2-4.1.11.2.5 Liquidation of Accruals**

Corporate Accounting and Accounting Services must ensure that all prior year field accruals are cleared or reversed by the date stated in the closing instructions:

- a. All accruals are reversed against their associated actual transactions as the actual transactions are processed.
- b. All processed accruals for a fiscal year close that are not liquidated by the following November close are manually reversed as a prior-year credit to a service-wide finance number.
- c. Any related subsequent current year payments will then be charged as a current year expense to the budget holder.

### **2-4.1.12 General Ledger Account Reconciliations**

#### **2-4.1.12.1 Field Units Policy**

Section reserved for future use.



**2-4.1.12.2 Headquarters Units Policy**

Corporate Accounting and Accounting Services are responsible for determining that all five-digit general ledger accounts are reconciled periodically to assure that the general ledger accounts are properly stated. The frequency of reconciliation should be based on an assessment of applicable risk factors. The person responsible for the reconciliation and the person assigned to review and approve the reconciliation must be established in advance and monitored for compliance with this policy.

**2-4.1.13 Journal Entries****2-4.1.13.1 Field Units Policy**

Journal entries originated by field units must be approved by the assigned reviewer prior to entry into the Journal Entry Vehicle (JEV) system.

**2-4.1.13.2 Headquarters Units Policy**

Journal entries originated by Corporate Accounting and Accounting Services must be approved by the assigned reviewer prior to entry into the JEV system. The posting of all journal vouchers to the general ledger must be verified by Accounting Services JEV entry location personnel.

**2-4.1.14 Record Retention****2-4.1.14.1 Field Units Policy**

Retention periods for accounting support documentation are listed in the *Administrative Support Manual (ASM)* and must be strictly followed by field units.

**2-4.1.14.2 Headquarters Units Policy**

Retention periods for accounting support documentation are listed in the ASM and must be strictly followed by Headquarters units.

Corporate Accounting establishes retention periods for accounting documentation not covered by the ASM.

## **2-4.1.15 Financial Closing Checklists**

### **2-4.1.15.1 Field Units Policy**

Field units should utilize checklists to ensure that all daily, monthly, quarterly, and annual monitoring and reporting routines are performed timely per guidelines provided in Handbook F-101.

### **2-4.1.15.2 Headquarters Units Policy**

Headquarters units should utilize checklists to ensure that all daily, monthly, quarterly and annual monitoring and reporting routines are performed timely.

Financial closing checklists must be utilized by Corporate Accounting and Accounting Services to ensure that all accounting systems have reported and that all accruals, reconciliations, and other closing oversight routines are performed before the period close. Closing checklists must be detailed enough to provide reasonable assurance that all relevant matters have been considered including the use of accounting estimates and the receipt of relevant financial information from other departments that could have an impact on financial reporting. Closing checklists must also include related relevant action items such as compliance filings that are the responsibility of each location. It is acknowledged that closing checklists may be tiered to allow certain types of items or locations to separately document those matters. In such cases, a master checklist should document that all supplemental checklists have been fully completed.

Corporate Accounting is responsible for ensuring the design and contents of primary and supplemental closing checklists, utilized by Accounting Services, are sufficient to control closing.

Quarterly reporting considerations documented in the closing checklists may differ from monthly reporting requirements. Certain systems may remain open longer after the end of the quarter to allow more time for transactions occurring within that quarter to be processed.

Specific year-end closing policies including action items and other guidance regarding year-end accounting are published annually in the *Postal Bulletin*. Corporate Accounting and Accounting Services must ensure that such items are included as necessary in the closing checklists utilized for the year-end closing.

## **2-4.1.16 Post Closing Adjustments**

### **2-4.1.16.1 Field Units Policy**

Any significant matter discovered after the close of the reporting period must be communicated immediately to Corporate Accounting.

**2-4.1.16.2 Headquarters Units Policy**

Any significant matter discovered after the close of the reporting period must be communicated immediately to Corporate Accounting.

Corporate Accounting must approve any post-closing adjustment for any reporting period.

**2-4.2 Senior Management Oversight****2-4.2.1 Field Units Policy**

Field units must respond timely to all requests for information that may be needed in preparing reports for, or responding to questions from senior management.

**2-4.2.2 Headquarters Units Policy**

Headquarters units must respond timely to all requests for information for preparing reports for, or responding to questions from senior management.

Corporate Accounting is responsible for submitting complete financial reports, financial statements, and analytical comments to senior management for review and approval prior to closing any reporting period. Corporate Accounting is responsible for briefing senior management on significant accounting estimates, unusual transactions, and non-standard journal entries before closing a reporting period.

Senior management is responsible for meeting with Corporate Accounting in conjunction with performing the review and approval function. Senior management includes the following considerations within its review:

- a. Significant accounting estimates.
- b. Unusual transactions and non-standard journal entries.
- c. Supporting documentation for unusual or non-standard items.
- d. Key performance indicators.

Corporate Accounting prepares financial documentation that will be used by the disclosure committee in performing their oversight functions.

**2-4.3 Disclosure Committee****2-4.3.1 Field Units Policy**

Section reserved for future use.

### 2-4.3.2 Headquarters Units Policy

Headquarters units must respond timely to all requests for information that may be needed in support of the Disclosure Committee.

Corporate Accounting prepares financial disclosure documents that will be used by the Disclosure Committee in performing their oversight functions.

### 2-4.4 Public Law 109-435: The Postal Accountability and Enhancement Act

Under Public Law 109-435, there are certain financial reporting requirements of the Postal Service to the Postal Regulatory Commission (PRC) that mirror the compliance requirements of Security and Exchange Commission registrants. Included among these financial reporting requirements are the following that will be required to be sent to the PRC beginning with fiscal year ending September 30, 2008:

- a. Within 40 days after the end of each fiscal quarter, a quarterly report containing the information required by the Securities and Exchange Commission Form 10-Q.
- b. Within 60 days after the end of each fiscal year, an annual report containing the information required by the Securities and Exchange Commission Form 10-K.
- c. Periodic reports as required by the Securities and Exchange Commission Form 8-K to report significant financial events.

The Secretary of the Treasury, in consultation with the Postal Service and an independent certified public accounting firm and other advisers as the Secretary considers appropriate, shall develop recommendations regarding the accounting practices and principles that should be followed by the Postal Service. This handbook will be revised as may be necessary upon enactment of these accounting practices and principles.

## 2-5 Internal Controls

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Internal control provides reasonable assurance that transactions are executed and recorded in accordance with management's general or specific authorization. It also ensures that Postal Service assets are safeguarded from loss. Internal controls may either prevent or detect an error which could lead to financial loss or financial reporting errors.

Checks and balances established in policies and procedures constitute an important aspect of accounting controls. Field unit and Headquarters unit managers, as part of their overall responsibilities, must monitor and ensure compliance with internal control related policies and procedures.

## 2-5.1 Internal Control Principles

Overall, accounting practices at field units and Headquarters units are expected to be consistent with the following general fundamental internal control principles:

- a. Proper authorization of transactions.
- b. Accurate execution of transactions.
- c. Compliance with established policies and procedures.
- d. Reconciliation of balance sheet accounts.
- e. Balancing of subsidiary ledgers to general ledger balances.
- f. Proper explanation, support, and approval of journal vouchers.
- g. Adequate protection and maintenance of accounting records, contracts, and manuals.

Field unit and Headquarters unit managers are expected to maintain a strong internal control posture within the Postal Service through a commitment to the following standards:

- a. Alertness to situations that could prompt personnel to engage in illegal or dishonest acts and offering recommendations to address these situations.
- b. Recommending appropriate disciplinary action in response to significant departures from approved policies and procedures or violations of the code of conduct.
- c. Emphasis to all accounting and financial reporting personnel on the importance of conservatism in the development and use of accounting decisions.
- d. Communication to accounting and financial reporting personnel the importance of internal controls and a commitment to raising their level of understanding of internal controls.
- e. Swift corrective action to any identified internal control deficiency including matters related to information systems processing.
- f. Meeting high performance standards including reliable and timely reports.
- g. Commitment to a high level of coordination between accounting and financial reporting, and information system functions.
- h. Fostering competence, knowledge, and experience in accounting and financial reporting including providing training necessary for accounting and financial reporting personnel to perform at their assigned level of responsibility.
- i. Dedication to internal control practices including segregation of duties, authorization and/or approval of transactions, accurate and timely financial reports, and timely and complete reconciliation of accounts, among others.

## 2-5.2 Internal Control Monitoring

Field and Headquarters units are expected to continually monitor and assess compliance with internal control policy together with a focus on the internal control practices described below.

## **2-5.2.1 Separation of Duties**

### **2-5.2.1.1 Field Units Policy**

Field units must separate the duties of employees who account for assets from those who have access to various assets, and of employees who authorize transactions from those who record or reconcile data, etc. All field unit assignments must be documented to facilitate monitoring of separation of duties.

If a separation of duties cannot be maintained due to staffing limits, a deviation must be approved in writing by the next higher level manager with concurrence from the district finance manager. Working postmasters in CAG H through L offices are excluded from requesting an approval of deviation. The district Finance manager (DFM) or designee is responsible for randomly reviewing offices who cannot maintain a separation of duties to ensure financial controls are not violated.

Segregation of duties policies that apply to specific areas are set forth in procedures contained in Handbook F-101.

### **2-5.2.1.2 Headquarters Units Policy**

Headquarters units must separate the duties of employees who account for assets from those who have access to various assets and of employees who authorize transactions from those who record or reconcile data, etc. All Headquarters unit assignments must be documented to facilitate monitoring of separation of duties.

Segregation of duties policies that apply to specific areas are set forth within those sections within this handbook or in specific desk procedures within each Headquarters unit's operation.

## **2-5.2.2 Security**

### **2-5.2.2.1 Field Units Policy**

The field unit manager is responsible for providing required security for all accountable items including postal funds, stamp stock, blank money order stock, philatelic products, retail products, accountable receipts, and property assets of the Postal Service. Responsibility for security of certain accountable items may be specifically delegated to other field unit employees under the supervision of the field unit manager.

The field unit manager determines how each field unit uses its available security equipment. The assignment of security equipment varies from one field unit to another due to differences in equipment availability. Field unit managers must advise the next level of management, in writing, of security equipment inadequacy or malfunctions.

The field unit manager or supervisor is responsible for providing and monitoring adequate security for all building-related security matters, including compliance with ID badge procedures, duplicate keys, passwords, combinations, use of safes and vaults, etc.

#### **2-5.2.2.2 Headquarters Units Policy**

Headquarters unit managers are responsible for providing and monitoring adequate security for all financial records and access security for financial work areas.

The Headquarters unit manager or supervisor is responsible for providing and monitoring adequate security for all building-related areas of focus including compliance with ID badge procedures and building keys.

#### **2-5.2.3 Accountable Receipts**

##### **2-5.2.3.1 Field Units Policy**

Field units must use appropriate accountable receipts in support of financial transactions. Field units must always provide system-generated receipts to each customer at the time of transaction. If the field unit cannot provide system-generated receipts, the customer must be provided a hand-written receipt, if requested.

##### **2-5.2.3.2 Headquarters Units Policy**

Section reserved for future use.

#### **2-5.2.4 Bait Money Orders**

##### **2-5.2.4.1 Field Units Policy**

Bait money orders constitute a significant internal control and field units that provide retail services must strictly adhere to bait money order procedures. For information contact the U.S. Postal Inspection Service (USPIS).

##### **2-5.2.4.2 Headquarters Units Policy**

Section reserved for future use.

#### **2-5.2.5 Monitoring External Service Organizations**

##### **2-5.2.5.1 Field Units Policy**

Field units should ensure that all Contract Postal Units (CPUs) adhere to control procedures established in Handbook F-101.

### **2-5.2.5.2 Headquarters Units Policy**

Headquarters units, at the direction of Headquarters, are responsible for determining and documenting that adequate relevant internal controls are in place at selected external service organizations that execute and/or process Postal Service accounting data.

Headquarters units, at the direction of Headquarters, are responsible for periodic monitoring of the internal controls in place at selected external service organizations and taking appropriate action to correct deficiencies noted.

## **2-5.3 Annual Individual Accountability Process**

### **2-5.3.1 Officers' Representation Letters**

Annually, each officer of the Postal Service must provide a representation letter to the Chief Financial Officer (CFO). The representation letter provides a framework for reporting on the controls in each officer's area of responsibility. These letters also provide a forum in which officers report internal control problems or concerns to the CFO.

The representation letter documents that the Postal Service has identified and considered all material issues in the preparation of its year-end financial statements and all material issues have been recognized and reported through routine financial reporting processes or through direct communication with Corporate Accounting. Obtaining representation letters enables the Postal Service to identify situations that need to be corrected and to implement cost-effective corrections of identified deficiencies.

### **2-5.3.2 PCES' Accountability Statements**

All PCES managers must sign and submit an annual Acknowledgment of Accountability statement to their appropriate Officer. Accountability statements reflect the responsibility of PCES managers to reinforce compliance with internal controls to ensure proper financial reporting.

## **2-5.4 Internal Control Reporting Compliance**

Among the provisions of the Postal Accountability and Enhancement Act of 2006 are certain required internal control reports from the Postal Service to the Postal Regulatory Commission (PRC) that mirror the compliance requirements of Security and Exchange Commission rules implementing Section 404 of the Sarbanes-Oxley Act of 2002. These reports will be required beginning with fiscal year ending September 30, 2010.



## 2-6 Reporting Oversight

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Headquarters units, working through senior management, prepare financial reports used by the Board of Governors and the Audit and Finance Committee in performing their oversight functions.

## 2-7 Ethics

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### 2-7.1 Ethical Standards

All Postal Service employees must comply with Title 5 of the Code of Regulations Part 2635 (5 CFR 2635), Standards of Ethical conduct for Employees of the Executive Branch, as well as the supplemental standards for Postal Service employees set forth in 5 CFR 7001, issued by the Office of Government Ethics.

Employees are provided a summary of standards and other ethical conduct materials at initial employee orientation training and other times during the year. The Postal Service provides annual ethics training for all employees who file a financial disclosure report, and provide ethical support to employees via a dedicated phone line and e-mail address. The ethics policies of the Postal Service are communicated annually to all employees.

### 2-7.2 Related-Party Transactions

Related-party transactions are transactions between an enterprise and another party that cannot be presumed to be carried out on an arm's-length basis because of the relationship between the parties.

Possible related-party transactions would involve transactions between the Postal Service and its employees, postal employees and their immediate family members, or postal employees and external business associates.

It could be considered a related-party transaction when one party controls or can significantly influence the operating judgment of Postal Service managers to the extent that the transacting parties might be prevented from fully pursuing their own separate interests.

Field units and Headquarters units are required to report any suspected related-party transactions to Headquarters Accounting immediately.

Per the Integrity and Accountability Guidelines for PCES Employees, members of management are prohibited from conducting the business of the Postal Service through parties that could be considered "related" to management.

The Postal Service enters into significant transactions with other government agencies and the above policies fully extend to those relationships.

## 2-8 Regulatory Compliance

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Although the Postal Service is exempt from complying with many laws and regulations, Field units and Headquarters units must comply with designated laws and regulations which influence financial reporting as determined by Corporate Accounting and General Counsel.

Corporate Accounting, Accounting Services, and Payroll Accounting will monitor changes in laws and regulations to ensure compliance.

When a conflict exists between bargaining agreements and Laws/Regulations in financial reporting, Laws/Regulations will take precedent in compliance.

### 2-8.1 Bank Secrecy Act (BSA)

#### 2-8.1.1 Field Units Policy

Field units must comply with federal anti-money laundering laws by submitting a customer completed PS Form 8105-A, *Funds Transaction Report (FTR)*, to the Scanning and Imaging Center (SIC) for the following:

- When selling money orders and sure money transactions, in any combination totaling \$3,000 or more to the same customer during the same day.
- When redeeming/cashing money orders totaling more than \$10,000 to the same customer during the same day.

Field Units must complete and submit PS Form 8105-B, *Suspicious Transaction Report (STR)*, when they believe that a money order or Sure Money transaction is suspicious in nature.

#### 2-8.1.2 Headquarters Units Policy

The Postal Service Anti-Money Laundering/Bank Secrecy Act (AML/BSA) Compliance Officer is responsible for creating, implementing, maintaining, and monitoring the Postal Service's compliance program.

This responsibility includes ensuring that postal and contract employees adhere to all aspects of the Bank Secrecy Act; implementing and maintaining a national BSA training program; ensuring that adequate internal controls and procedures are in place to detect and report suspicious activity involving postal products and services; and ensuring independent reviews of the AML/BSA Compliance Program are performed.

# 3 Assets

All Postal Service units and functions must work together to ensure that assets are safeguarded against theft or material loss from unauthorized use, acquisition and transfer, or disposal.

## 3-1 Cash and Cash Equivalents

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### 3-1.1 Operating Cash

#### 3-1.1.1 Field Units Policy

##### 3-1.1.1.1 Field Operating Cash

For field units, cash and cash equivalents include only the items described in subsequent sections as acceptable forms of payment.

U.S. currency (including coins), customer checks and money orders must always be safely controlled without loaning, withdrawing, depositing in an unauthorized bank account, exchanging with other funds, or using for personal purposes. These funds must always be safeguarded from the public and concealed from view. When these types of postal funds are not continuously observed, they must be maintained in a locked receptacle.

Retail Associates (RAs) must deposit all postal funds in excess of the authorized cash retained amount.

Field units must deposit all postal funds in excess of \$100 (not including authorized cash reserve/retain amounts) on a daily basis to a Postal Service relationship bank account established by Corporate Treasury, (see Handbook F-3, *Treasury Management*). When funds exceed normal operating needs early in the day, advanced deposits must be made, in addition to final deposits.

Bank deposits must be prepared and witnessed per the procedures in Handbook F-101, *Field Accounting Procedures* (FAP), subchapter 9-1.

Any checks received at a field unit that will not be deposited and reported through a field unit's daily financial report, must be immediately forwarded to the Disbursing Officer located in Eagan, Accounting Services.

Field units must review charged expenses for banking overages and shortages to determine the cause of errors, and take necessary action to correct the error and prevent future errors. (Overages and shortages from banking are handled through Accounting Services by issuing a debit/credit to the expenses of the field unit.)

### **3-1.1.1.2 Currency**

The Postal Service conducts business in U.S. currencies only (including coins). Therefore, field units should not accept any foreign currencies or coins.

### **3-1.1.1.3 Cash Retained**

Field units may retain limited amounts of cash to support daily operations. Overall limits of cash retained calculations are established by Corporate Accounting in coordination with Retail Operations. In addition to individual cash retained amounts, field units that provide retail services may establish a unit cash reserve to supplement the needs of the unit. The unit cash reserve must be assigned to an employee and is to be counted randomly at least once a month. At any time the unit cash reserve custodian is reassigned, a count must be performed.

The field unit manager must make every practical effort to ensure that supervisory personnel responsible for the unit reserve do not make sales. If a non-bargaining employee also maintains a cash retained credit, the unit cash reserve must be counted in conjunction with the cash retained count. Any portions reassigned to bargaining employees must be counted at least once every month in conjunction with the cash retained count. Each employee must be afforded the opportunity to be present whenever his or her financial accountability is inventoried or counted.

Field units must conduct examinations of all cash retained in accordance with frequency requirements specified in Handbook F-101.

Field Units must report any discrepancies discovered. (See part 3-2.3, Other Receivables, for collection of employee debt.)

Managers and supervisors must maintain supporting documentation for cash accountability overages and shortages.

All unresolved cash accountability overages must be moved into the designated revenue account in accordance with procedures outlined in Handbook F-101.

Changes in the frequency of examination for various cash accountability types may vary based on national bargaining agreements and internal controls, and are listed in Handbook F-101.

**3-1.1.1.4 Change Funds**

To meet operational needs at field units providing retail services, the field unit supervisor with vending equipment or self-service postal centers may request authorization to arrange with local relationship bank to obtain change funds (i.e., coins and small denomination bills).

**3-1.1.1.5 Imprest Funds**

Corporate Accounting must authorize to establish or abolish imprest funds. Imprest funds may be authorized up to an amount sufficient to cover two months of small expense activity. Offices should seek to use the hierarchy of payments (see section 3-1.6.1) whenever possible. Establishing an imprest fund should be a last resort. Reasonable safeguards must be utilized to protect imprest funds. Imprest funds are replenished by Accounting Services through submission of proper documentation.

**3-1.1.1.6 Customer Refunds**

Field unit refunds are limited to a maximum of \$500 (except for Sure Money refunds for the transaction amount) and must be fully documented and authorized. Refund payments can be made locally by no-fee money order, not to exceed \$500, or cash, not to exceed \$25. Refunds over \$500 should be sent to the Scanning and Imaging Center (SIC) for processing by Accounting Services.

Field units must follow the requirements and procedures in Handbook F-101, chapter 21, when issuing refunds locally.

**3-1.1.2 Headquarters Units Policy****3-1.1.2.1 Operating Cash and Cash Receipts**

Only cash on deposit in the U.S. Treasury is available for Postal Service operations.

The Disbursing Officer located in Eagan, Accounting Services, is responsible for maintaining control of and processing all cash receipts received, including USPS disbursement checks that are returned. Cash receipts must be deposited daily and support documentation must be maintained.

No Postal Service employee may perform any two of the following cash receipts-related duties:

- a. Opening mail.
- b. Entering cash receipts.
- c. Preparing bank deposits.
- d. Controlling the accuracy and completeness of computerized cash receipt data.

Any checks received at a Headquarters unit must be immediately forwarded to the Disbursing Officer located in Eagan, Accounting Services.

### **3-1.1.2.2 Customer Refunds**

Accounting Services is not authorized to make cash refunds. All refunds should be processed by EFT or check.

Accounting Services is authorized to make refunds of postage meter balances to customers. Meter refunds over \$1,000 that cannot be electronically processed require an enhanced level of review prior to being executed.

### **3-1.2 Credit and Debit Cards**

The Postal Service accepts signed credit cards, which have been approved for acceptance by Postal Service Treasury, for the purchase of most Postal Service products and services. Only certain sites preapproved by Corporate Treasury are authorized to accept credit card payments by phone, fax or mail order.

Refer to the F-3, *Treasury Management*, for products and services that are not authorized for credit card payments.

#### **3-1.2.1 Field Units Policy**

Postal retail units (PRUs) can only process credit card transactions where both the card and the customer are present.

All pin-based debit cards and Electronic Benefit Transfer (EBT) cards are accepted as payment for all Postal Service products and services.

Field units are granted authority to correct undercharges and overcharges to customer credit or debit cards. The correction process depends on the timing of when the undercharge or overcharge is discovered. See Handbook F-101, subchapter 9-2, for procedures on handling these transactions.

Field units are required to provide supporting documentation to Accounting Services for customer chargeback and retrieval requests within 5 business days from the date of inquiry.

#### **3-1.2.2 Headquarters Units Policy**

Accounting Services is authorized to contact field units for errors, chargebacks, and retrieval requests related to undercharges and overcharges to customer credit or debit cards. Accounting Services approves adjustments, when appropriate, or challenges such items when not provided adequate documentation.

### **3-1.3 Customer Checks**

#### **3-1.3.1 Field Units Policy**

Field units may accept personal checks, bank checks, government agency checks, business checks, traveler's checks, and American Express gift checks for customer transactions when presented with a valid government-issued photo-bearing ID and in compliance with other requirements detailed in Handbook F-101.

Field units must not accept payments from customers for returned checks that have been placed for collection.

Returned checks identified as being improperly accepted by Postal Service personnel or contract postal unit (CPU) contractors may be charged back to the accepting unit through the Accounting Services expense notification process.

#### **3-1.3.2 Headquarters Units Policy**

Disbursing Officers can accept checks for payment.

Accounting Services is responsible for collection and resolution of all checks returned from postal bank accounts. All returned checks must be entered into the Return Check Management System (RCMS) maintained by Accounting Services.

NSF checks under \$5,000 are authorized to be sent to the collection agency contracted by the USPS. NSF checks of \$5,000 or more, suspicious checks, and checks returned for reasons other than NSF are the responsibility of Accounting Services to collect. Returned checks of \$5,000 or more that remain uncollected after exhausting Accounting Services collection efforts are authorized to be sent to the collection agency contracted by the USPS.

Accounting Services is responsible for maintaining current information and providing updated bad check lists to districts for distribution to field units.

### **3-1.4 Electronic Fund Transfers (EFT)**

#### **3-1.4.1 Field Units Policy**

Incoming EFTs to field units are not recommended and are not permitted without approval of the district finance manager with concurrence from Accounting Services.

**3-1.4.2 Headquarters Units Policy**

Accounting Services must approve district finance manager requests before a field unit will be allowed to receive an EFT payment into their relationship bank account and will direct the field units to make appropriate entries to their daily financial report to record this activity.

**3-1.5 Money Orders****3-1.5.1 Field Units Policy**

Field units may accept postal money orders as payment for customer transactions within requirements detailed in Handbook F-101. Money orders with subsequent endorsement (third party) cannot be accepted at field units.

If a Postal Service issued money order is mutilated or damaged and the customer has the original customer's receipt from the money order, a field unit providing retail services may issue a no-fee replacement money order.

**3-1.5.2 Headquarters Units Policy**

The Disbursing Officer located in Eagan, Accounting Services, can accept money orders for payment to the Postal Service.

Accounting Services is responsible for monitoring outstanding (uncashed) money orders and identifying money orders that are outstanding for more than 2 years. Each month Accounting Services is required to record these items as miscellaneous revenue and notify Corporate Accounting of the balance for escheatment. When requested, these money orders may be reissued to the payee.

Accounting Services will record financial adjustments related to a unit's money order discrepancies. These adjustments are expensed to the corresponding unit's finance number.

**3-1.6 Cash Disbursements****3-1.6.1 Field Units Policy**

When it is required that a field unit process a payment, field units should use the following payment methods in accordance with established hierarchy order of priority; eBuy, Purchase Card, PS Form 8230 sent to the Scanning and Imaging Center (SIC), and, as a last resort, local payments.

In field units, local payments must be avoided and only used in emergency situations following procedures in Handbook F-101.



### **3-1.6.2 Headquarters Units Policy**

No one Postal Service employee must be allowed to be responsible for any two of the following cash disbursement-related duties:

- a. Preparing checks.
- b. Approving disbursements.
- c. Signing checks.
- d. Reconciling bank accounts.
- e. Acting as custodian of petty cash (imprest fund).
- f. Controlling and verifying the balances of computerized cash disbursement data.

The preferred method of paying all recurring Postal Service expenses is through EFT.

Accounting Services is authorized to only release vendor payable, payroll payable, payroll checks and EFTs that have been "certified" for payment.

Accounting Services is permitted to issue disbursement checks only with the written authorization of the Accounting Service Center Manager or designee located in Eagan.

Accounting Services is responsible for compliance with all payment rules and regulations associated with payments to foreign postal administrations. Accounting Services is responsible for monitoring payments required to be denominated in foreign currencies.

Uncertified invoices from suppliers are required to be matched to a purchase order and a receiving report to be eligible for payment certification. Invoices from suppliers operating under the terms of approved contracts must be consistent with the terms of those contracts to be eligible for payment.

Accounting Services is authorized to take action on "stop-payment" requests received from suppliers. Such requests must be in writing. Accounting Services is authorized to issue "stop payments" for checks issued to payees within 7 business days of the day of claim.

Checks outstanding (un-cashed for more than 2 years), are required to be periodically scheduled for recording as miscellaneous revenue. When requested, these checks may be reissued to the payee.

### **3-1.7 Bank Account Reconciliation**

#### **3-1.7.1 Field Units Policy**

Field units must review charged expenses for banking overages and shortages to determine the cause of errors and take necessary action to correct the error and prevent future errors.

### 3-1.7.2 Headquarters Units Policy

All bank accounts under the control of Headquarters units must be reconciled at least monthly.

All Inter-agency Payment and Collection (IPAC) transactions must be validated and reconciled on a monthly basis.

Accounting Services is authorized to issue debit/credit expenses to the field unit resulting from banking overages and shortages.

Accounting Services is responsible for responding to inquiries from field units concerning reconciliation charges.

## 3-2 Receivables and Allowance for Uncollectible Accounts

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The Postal Service operates primarily on a cash basis. In some instances, however, the Postal Service is required to provide services before accepting payment (e.g., delivery of mail from foreign countries and U.S. government entities). Receivables also arise as the Postal Service provides postal products to various businesses acting as our agent to distribute stamps for sale.

Other miscellaneous receivables arise from returned checks or employee items.

### 3-2.1 Foreign Country Receivables

#### 3-2.1.1 Field Units Policy

Section reserved for future use.

#### 3-2.1.2 Headquarters Units Policy

Accounting Services is responsible for the preparation and review of monthly foreign payable and receivable accruals arising from International mail flows.

Headquarters oversees all policy regarding accruals. Headquarters may make revisions to accruals and accruals methodology.

Settlement of foreign receivables and payables is, with certain exceptions, subject to Universal Postal Union (UPU) conventions. Settlements may be either net (receivables offsetting payables) or gross. These transactions are denominated in Special Drawing Rights (SDRs), but may be settled in any currency. Transactions outside UPU conventions may be denominated in U.S. Dollars, SDRs, or other foreign currencies. Settlement payments may be made in any currency; settlement receipts are in U.S. Dollars.

Accounting Services is responsible for reviewing proposed foreign payable/receivable accruals and settlements, and determining the final amounts that will be recorded in the general ledger. International accounts can be settled annually, semi-annually, quarterly, or monthly depending on the country and specific products being settled.

### **3-2.2 U.S. Government Receivables**

#### **3-2.2.1 Field Units Policy**

Field units with official mail activity must close out their monthly reports on the first business day after the 15th of the month for forwarding to the Scanning and Imaging Center (SIC) for processing by Accounting Services.

#### **3-2.2.2 Headquarters Units Policy**

Postage for most U.S. government entities is billed through the Official Mail Accounting System.

Accounting Services must process and post all official mail activity reported by the field units by the third business day following the end of each month.

Official Mail services to government agencies are billed monthly on estimates of anticipated usage. Settlements after the close of the fiscal year are based on actual usage reports.

Accruals to record receivables for “free and reduced appropriations” are recorded by Corporate Accounting only upon the signing of the legislation that assures collection of such amounts.

Accounting Services bills U.S. military service branches on a weekly basis for reimbursement of cost incurred with transportation of international mail.

### **3-2.3 Other Receivables**

#### **3-2.3.1 Field Units Policy**

Field units are responsible for monitoring and pursuing collection of shortages (debt) while adhering to the applicable collective bargaining agreement and the Debt Collection Act.

When it is determined that a nonbargaining employee is indebted to the Postal Service, field units follow the collection and appeal procedures specified in *Employee and Labor Relations Manual* (ELM) 450.

When it is determined that a bargaining unit employee is financially liable to the Postal Service, field units follow the collection procedures in accordance with conditions set forth in Article 28 of the employee’s respective collective bargaining agreement and ELM 460.

Each field unit must maintain a master control of employee receivable items, either a system-generated report or a manual ledger, listed by individual item with total amount.

Employee receivable items are defined as any unresolved emergency salary issued, advance travel issued, and employee stamp stock and/or cash credit shortage. The field unit manager or supervisor must ensure employee receivable items are resolved in a timely manner.

If authorized, field unit receivable items may be moved to the Oracle Accounts Receivable system. A properly completed PS Form 1902, *Justification for Billing Accounts Receivable*, must be submitted to Accounting Services. Supporting documentation must be retained locally and the field unit must record proper entries to their daily financial report.

Field units are obligated to provide a valid and accurate assessment to Accounting Services of collectability when requested to do so.

### **3-2.3.2 Headquarters Units Policy**

The establishment and/or adjustment of an accounts receivable must be approved by a certifying official except for those generated automatically by system business rules.

Accounting Services is responsible for moving field unit receivable items to the Oracle Accounts Receivable system. A properly completed PS Form 1902, *Justification for Billing Accounts Receivable*, must be received from a field unit. Accounting Services is also responsible for monitoring accounts receivable activity and for generating invoices, monthly statements, and delinquency notices for accounts receivable items.

Finance charges may be assessed on delinquent receivable accounts as determined by Corporate Accounting and other stakeholders. This group is also responsible for advising Accounting Services of any change in the finance rate and date of implementation.

Accounting Services is authorized to process customer overpayments refunds to customers as identified. Unapplied cash receipts related to accounts receivable must be reviewed by Accounting Services in detail not less than once per month to facilitate timely resolution of all such items. Individual receivable items may be adjusted by Accounting Services for many reasons, including, but not limited to cases of bankruptcy notification, grievance settlements, or the death of current or former employees. In order to be processed, accounts receivable adjustments require approvals within the Oracle Accounts Receivable (OAR) system based on the dollar value of the adjustment.

With the exception of active employee receivable items, individual receivable items less than \$25 and more than 10 years delinquent may be adjusted by Accounting Services with no additional approval.

Individual receivable items over \$25 meeting Cross Servicing criteria must be turned over for collection. Adjustments and credit memos over \$5,000 to any individual receivable item must be approved by an EAS employee from Accounting Services or Headquarters.

Accounting Services is responsible for following the provisions of the Debt Collection Improvement Act (DCIA). This act provides the option of referring delinquent debt to a collection agency and/or the U.S. Treasury offset program.

PCES Manager Shared Appreciation Loans must be approved by the Chief Financial Officer and the Deputy Postmaster General/COO prior to processing and recording. Officer Shared Appreciation Loans must be approved by the Postmaster General and the Board of Governors prior to processing and recording.

### **3-2.4 Allowance for Uncollectible Accounts**

#### **3-2.4.1 Field Units Policy**

Field units do not maintain an allowance for uncollectible accounts for local receivable balances. Field unit receivable balances are considered collectible at face value until cleared by the field unit in their suspense ledger.

#### **3-2.4.2 Headquarters Units Policy**

Allowance for uncollectible accounts is reviewed and evaluated for overall reasonableness by Corporate Accounting and Accounting Services.

Accounting Services develops and reviews aging schedules not less than monthly for unusual items or trends that could have an impact on the quarterly allowance review. The final allowance amount resulting from the annual review must be approved by Corporate Accounting.

Accounting Services is authorized to request field units to provide an assessment of receivable collectability if necessary.

## **3-3 Investments**

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Postal Service Treasury is responsible for obtaining approval to purchase or sell investments in accordance with investment policy. Postal Service Treasury is responsible for providing Corporate Accounting with timely financial information regarding purchases and sales of investments to facilitate proper accounting and financial reporting.

Corporate Accounting is responsible for the timely recording of investment earnings and evaluating investment market values for possible adjustment based on the accounting classification of the investments. Proposed adjustments to the carrying value of investments must be approved by Corporate Accounting and by Postal Service Treasury.

## 3-4 Supplies, Advances, and Prepayments

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### 3-4.1 Supplies Inventory

Supplies inventory is composed principally of repair parts for mail processing equipment.

#### 3-4.1.1 Field Units Policy

No field unit employee should be responsible for any two of the following duties related to repair parts inventories:

- a. Receiving inventory for storage.
- b. Maintaining perpetual records.
- c. Authorizing requisitions of materials from stock.
- d. Supervising physical inventory.
- e. Controlling and verifying computerized inventory-related data.

Inventory records must be maintained for all field repair parts.

Cycle counts of repair parts must be conducted as specified in Handbook AS 701, *Material Management*, section 46, Inventory.

#### 3-4.1.2 Headquarters Units Policy

No Headquarters unit employee should be responsible for any two of the following duties related to repair parts inventories:

- a. Receiving inventory for storage.
- b. Maintaining perpetual records.
- c. Authorizing requisitions of materials from stock.
- d. Supervising physical inventory.
- e. Controlling and verifying computerized inventory-related data.

Inventory records must be maintained for all field repair parts.

Inventory counts of repair parts must be conducted as specified in Handbook AS 701, section 46, Inventory.

Requisitions required as a basis of issuing inventory items must be approved prior to issuance, and adjustments to inventory accounting and perpetual inventory records must be approved.

**3-4.2 Supplies Obsolescence****3-4.2.1 Field Units Policy**

Section reserved for future use.

**3-4.2.2 Headquarters Units Policy**

An obsolescence reserve is maintained to provide for any unusable inventory that may exist. Unusable or obsolete items are written off when discovered, net of any estimated salvage value. Corporate Accounting monitors the reserve for obsolescence throughout the year and reevaluates it annually as part of the year-end close process.

**3-4.3 Employee Advances****3-4.3.1 Field Units Policy**

Field units are authorized to provide advances to bargaining unit employees who do not have a government travel card in accordance with various labor agreements, for travel on official business. After the trip is completed, the employee must submit his or her travel expenses via eTravel. The travel advance is to be captured and deducted from the employee's travel expense reimbursement.

Field units are authorized to issue local emergency travel advances to bargaining unit employees who do not have a government travel card when those employees are notified of travel requirements less than two weeks from the commencement of the travel period. The employee must immediately repay the Postal Service the amount advanced upon receiving the reimbursement check or EFT.

See Handbook F-101, chapter 22, for requirements for issuing travel advances and local emergency travel advances to employees.

**3-4.3.2 Headquarters Units Policy**

Section reserved for future use.

**3-4.4 Advance Payments (Prepayments)**

Advance payments for goods or services are acceptable when justified and permitted. Examples include facility rentals, magazine subscriptions, tuition, software maintenance, and booth space at conventions.

Advance payments are permitted when the payment is being made to, or has been arranged by, a federal, state, or local entity or a regulated utility.

When neither of the situations above applies, decisions to pay in advance must be based on critical need and only after negotiations with the supplier to pay on delivery have failed.

See Management Instruction (MI) FM-610-2003-1, *Advance Payments*, for instructions about the circumstances under which the Postal Service pays in advance for services or various products.

## 3-5 Congressional Appropriations

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Journal entries to record all accounting entries related to revenue forgone amounts reimbursed by Congress and Emergency Preparedness appropriations are reviewed and approved by Corporate Accounting.

## 3-6 Property and Equipment

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Property and equipment must be safeguarded against theft, loss, and misuse. The Postal Service must conduct physical inventories of capital property and equipment items on a recurring basis.

Equipment items which have a service life of more than one year and with an acquisition cost of \$3,000 or over and leasehold improvements of \$5,000 or over which significantly extend the service life of the building are deemed to be "capital" items and must be recorded as an asset on the general ledger and subject to annual inventory procedures.

All building and land additions, regardless of cost, are capitalized and recorded as assets on the general ledger.

The Postal Service expenses equipment purchased for purposes of research and development at the time of acquisition.

Capital property and equipment authorization authority is specified in Handbook F-66, *General Investment Policies and Procedures*.

Facilities Service Offices (FSOs) are responsible for notifying Finance on a timely basis for the acquisition and disposal of buildings, land, and leasehold improvements.

Equipment items with an acquisition cost of under \$3,000 and leasehold improvements under \$5,000 are deemed to be "non-capital" items and are expensed when acquired. Non-capital items must be safeguarded but are not subject to annual inventory procedures.



**3-6.1 Capital Equipment****3-6.1.1 Record Keeping****3-6.1.1.1 Field Units Policy**

Field units must perform capital property and equipment reconciliations each year including documentation of the results and reporting of discrepancies.

**3-6.1.1.2 Headquarters Units Policy**

Headquarters units must perform capital property and equipment reconciliations each year including documentation of the results and reporting of discrepancies.

Equipment asset records must be maintained that adequately identify individual capital items owned by the Postal Service. Equipment capital asset records including accumulated depreciation are required to be periodically reconciled with their applicable general ledger accounts. Adjustments to the capital equipment general ledger accounts must be pre-approved by the appropriate Program Manager or functional manager.

**3-6.1.2 Acquisitions of Capital Equipment****3-6.1.2.1 Field Units Policy**

Capital equipment requisitions must be properly approved prior to purchase.

**3-6.1.2.2 Headquarters Units Policy**

Capital equipment requisitions must be properly approved prior to purchase.

Corporate Accounting with agreement from senior management determines the threshold at which equipment is recorded as a capital asset. Capitalization occurs in the month of equipment being deployed and operational at the purchase price, less discounts, plus applied freight. The cost of auxiliary equipment with a total cost at or exceeding 50 percent of the current equipment capitalization threshold that are permanently attached to equipment at time of purchase or purchased and attached later, are added to the equipment cost and depreciated over the remaining service life.

The cost of all Postal Service-owned motor vehicles is capitalized regardless of amount. The cost recorded is the acquisition cost, or net asset value, less discounts, plus freight charges.

The cost of auxiliary equipment (e.g., lift gates, power tailgates) that is permanently attached to a Postal Service-owned vehicle at the time of purchase, or purchased and attached later is added to the vehicle cost. The cost of all such equipment is capitalized, regardless of amount.

The Postal Service may capitalize bulk purchases of like items together or separately.

### **3-6.1.3 Depreciation of Capital Equipment**

#### **3-6.1.3.1 Field Units Policy**

Field units should review depreciation expense on a regular basis in an effort to detect errors in capital property depreciation.

#### **3-6.1.3.2 Headquarters Units Policy**

Headquarters units should review depreciation expense on a regular basis in an effort to detect errors in capital property depreciation.

The Postal Service depreciates capital equipment using the straight-line method over the equipment's estimated service life.

The Postal Service depreciates all capitalized vehicles over the vehicle estimated service life after deducting an established salvage value for that make and model of vehicle.

### **3-6.2 Buildings, Land, and Leasehold Improvements**

#### **3-6.2.1 Responsibilities**

##### **3-6.2.1.1 Field Unit Policy**

Section Reserved for Future Use.

##### **3-6.2.1.2 Headquarters Units Policy**

##### **3-6.2.1.2.1 Corporate Accounting**

Assets and Payables, Corporate Accounting, develop real property accounting and leasehold improvement concepts, policies, requirements, and procedures.

**3-6.2.1.2.2****Facilities**

This Unit ensures that both USPS Headquarters and field offices (e.g., Facilities Service Offices) provide real property data by submitting Forms 4209, 4211, 4211-A, 4211-B, 1233 and proper notification to support the acquisition, disposition, and other financial and accounting requirements of the Facilities Management Systems (FMS) Real Property Accounting and Leasehold Improvement Subsystems. Facilities may periodically perform audits to verify that all required data and forms are submitted to the appropriate offices.

Facilities Service Offices (FSOs) managers ensure that:

- a. Capital and expense projects are closed out on time.
- b. Upon title transfer or reclassification, notification is promptly sent to Accounting Services and Corporate Accounting, for all sales, exchanges, destruction, demolition, or abandonment of USPS-owned real property.
- c. Prompt decisions (e.g., to dispose of property, or to hold property for investment purposes) are made on the disposition of excess USPS property.
- d. Accounting Services located in St. Louis is notified of commercial lease terminations and GSA building space vacated.
- e. Accounting Policy provides guidance to Accounting Services in regard to complex and non-standard real estate transactions (e.g., swaps, sales-and-leasebacks) prior to recordation.

**3-6.2.1.2.3****Facilities Service Offices (FSOs)**

FSOs contracting authority for some capital improvements can be delegated by the Vice President of Facilities.

**3-6.2.1.2.4****Accounting Services**

Accounting Services performs the following functions:

- a. Maintains subsidiary ledgers for the Real Property Accounting and Leasehold Improvement Subsystems, and the Interest Capitalization System.
- b. Prepares management reports for tracking the status of closeout, i.e., capitalization of capital projects.
- c. Prepares other internal audit reports necessary to control the FMS Real Property Accounting and Leasehold Improvement Subsystems.
- d. Prepares journal voucher entries to the gain or loss account for transfer of miscellaneous expenses related to realty disposition such as appraisal fees and advertising expenses.

**3-6.3 Buildings****3-6.3.1 Record Keeping****3-6.3.1.1 Field Units Policy**

Section reserved for future use.

**3-6.3.1.2 Headquarters Units Policy**

Building asset records must be maintained that adequately identify individual items owned by the Postal Service. Building asset records including accumulated depreciation are required to be periodically reconciled with their applicable general ledger accounts.

**3-6.3.2 Acquisitions****3-6.3.2.1 Field Units Policy**

Section reserved for future use.

**3-6.3.2.2 Headquarters Units Policy**

Building costs are capitalized after the building is beneficially occupied, the technical work is completed, and the Postal Service accepts the total facility for occupancy or use, unless a total project cost is less than \$5,000.

Building additions that result from the administrative and fiscal closeout of a capital project are recorded as Facilities approves the closeout.

Senior management determines the threshold at which building improvements, modernization and major system replacement projects are capitalized.

Land improvements such as site grading, landscaping, fences, walks, and paving are capitalized as part of building costs and depreciated accordingly.

**3-6.3.3 Depreciation****3-6.3.3.1 Field Units Policy**

Section reserved for future use.

**3-6.3.3.2 Headquarters Units Policy**

Buildings are depreciated over a service life of 40 years. Trailer units and parking lots are depreciated over a service life of 10 years.

Depreciation starts at the beginning of the fiscal year following the fiscal year of capitalization and stops when the building is fully depreciated.

If the building is disposed of before becoming fully depreciated, depreciation ceases in the month in which the disposal action is recorded in the general ledger.

Building improvements are depreciated over the remaining service life of the improved building. The improvement cost is added to the un-depreciated cost of the building. The depreciation pertaining to the improvement starts at the beginning of the fiscal year following capitalization of the improvement cost. Improvements made in the last year of depreciation or when a building is fully depreciated are depreciated over 1 year.

### **3-6.4 Land**

#### **3-6.4.1 Record Keeping**

##### **3-6.4.1.1 Field Units Policy**

Section reserved for future use.

##### **3-6.4.1.2 Headquarters Units Policy**

The Postal Service maintains land asset records that adequately identify individual items owned by the Postal Service. Land asset records are required to be periodically reconciled with their applicable general ledger accounts.

#### **3-6.4.2 Acquisitions**

##### **3-6.4.2.1 Field Units Policy**

Section reserved for future use.

##### **3-6.4.2.2 Headquarters Units Policy**

The Postal Service capitalizes all acquisitions of land unless a total project cost is less than \$5,000. The cost of land includes the following:

- a. Specific site survey and selection.
- b. Purchase price.
- c. Attorney fees.
- d. Brokers commissions.
- e. Appraisals.
- f. Search and title guarantee.
- g. Notary and recording fees.

- h. Costs associated with right-of-entry agreements and payments for damages and relocation.
- i. Demolition of existing structures.
- j. Site fill and grading cost.
- k. Costs incidental to the disposition of assets approved as an integral part of the project.
- l. Corps of engineers or other master contractor support.
- m. Cost of Postal Service land exchanged for land acquired.
- n. Other related and identifiable support costs.

**3-6.5 Leasehold Improvements**

**3-6.5.1 Record Keeping**

**3-6.5.1.1 Field Units Policy**

Section reserved for future use.

**3-6.5.1.2 Headquarters Units Policy**

Leasehold improvement asset records must be maintained that adequately identify the leasehold improvements. Leasehold improvement asset records including accumulated amortization are required to be periodically reconciled with their applicable general ledger accounts. Adjustments to the leasehold improvement general ledger accounts must be pre-approved by the appropriate Program Manager or functional manager.

**3-6.5.2 Acquisitions**

**3-6.5.2.1 Field Units Policy**

Section reserved for future use.

**3-6.5.2.2 Headquarters Units Policy**

The Postal Service capitalizes leasehold improvements if the cost is \$5,000 or more.

**3-6.5.3 Amortization**

**3-6.5.3.1 Field Units Policy**

Section reserved for future use.

### **3-6.5.3.2 Headquarters Units Policy**

Amortization of leasehold improvements starts in the month following the month of capitalization. Amortization schedules for specific leasehold improvements are as follows:

- a. Federally Owned – 15 years.
- b. Short lease, free building/land, ground lease with no expiration – 7 years.
- c. All other leases – remaining life of the lease, with the following exceptions:
  - If the remaining life of the lease is > 40 years – 40 years.
  - If the remaining life of the lease is < 2 years – remaining life plus the average of renewal options, if the renewals are reasonably assured.

### **3-6.6 Construction in Progress**

The Postal Service records the costs of all construction projects and segregates those costs in separate general ledger accounts to facilitate accounting and financial reporting requirements. Construction-in-progress asset detail information must be maintained to adequately specific projects for capitalization. Construction-in-progress are capitalized as depreciable assets when deployed (equipment) or when beneficially occupied (buildings).

The Postal Service records property and equipment at cost, including the interest paid on the money borrowed to pay for the construction of major capital additions.

#### **3-6.6.1 Field Units Policy**

Section reserved for future use.

#### **3-6.6.2 Headquarters Units Policy**

Accounting Policy, Headquarters, develops policy for capitalization of assets.

Accounting Services periodically reconciles construction-in-progress asset records with their applicable general ledger accounts.

### **3-6.7 Fully Depreciated Assets**

#### **3-6.7.1 Field Units Policy**

Section reserved for future use.

**3-6.7.2 Headquarters Units Policy**

Fully depreciated assets that remain in service are carried in the financial statements in their respective cost and accumulated depreciation classifications.

**3-6.8 Safeguarding of Capital and Non-Capital Equipment**

In accordance with the Postal Service capitalization policy, the Postal Service monitors the safeguarding of postage evidencing devices (PEDs) and other equipment used in operations regardless of whether that equipment is recorded on the balance sheet.

**3-6.8.1 Safeguarding of Capital Equipment**

The Postal Service monitors the safeguarding of capital equipment by conducting physical inventories of capital property and equipment items on a recurring basis.

Supply Management is responsible for monitoring the physical inventory process, which includes a series of random sampling procedures. Supply Management and Corporate Accounting jointly monitor a comprehensive physical inventory, on a semi-annual basis.

The Material Accountability Officer (MAO) performs random sampling procedures and monitors inventory procedures at respective facilities as specified in Handbook AS 701, section 532, Material Accountability Officers, and section 541, Assignment of the MAO.

**3-6.8.2 Safeguarding of Non-Capital Equipment**

The Postal Service monitors the safeguarding of non-capital equipment through a general practice of securing accountable items such as postage meters, imprinters, date stamps, etc. In addition, managers and supervisors are expected to maintain a general awareness of on-site equipment.

**3-6.8.2.1 Field Units Policy**

Managers and supervisors must exercise proper control over Postal owned PEDs.

The unused balance in a Postal owned meter is considered an asset of the field unit and must be safeguarded from misuse or loss.

If PEDs are lost, stolen, or destroyed, the Office of Inspector General (OIG) must be notified immediately.

Field units must obtain written authorization from the appropriate Manager, Post Office Operations, along with funding approval to cover the cost of leasing a remote-set meter under the Postage Meter Resetting System.



### 3-6.8.2.2 Headquarters Units Policy

Headquarters units' managers and supervisors are expected to maintain a general awareness of non-capital on-site equipment.

### 3-6.9 Disposal of Property and Equipment

Disposal is the process of properly relinquishing possession of capital and non-capital property and equipment that is un-repairable, obsolete, unusable, or surplus to Postal Service needs through trade-in, sale, cannibalization, recycling, transfer, donation, or placement in a landfill.

Installation heads, MAOs, and other employees designated as responsible for material management must take all the necessary steps to ensure the proper authorization of all disposals of property and equipment. Extensive guidance is available in Handbook AS-701 regarding the disposal process. Supplemental accounting guidance for disposals of capital items is available in Handbook F-26, *Personal Property Accounting*. Disposals of capital items must be timely reported for recording in the general ledger.

### 3-6.10 Maintenance and Expense

The Postal Service expenses routine repair and maintenance costs for buildings, as well as repair, improvement, and modernization projects that do not meet the capitalization requirements. (Expenditures that extend the useful life of the asset should not be expensed.) The following types of repair, improvement, modernization, or replacement projects, regardless of amount, are considered expenses:

- a. Building structure repairs.
- b. Electrical system repairs.
- c. Plumbing system repairs.
- d. Floors, doors, walls, stairs, and ceilings.
- e. Interior and exterior painting.
- f. Parking and maneuvering area repair.
- g. Planning studies.
- h. Plant system repairs.
- i. Plastering and caulking.
- j. Roof repairs.
- k. Sidewalk and paving repairs.
- l. Steam cleaning.
- m. Weatherproofing.
- n. Window glass replacement.

### 3-6.11 Lease Commitments

The Postal Service annually prepares a report that calculates the future minimum lease commitments for all non-cancelable leases. The Postal Service bases the discount rate used to prepare the above calculation upon the rate in effect at the beginning of each lease term. This discount rate is determined annually and must be approved by the Controller.

## 3-7 Impairment of Long-Lived Assets

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Annually, the Postal Service must evaluate whether information exists that would suggest that the Postal Service may be unable to recover, through future operations or sale, the carrying amount of any long-lived assets.

The evaluation process seeks to identify impairments that could exceed \$1 million related to the following:

- a. Any facility having an impaired value but being held for use.
- b. Any facility that has a disposal plan and the planned disposal is not due to discontinued operations.
- c. Any capital equipment item identified as impaired but being held for use.
- d. Any capital equipment item that has a disposal plan and the planned disposal is not due to discontinued operations.

The following events or changes in circumstances are considered during the evaluation process. This following checklist will assist in identifying that impairment may exist for a facility or an item of capital equipment:

- a. Significant decrease in market value.
- b. Significant change in the way used or significant physical change.
- c. Significant adverse change in legal factors or business climate.
- d. Accumulation of costs significantly in excess of the amount originally expected to acquire or construct.
- e. Current period operating or cash flow loss combined with a history or projection of continued losses.

Quarterly, the Controller is responsible for requesting a status report from all officers regarding possible asset impairments in their areas of responsibility. Corporate Accounting is responsible for evaluating reported or otherwise identified impairments for possible write-down. The conclusions reached as a result of evaluating reported possible impairments for write-down must be approved by Corporate Accounting and the Controller.

## 3-8 Asset Retirement Obligations

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Quarterly, the Controller is responsible for requesting a status report from all officers regarding legal obligations to perform asset retirement activities in their areas of responsibility.

Corporate Accounting is responsible for evaluating reported or otherwise identified obligations to perform asset retirement activities and determine a reasonable estimate of the fair value of the asset retirement obligation.

The conclusions reached as a result of evaluating obligations to perform asset retirement activities must be approved by Corporate Accounting and the Controller.



## 4 Liabilities

The Postal Service incurs both current and long-term liabilities. Current liabilities are obligations that are due and payable within one year, while long term liabilities are obligations due and payable over one year.

### 4-1 Compensation and Benefits

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#### 4-1.1 Field Units Policy

Field units are responsible for providing complete and accurate payroll information to Accounting Services upon which payroll accrual calculations are based.

#### 4-1.2 Headquarters Units Policy

Headquarters units are responsible for providing complete and accurate payroll information to Accounting Services upon which payroll accrual calculations are based.

Accounting Services is responsible for calculating, reviewing, and approving the payroll accrual amounts to be recorded at the end of each month. Monthly payroll accrual supporting documentation and the journal entry must be approved by Accounting Services prior to recording the entry.

Withholding accounts must be monitored by Accounting Services at the end of each month to ensure that all related liability accounts agree to underlying documentation.

Corporate Accounting is responsible for monitoring monthly workers' compensation and employee benefit cost accruals and revising the year-to-date amounts and prospective monthly accruals when supported by current facts and circumstances.

### 4-2 Payables and Accrued Expenses

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#### 4-2.1 Trade Payables and Accrued Expenses

##### 4-2.1.1 Trade Payables

The Postal Service is required to pay suppliers in accordance with the Prompt Payment Act, as amended in 1988.

Standard Prompt Payment Act terms are net 30 days unless discount terms are offered by the vendor. Interest for late payment of an invoice is computed from the day after the due date through the date of the check or EFT.

The following are exempt from the Prompt Payment Act:

- a. Utility vendors.
- b. Postal employees.
- c. Customer refunds.
- d. Other federal agencies.

All invoices submitted for payment must be original, complete, accurate, and the goods or services must have been received. All invoices must be either "certified" or be accompanied by a payment authorization form to be eligible for processing by Accounting Services. Payments must always be made from an invoice and never from a monthly activity statement. Recurring payments must be set up as a contract through the Category Management Center.

#### 4-2.1.1.1

#### Field Units Policy

Current liabilities processed at field units that do not go through the payable system are money orders, customer accounts, Collect-on-Delivery (COD) payments and unresolved employee items (overage).

Field units must process all invoices received immediately upon receipt in accordance with the payment procedures detailed in Handbook F-101, *Field Accounting Procedures (FAP)*.

Payments to field unit cleaning suppliers for non-recurring, one-time cleaning services may be made locally by no-fee money order, not to exceed \$500, or cash, not to exceed \$25.

#### 4-2.1.1.2

#### Headquarters Units Policy

Segregation of duties must be maintained within accounts payable, purchasing, receiving, and voucher functions. No one Postal Service employee may be responsible for any two of the following duties:

- a. Issuing purchase orders.
- b. Approving purchases.
- c. Signing receiving reports.
- d. Processing invoices.
- e. Preparing journal vouchers.
- f. Approving vouchers.
- g. Controlling or verifying completeness of computer processed accounts payable data.

Accounts payable-related invoices that are authorized via purchase orders, must be consistent with the terms of the purchase order to be eligible for processing.

Corporate Accounting establishes and periodically revises the business rules under which accounts payable invoices are processed.

#### **4-2.1.2 Accrued Expenses**

##### **4-2.1.2.1 Field Units Policy**

Expenses over \$20,000 may be accrued for field units at year-end if they meet the current criteria listed in the *Postal Bulletin*.

##### **4-2.1.2.2 Headquarters Units Policy**

Expenses over \$20,000 may be accrued for Headquarters units at year-end if they meet the current criteria listed in the *Postal Bulletin*.

Corporate Accounting and Accounting Services are responsible for determining the need each month for accruals of significant expenses for which no invoice or other similar document is available timely.

Corporate Accounting and Accounting Services are responsible for maintaining documentation and executing monthly accruals for significant expenses. Monthly accruals for significant expenses must be approved by Corporate Accounting. Significant monthly accruals, as determined by Corporate Accounting, must be evaluated quarterly for overall reasonableness. Significant changes in recurring accruals as a result of quarterly evaluations must be approved by the Manager, Corporate Accounting.

#### **4-2.1.3 Contingent Liabilities**

Contingent liabilities are recorded when it is probable that an obligation will occur as the result of a past event, and the loss can be reasonably estimated. Contingent liabilities normally result from pending litigation or contract disputes.

##### **4-2.1.3.1 Field Units Policy**

Situations that may result in a contingent liability must be reported when identified to the district Finance manager or area Finance manager to ensure notification of the Area Vice-President and Field Counsel.

Area Vice-Presidents and their Field Counsel are responsible for reporting probable contingent liabilities for their area of responsibility on a quarterly basis to Corporate Accounting.

##### **4-2.1.3.2 Headquarters Units Policy**

Situations that may result in a contingent liability must be reported when identified to the functional Vice-President to ensure notification of Corporate Accounting and General Counsel.

Quarterly, the Controller is responsible for requesting a status report from all officers regarding contingent liability cases in their areas of responsibility.

All officers are required to complete a contingent liability status report as requested and have that report reviewed and approved by General Counsel prior to submission.

General Counsel is required to provide an assessment of each reported contingent liability case for use by Corporate Accounting in determining the appropriate accounting impact of the reported cases.

## **4-2.2 Foreign Countries Payables**

Accounting Services is responsible for the preparation and review of monthly foreign payable and receivable accruals arising from international mail flows.

Headquarters oversees all policy regarding accruals. Headquarters may make revisions to accruals and accruals methodology.

Settlement of foreign receivables and payables is, with certain exceptions, subject to Universal Postal Union (UPU) conventions. Settlement may be either net (payables offsetting receivables) or gross. These transactions are denominated in Special Drawing Rights (SDRs), but may be settled in any currency. Transactions outside UPU conventions may be denominated in U.S. Dollars, SDRs, or other foreign currencies. Settlement payments may be made in any currency; settlement receipts are in U.S. Dollars. Accounting Services is responsible for reviewing proposed foreign payable/receivable accruals and settlements, and determining the final amounts that will be recorded in the general ledger. International accounts can be settled annually, quarterly, or monthly depending on the country and specific products being settled.

## **4-2.3 U.S. Government Payables**

### **4-2.3.1 Field Units Policy**

Field units must ensure that U.S. Customs payments are properly handled and entered to the financial reporting systems.

### **4-2.3.2 Headquarters Units Policy**

Corporate Accounting and Accounting Services monitors and records amounts due the U.S. government including inter-agency debt and obligations related to payroll withholdings, interest remittances due on debt obligations and service provided by other agencies.

Accounting Services is authorized to remit field unit collected customs duties and fees directly to U.S. Customs and Border Protection each month through the Intra-governmental Payment and Collection System (IPAC).



Included within that authorization is the authority to approve or pursue adjustments to those remittances for discovered discrepancies or issues related thereto.

Accounting Services is responsible for ensuring compliance with the Postal Service obligation to the U.S. Fish and Wildlife Service to complete the quarterly settlement on Migratory Bird Stamps within 30 days of each calendar quarter.

## 4-3 Customer Deposit Accounts

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### 4-3.1 Field Units Policy

Customers may make advanced deposits to field units for different types of mailing activity. These funds are recorded into an individual customer account and the Postal Service withdraws these funds when payment for postage and fees is required. The net balances are a liability payable to customers. The Postal Service maintains separate accounts (trust funds) for each service type by customer. Field unit managers and supervisors must maintain detailed account records that are properly reconciled monthly to prevent customer or Postal Service losses.

To process a withdrawal of all or part of the unused balance from a customer deposit account, or to close a customer account with a balance, field units must follow procedures in Handbook F-101. Managers and supervisors in field units must review account withdrawal transactions to ensure accuracy and legitimacy.

### 4-3.2 Headquarters Units Policy

The unused balance of a postage evidencing device (PED) is a liability to the Postal Service. Accounting Services is responsible for identifying and correcting Meter Movement Report (MMR) and Computerized Meter Resetting System (CMRS) errors identified in the Web-based National Meter Activity Tracking System (NMATS).

Accounting Services is authorized to make refunds of PED balances to customers. Refunds over \$1,000 involving meter refund requests that cannot be electronically processed require an enhanced level of review prior to being executed.

When customers send checks to load a PED under CMRS and the check is returned by the bank, Accounting Services will notify the meter company and send the customer a collection letter via First-Class mail. If not collected in a timely manner, the check will be forwarded to the Postal Service's outside collection agency for collection.

## 4-4 Deferred Revenue

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Deferred revenue in the Postal Service results when receiving payments in exchange for future services.

### 4-4.1 Field Units Policy

Section reserved for future use.

### 4-4.2 Headquarters Units Policy

Postage in the hands of the public (PIHOP) is used by Corporate Accounting to record the unused portion of advance Post Office box rentals, stamps that have been sold but not used on mailings, and mail in processing and not delivered. The calculations utilize key data assumptions that must be reviewed for reasonableness and approved annually by Corporate Accounting.

On a monthly basis, the PIHOP calculation is reviewed for reasonableness by Corporate Accounting in conjunction with a review of the monthly PIHOP revenue report.

Accounting Services is responsible for monitoring other deferred revenue liability balances from PEDs and determining the unused balance.

Corporate Accounting monitors deferred revenue from appropriation amounts received and prepares journal entries to record the receipt and use of those appropriations.

## 4-5 Money Orders

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### 4-5.1 Field Units Policy

Field units must report money order sales and fees on the day issued. Money orders must be issued with the current business date.

Field units are responsible for providing complete and accurate money order information as part of their daily financial reporting. The money order liability is based on this information.

Field units are authorized to cash International money orders from countries listed in the *International Mail Manual* (IMM) and that are issued in U.S. dollars.

### **4-5.2 Headquarters Units Policy**

Accounting Services is responsible for reconciling on a monthly basis, the money order sub-ledger to the money order liability balance reflected in the general ledger.

On a monthly basis, Accounting Services is responsible for identifying money orders outstanding (un-cashed) for more than 2 years and recording the dollar amount as miscellaneous revenue.

Money order receivables from foreign postal administrations are set up only after review and approval of the supporting documentation and the signing of the demand letter (settlement activity) by the General Accounting Branch Manager.

## **4-6 Sure Money**

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### **4-6.1 Field Units Policy**

Sure Money sales transactions and refunds are processed by authorized field units. Cancellation and refunds may be processed if all criteria for refund listed in Handbook F-101, subchapter 7-3, are satisfied.

### **4-6.2 Headquarters Units Policy**

Accounting Services is responsible for monitoring daily reporting of field unit Sure Money sales and recording any discrepancies. Funds are wired to USPS business partners on a daily basis, for payouts to customer-designated beneficiaries in foreign countries.

Accounting Services prepares the month end 'settlement' of Sure Money fees and foreign exchange income, and settles with the business partner either via payment or invoice.

## **4-7 Debt**

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Postal Service Treasury is responsible for obtaining approval to acquire debt in accordance with debt policy and is responsible for providing Corporate Accounting with timely financial information regarding draw-downs and repayments of debt to facilitate proper accounting and financial reporting.

Corporate Accounting is responsible for the timely recording of debt transactions and interest expense.

## 4-8 Workers' Compensation

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### 4-8.1 Field Units Policy

Field units must immediately forward Forms CA1, CA2, or CA8 to report injuries to the Department of Labor in compliance with Postal Service reporting procedures. Field units must also report all situations that may result in a subsequent claim against a third party.

Workers' Compensation can be charged back to field units where the injury occurred.

### 4-8.2 Headquarters Units Policy

The Postal Service records the estimated present value of the total amount expected to be paid in future periods for workers' compensation. All assumptions used in determining the present value liability are required to be evaluated annually by Corporate Accounting in consultation with an independent actuary. The conclusions reached as a result of the annual assumption evaluation must be approved by Corporate Accounting and the Controller.

On a quarterly basis, Workers' Compensation liability is reviewed for reasonableness by Corporate Accounting based on an update of the Workers' Compensation liability calculations, utilizing the key data assumptions. The quarterly evaluation results prepared by Corporate Accounting staff are reviewed and approved by the Manager, Corporate Accounting.

Corporate Accounting is responsible for the timely recording of journal entries needed to accrue or adjust workers' compensation amounts.

## 4-9 Annual Leave

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### 4-9.1 Field Units Policy

Field units are responsible for providing complete and accurate payroll information in a timely manner in support of proper annual leave calculations.

### 4-9.2 Headquarters Units Policy

Accounting Services maintains annual leave liability calculations which utilize key data assumptions that must be reviewed for reasonableness and approved annually by Corporate Accounting. On a quarterly basis the annual leave liability must be reviewed for reasonableness by Corporate Accounting based on an update of the annual and holiday leave estimation model.

At the end of the fiscal year, the value of earned but unused annual leave is recalculated based on each employee's current wage rate. To minimize the effect of the year-end annual leave recalculation adjustment on the financial statements, Corporate Accounting is responsible for recording an estimated adjustment over the year.

## 4-10 Other Liabilities

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### 4-10.1 Capital Lease Obligations

Accounting Services is responsible for monitoring capital lease obligation accounting data including commitments for future minimum lease payments under non-cancelable leases. Capital lease detail records should be reconciled to the general ledger on a monthly basis.

## 4-11 Accountable Paper

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Accountable paper consists of postage stock, bird stamps, philatelic products, stamped papers and blank money order stock.

### 4-11.1 Overall Responsibilities

#### 4-11.1.1 Field Units Policy

The field unit manager is responsible for ensuring controls are in place for maintaining an accurate inventory for all accountable paper within each field unit.

Employees are responsible for all accountable paper issued to them and for all funds received from accountable paper sales until deposited as postal funds.

Managers, supervisors, employees, and contractors are responsible for accountable paper assigned to them and may be held liable for missing accountable paper, depending upon the circumstances of the loss.

Field units must separate the duties of employees who issue and maintain accountable paper from the employees who provide services and record financial transactions. (Refer to 2-5.2.1, Separation of Duties.)

The district Marketing manager manages the stamp distribution office (SDO) within each district and ensures that each SDO follows established procedures, is properly staffed and is equipped with a safe or vault to secure accountable paper.

The SDO supervisor is accountable for all postal and nonpostal stock in the SDO.

The SDO supervisor is responsible for the following:

- a. Ordering and receiving stamp stock.
- b. Ensuring that all accountable paper is secured.
- c. Monitoring that the SDO maintains sufficient stock to meet customer needs.
- d. Ensuring that a physical count of the inventory is conducted at least annually and when custody of the SDO and any of its internal stamp vaults are transferred between individuals.

#### 4-11.1.2

#### Headquarters Units Policy

The Manager of Stamp Acquisition and Distribution at Headquarters has the following responsibilities:

- a. Close SDOs.
- b. Establish new Stamp Services Centers (SSCs).
- c. Ensure each SSC follows established procedures, is properly staffed, and is equipped with a safe or vault to secure accountable paper.
- d. Ensure that a physical count of the SSC inventory is conducted at least annually and when custody of the SSC is transferred between individuals or any of its internal stamp vaults are transferred between individuals.

The SSC Manager oversees the daily operations of receiving and shipping accountable paper to all field units within the SSC area of distribution.

The stamp distribution supervisor at the SSC is accountable for the assigned postal and nonpostal stock in the SSC and is responsible for maintaining adequate accountable paper inventory to fill stamp stock requisitions. The supervisor may be assigned to supervise stamp destruction activities.

Locating missing vendor registered stamp stock shipments and nonregistered envelope and postal card shipments is the responsibility of the SDO or SSC.

The SDO and SSC are responsible for supplying money order sets, domestic and international, to field units within its service area.

#### 4-11.2

#### Monitoring

##### 4-11.2.1

#### Field Units Policy

Accountable paper must be properly controlled and reported by field unit employees, and must not exceed authorized operating limits. Stamp stock must be counted and verified at any point where accountability is transferred.

Any postal employee who finds defective stamps or stamped paper must immediately return defective products to the unit reserve stock. Damaged or defective inventory, or items withdrawn from sale through *Postal Bulletin* notification, must be handled according to all written procedures.

Defective stock and stamped paper are not saleable and remain the property of the Postal Service. No one may purchase, sell or transfer defective stamps or stamped paper from an official supply.

All returns of saleable stock must be authorized prior to returning the stock to the SDO or SSC under the terms of the return schedule.

Transfer of stock between field units is allowed only in emergency situations and in accordance with detailed instructions in Handbook F-101, part 11-10.3

The field Unit manager or supervisor is responsible for ensuring that all applicable stamp stock and cash counts are performed in a timely manner, including:

- a. Employee stamp stock credits.
- b. Employee cash credits.
- c. Unit reserve stock.
- d. Unit cash reserve.
- e. Retail floor stock.
- f. Rural carrier consignment.
- g. Self-Service Postal Center (SSPC) and Vending credits.
- h. Contract Postal Unit (CPU) credits.
- i. Automated Postal Center (APC) credits.

The district Marketing manager must ensure the stamp destruction committee meets and destroys accumulated stock on a regularly scheduled cycle.

#### 4-11.2.2

#### Headquarters Units Policy

Corporate Accounting must approve unit conversion from traditional accountability to open/close merchandise accountability, and Accounting Services is responsible for documenting the change in financial reporting systems.

The Headquarters Stamp Distribution Manager and the SSC managers are authorized to manage the internal stamp destruction committees maintained by the SSCs.

Accounting Services is responsible for monitoring all stamp stock inventory and reconciling each field unit's stock inventory to financial system detail records.

Damaged or defective inventory, or items withdrawn from sale through *Postal Bulletin* notification, must be handled according to all written procedures. Defective stock and stamped paper are not saleable and remain the property of the Postal Service. No one may purchase, sell or transfer defective stamps or stamped paper from an official supply.

### **4-11.3 Overage and Shortage**

#### **4-11.3.1 Field Units Policy**

At a minimum, each field unit and SDO must conduct an annual examination of accountable paper, document results, and report any discrepancies. The acceptable frequency of examinations is defined in Handbook F-101, chapter 13, based on bargaining agreements and internal control needs.

Field units are required to visually examine sealed packages of stamp stock to verify the quantity. If discrepancies in sealed packages of stamp stock exceed certain authorized levels, the discrepancy must be reported immediately to Headquarters Stamp Acquisition and Distribution.

Losses in field units result in an increase of the unit's expense. Postal employees can be held financially liable for losses of stamp accountability unless a claim for loss has been justified. Any financial loss of postal assets or stamp inventory must be supported by claim for loss documentation unless repayment by the responsible employee has been made, or a voluntary or involuntary salary deduction has been processed. Employees may be relieved from personal responsibility to repay a loss if evidence exists that established policies and procedures were followed at the time of loss. When this occurs, the manager or supervisor will follow the claim for loss process in providing relief to the employee.

All unresolved stamp stock accountability overages must be moved into the designated revenue account in accordance with procedures outlined in Handbook F-101.

#### **4-11.3.2 Headquarters Units Policy**

At a minimum, the Stamp Fulfillment Services (SFS) Center and each SSC must conduct an annual examination of all accountable paper, document results, and report any discrepancies.

Accounting Services records financial adjustments related to a unit's stock ledger discrepancies. These adjustments are expensed to the corresponding unit finance number.



**4-11.4 Discounts and Revaluation****4-11.4.1 Field Units Policy**

Field discounts are only permitted for stamp and retail products as stated in the *Postal Bulletin*. Revaluation of inventory is only permitted for stamp stock and philatelic products as stated in the *Postal Bulletin*.

**4-11.4.2 Headquarters Units Policy**

Headquarters Stamp Distribution and Acquisition Services and/or Marketing are responsible for discounts or revaluation and must properly notify field units through the *Postal Bulletin* of all authorized changes.

**4-11.5 Stamps for Internal Use****4-11.5.1 Field Units Policy**

The OIG is authorized to requisition stamps and stamped paper for investigative purposes from a SDO or SSC.

Postmasters may authorize requisitions of stamps and stamped paper for promotions and presentations.

**4-11.5.2 Headquarters Unit Policy**

Section reserved for future use.

**4-11.6 Destruction of Stamps****4-11.6.1 Field Units Policy**

U.S.-issued and foreign-issued international reply coupons are never destroyed, but are redeemed. Postage Validation Imprinter (PVI) labels are never destroyed, but are refunded. Spoiled meter stamps are destroyed after verification and approval.

Stamp stock destruction includes counting, recording, and destroying non-saleable stamps, stamped paper and philatelic products. Stamp destruction activities are conducted only at a designated SDO, SSC, or SFS Center unless an alternate location has been approved by the OIG.

At SDO locations, the district Marketing manager is authorized to establish stamp destruction committees and appoint members to the committee to ensure that stamp destruction activities are properly performed. (See section 4-11.2.1.)

Stamp destruction committee members and alternates must follow all written policies and procedures when performing their duties, and must maintain complete documentation of their stamp destruction activities. The district Finance manager must review any reports of irregularity by members of the destruction committee for their respective districts.

The district Finance manager must annually designate a supervisor or manager, who is not a member or alternate member of a destruction committee, to randomly monitor and oversee activities of the stamp destruction committee.

The district Finance manager must ensure the stamp destruction committee meets and destroys accumulated stock at least on a quarterly basis, or when Headquarters has approved unit conversion from traditional accountability to open/close merchandise accountability.

#### **4-11.6.2 Headquarters Units Policy**

SSC locations are authorized to maintain on-going internal stamp destruction committees. These committees are managed by the Headquarters Stamp Acquisition and Distribution Manager and the SSC manager.

#### **4-11.7 Money Order Destruction**

##### **4-11.7.1 Field Units Policy**

Full money blocks must be returned to the SDO or SSC for destruction or reissue. Field units must destroy partial blocks when they otherwise can not be reassigned.

##### **4-11.7.2 Headquarters Units Policy**

Material Distribution Center (MDC) must destroy blocks of money orders when money order stock becomes obsolete.

#### **4-11.8 Returns**

##### **4-11.8.1 Field Units Policy**

Cash refunds are not allowed for stamps.

Customers are allowed to return damaged or defective stamp stock or defective philatelic products in exchange for other postage stamps or stamp products.

Retail products may be returned by customers for exchange or refund.

Damaged or defective money orders may be returned for redemption or replacement.

**4-11.8.2            Headquarters Units Policy**

Section reserved for future use.



## 5 Equity

Equity is the net worth of the Postal Service after liabilities are subtracted from assets.

Proposed direct adjustments to equity, other than the impact of net income or loss, are uncommon. Any such proposed adjustment must be approved by the Chief Financial Officer.

Corporate Accounting and Accounting Services are responsible for monitoring the equity accounts for unusual items.



# 6 Revenues

Field unit managers and supervisors must ensure that all revenues due the Postal Service are properly collected and accounted for in a timely manner with required supporting documentation. When underpayments for services and products are detected by field units, every effort should be taken to collect the deficiency.

Corporate Accounting is responsible for preparing daily and summary revenue analysis tables and narrative comments for review by the Demand Forecasting Group, Headquarters.

The Postal Service receives miscellaneous revenue from several sources such as reimbursement from private citizens whose negligence caused damage to postal vehicles or other property, receipts from vending and copier machines, and the sale of postal-owned motor vehicles and equipment and supplies.

## 6-1 Commercial Revenue

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### 6-1.1 Bulk Business Mail

#### 6-1.1.1 Field Units Policy

Field units utilizing the *PostalOne!* reporting system must ensure that mailing activity is validated against supporting detail, prior to submission, by the field unit manager or supervisor.

#### 6-1.1.2 Headquarters Units Policy

Section reserved for future use.

### 6-1.2 Official Mail

#### 6-1.2.1 Field Units Policy

Field units with official mail activity must close out their monthly reports on the first business day after the 15th of the month for forwarding to Accounting Services.

#### 6-1.2.2 Headquarters Units Policy

Accounting Services is responsible for recording official mail revenues.

Corporate Accounting is responsible for reviewing and approving adjustments to official mail revenue. Accounting Services is authorized to adjust minor processing-related differences without Headquarters approval.

### **6-1.3 Customer Meters**

#### **6-1.3.1 Field Units Policy**

New Customer Meter Resetting System (CMRS) customer meter installations are reported using the manufacturer's automated processes. Reloads of postage for CMRS meters are handled by the meter manufacturer. Electronic records will be provided by the manufacturer to the National Meter Activity Tracking System (NMATS). Balances remaining in CMRS meters will be credited to the customer's account maintained by the manufacturer when removed from service. Field units are not authorized to issue refunds of balances held in any customer meters. These refunds are made by Accounting Services.

#### **6-1.3.2 Headquarters Units Policy**

Accounting Services has the following responsibilities:

- a. Manage postal meter settings and status information which includes meter movement, settings and refunds, customer information, postage payments, and meter history.
- b. Reconcile commercial meter revenue activity.
- c. Issue refunds of balances held in customer meters.

Unused commercial meter revenue is deferred until earned. Corporate Accounting is responsible for monitoring and deferring estimated unused commercial meter revenues. (See subchapter 4-4, Deferred Revenue.)

## **6-2 Retail Revenue**

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### **6-2.1 Field Units Policy**

Field units providing retail services must report daily activity using retail reporting systems. This activity must be validated against supporting detail, prior to submission, by the field unit manager or supervisor.

Field units must obtain written authorization from the appropriate Manager, Post Office Operations to cover the cost of leasing a remote-set meter under the Postage Meter Resetting System (PMRS).

Contact postal units (CPUs), at their own expense, may lease a postage meter from a Postal Service authorized manufacturer.



**6-2.2 Headquarters Units Policy**

The Postal Service records revenue from national alternate channel programs such as Click-N-Ship and consignment stamp sales as the funds produced through those sales are invoiced.

Accounting Services is responsible for monitoring the daily reporting of field unit revenues and other financial information. Accounting Services records financial adjustments related to a field unit's daily financial report. These adjustments are expensed to the corresponding unit finance number.

Retail revenue representing sold but unused postage and Post Office box rent is deferred until earned. This represents the amount collected near the end of the year for retail services that are expected to be performed in the following year. Corporate Accounting is responsible for monitoring and deferring estimated unused retail services revenue amounts. (See subchapter 4-4, Deferred Revenue.)

**6-2.3 Post Office Box Fees****6-2.3.1 Field Units Policy**

Field units must ensure that Post Office box holder payment records are updated on a daily basis as payments are received to prevent errors.

Each customer seeking a refund of Post Office box rents, caller service fees, or key deposits must submit a refund request.

**6-2.3.2 Headquarters Units Policy**

Section reserved for future use.

**6-2.4 Retail Products****6-2.4.1 Field Units Policy**

The sales of packaging products must be recorded on a daily basis, and inventories of retail products must be reconciled on a periodic basis.

**6-2.4.2 Headquarters Units Policy**

Section reserved for future use.

## 6-3 Appropriation Revenue

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Appropriations revenue recording is the responsibility of Corporate Accounting. Journal entries to record appropriations revenue are reviewed and approved by the Manager, Corporate Accounting.

## 6-4 Investment Income

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Postal Service Treasury is responsible for providing Corporate Accounting with timely financial information regarding investment income. Corporate Accounting is responsible for the timely recording of investment income and evaluating investment market values for possible adjustment based on the accounting classification of the investments.

# 7 Expenses

Expenses represent actual or expected cash outflows as a result of Postal Service operations.

## 7-1 Compensation and Benefits Expense

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### 7-1.1 Field Units Policy

The Postal Service records compensation expense based on entries to the timekeeping system, eIDEAS system, eAwards system, and through miscellaneous payroll forms mailed to the Scanning and Imaging Center (SIC).

Salary checks and earning statements must be kept in a secured place.

Each field unit must designate a person to receive and distribute payroll checks and earning statements. It is recommended that an additional person be identified and trained to cover scheduled and unscheduled absences. Individuals assigned to distribute payroll checks should not be involved with processing personnel documents. There must not be any disclosure of an employee's earnings by personnel having access to that information except as necessary in carrying out official duties.

Field units must not release checks to employees who were not in pay status during the pay period for which the check was issued.

Field unit managers or supervisors authorize payroll adjustments for:

- a. Administrative agency decisions.
- b. Administrative agency settlements.
- c. Arbitration decisions.
- d. Arbitration (Pre-Arbitration) settlements.
- e. Back pay – Typically 80 hours or more.
- f. Court of Law decisions.
- g. Equal Employment Opportunity Commission (EEOC) decisions.
- h. EEOC settlements.
- i. EEOC Redress settlements.
- j. Merit Service Protection Board (MSPB) settlements.
- k. MSPB decision payments.
- l. Scheme training.
- m. Timekeeping corrections.

Request for leave adjustments are handled by field units and authorized for sick leave buyback or military leave adjustments. Field units must follow all written procedures when processing leave adjustments.

Field unit managers or supervisors are authorized to initiate local money order payments for payroll check deficiencies including non-receipt of a payroll check following procedures in Handbook F-101, *Field Accounting Procedures (FAP)*, chapter 23.

Prior to sending a payroll check to a terminated employee, the supervisor must ensure the employee has no unresolved employee items (i.e., stamp and/or cash credit shortages, travel advances, emergency salary authorizations, etc.).

All back-pay adjustment cases are processed by Accounting Services.

## **7-1.2 Headquarters Units Policy**

No Postal Service employee should be responsible for any two of the following duties as related to payroll processing:

- a. Maintaining personnel files.
- b. Authorizing salary increases and personnel additions and deletions.
- c. Preparing payroll journal vouchers.
- d. Signing checks.
- e. Distributing checks.
- f. Reconciling payroll accounts.
- g. Controlling and verifying computerized payroll data.

Payroll expense general ledger accounts must be continuously monitored against the payroll summary reports by Accounting Services.

Accounting Services is required to process all approved payroll adjustments, forms, etc. within reasonable time frames.

The Postal Service is responsible for compliance with state and federal laws, rules, and regulations that are applicable to employee compensation matters.

Headquarters Payroll is authorized to establish and periodically revise the business rules under which payrolls are processed.

The Headquarters Payroll manager must approve all payroll software change requests in writing.

## **7-1.3 Annual Leave Repricing**

### **7-1.3.1 Field Units Policy**

Section reserved for future use.

**7-1.3.2 Headquarters Units Policy**

Annual leave repricing expense calculations utilize key data assumptions that must be reviewed for reasonableness and approved annually by Corporate Accounting.

Corporate Accounting will also monitor annual leave repricing on a monthly basis to determine if the balance should be adjusted.

Accounting Services is responsible for providing Corporate Accounting with payroll data to support the calculations and the reasonableness review.

**7-1.4 Workers' Compensation****7-1.4.1 Field Units Policy**

Section reserved for future use.

**7-1.4.2 Headquarters Units Policy**

Corporate Accounting is responsible for payment of workers' compensation expenses based on an invoice from U.S. Department of Labor and U.S. Office of Personnel Management (OPM).

**7-1.5 Retiree Health Benefits****7-1.5.1 Field Units Policy**

Section reserved for future use.

**7-1.5.2 Headquarters Units Policy**

Corporate Accounting is responsible for monthly recording, via journal voucher, of retiree health benefits expense based on OPM billings.

Accounting Services is responsible for matching OPM records to Postal Service payroll data files for comparability in support of Corporate Accounting evaluation of the OPM billings.

## 7-2 Transportation Expense

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### 7-2.1 Highway Transportation

#### 7-2.1.1 Field Units Policy

Field units are responsible for authorizing highway transportation invoices upon determining that the invoices are within the terms of the highway transportation contracts and represent the level of effort expended to perform the services described on the invoice.

Field units must ensure that all requests for extra highway transportation service, outside the normal contract provisions, are properly authorized prior to being invoiced.

#### 7-2.1.2 Headquarters Units Policy

Transportation Management is responsible for maintaining up-to-date and accurate highway transportation contract and rate information in the Transportation Contract Support System and monitoring payments of highway transportation expense generated by that system.

Accounting Services must monitor payment files received from the Transportation Contract Support System.

### 7-2.2 Rail Transportation

#### 7-2.2.1 Field Units Policy

Field units are responsible for authorizing rail transportation invoices upon determining that the invoices are within the terms of USPS rail transportation contracts and represent the level of effort expended to perform the services described on the invoice.

#### 7-2.2.2 Headquarters Units Policy

Transportation Management is responsible for monitoring payments of rail transportation expense generated by the Rail Management Information System.

Accounting Services must monitor payment files received from the Rail Management Information System.

## 7-2.3 Air Transportation

### 7-2.3.1 Field Units Policy

Field units are responsible for authorizing air transportation invoices upon determining that the invoices are within the terms of the air transportation contracts and represent the level of effort expended to perform the services described on the invoice.

### 7-2.3.2 Headquarters Units Policy

Transportation Management is responsible for maintaining up-to-date and accurate air transportation contract and rate information in the Logistic Contract Management System and monitoring payments of air transportation expense generated by that system.

Accounting Services must monitor payment files received from the Logistic Contract Management System.

Accounting Services must ensure that payments to commercial air carriers are paid according to agreed terms.

Excise tax related to air transportation invoices is to be remitted bi-weekly directly to the Internal Revenue Service.

## 7-3 Other Operating Expense

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### 7-3.1 Purchases of Supplies and Services

#### 7-3.1.1 Overview

To the extent practical, field units should not assign the same employee to approve local purchases, acknowledge receipt of goods or services, make payments, and maintain the Unit Form 1412. (See section 2-5.2.1, Separation of Duties.)

#### 7-3.1.2 Field Units Policy

The hierarchy of methods for field unit purchases is listed below in preferential order:

- a. eBuy.
- b. SmartPay Purchase Card.
- c. Invoice Payments—PS Form 8230, *Authorization for Payment*, or PS Form 8232, *Payment for Personal Services Contractors*, submitted to the Scanning and Imaging Center (SIC), and processed through the Accounts Payable System.

- d. Emergency local payments following procedures specified in Handbook F-101.

Field units must complete PS Form 8231, *Vendor Payment 1099 Reporting Form*, whenever a local payment is made for services that are 1099-reportable, and submit immediately to the SIC.

### **7-3.1.3 Headquarters Units Policy**

The hierarchy of methods for Headquarters unit purchases is listed below in preferential order:

- a. eBuy.
- b. SmartPay Purchase Card.
- c. Invoice Payments—PS Form 8230, *Authorization for Payment*, or PS Form 8232, *Payment for Personal Services Contractors*, submitted to the SIC, and processed through the Accounts Payable System.
- d. Imprest Fund.

Accounting Services is responsible for supplying Form 1099 to suppliers under the provisions of contract terms and under Internal Revenue Service requirements.

## **7-3.2 Relocation Costs**

### **7-3.2.1 Field Units Policy**

Section reserved for future use.

### **7-3.2.2 Headquarters Units Policy**

All deviations from standard relocation practices must be submitted to Corporate Accounting for approval.

Offers to purchase homes from the USPS inventory that represent an amount less than 95% of appraised value, must be approved by Corporate Accounting. Expenditures over \$1,000 to repair homes in the USPS inventory (to facilitate sales) must be approved by Corporate Accounting.

Shared Appreciation Loans must be authorized by senior management:

- a. Requests by executives must be approved by the Chief Financial Officer and the Deputy Postmaster General/COO.
- b. Requests by officers must be approved by the Postmaster General and the Board of Governors.

## **7-3.3 Travel**

### **7-3.3.1 Field Units Policy**

Field travel expenses are related to travel costs for official business (See Handbook F-15, *Travel and Relocation*).



Postal Service policy mandates the use of eTravel for all authorized local and regular business travel reimbursement.

Field units are authorized to provide travel advances to bargaining unit employees who do not have a government travel card (see part 3-4.3, Employee Advances).

### **7-3.3.2 Headquarters Units Policy**

Corporate Accounting is responsible for controlling and monitoring employee access to the eTravel system.

Accounting Services is responsible for monitoring requirements in the eTravel back office process with employee travel expense documentation to ensure proper payment.

Officers must utilize eTravel for submitting and documenting incurred travel expense and travel expense items must be validated and approved by Corporate Accounting.

All travel expense items must be approved for submission for payment by a designated approver.

The purchase of transportation expenses by use of the centrally billed card must be approved in advance by Corporate Accounting.

Board of Governors members must submit expense reports to the secretary of the Board of Governors for review and approval. Corporate Accounting must validate and authorize all Board of Governors expense items.

Guest travel expenses must be pre-approved by the Postmaster General or the Deputy Postmaster General.

### **7-3.4 Training**

*Employee and Labor Relations Manual* (ELM) policies and procedures must be followed to determine whether employee training is appropriate.

A PS Form 1782, *Training Request and Authorization*, must always be executed for nonpostal training.

eTravel is the preferred system for authorized business training reimbursement.

Payments for nonpostal training must be paid in accordance with procedures in Handbook F-101, subchapter 20-5.

### **7-3.5 Cleaning Services**

#### **7-3.5.1 Field Units Policy**

Cleaning services may be secured without bid from self-employed individuals in cases where the annual expenditure will be less than \$10,000 and from cleaning service companies in cases where the annual expenditure will be less than \$2,500.

Contract cleaning agreements with annual payments under \$10,000 to a self-employed individual or annual payments under \$2,500 to a cleaning service company, must be sent to the Contract Cleaner Unit located in San Mateo, Accounting Services.

For annual payments in excess of \$10,000 to a self-employed individual or annual payments over \$2,500 to a cleaning service company, the contract request must be sent to the Category Management Center (CMC). The CMC will issue the cleaning services contract and send to Accounting Services located in San Mateo.

#### **7-3.5.2 Headquarters Units Policy**

Section reserved for future use.

### **7-3.6 Carfare and Tolls**

#### **7-3.6.1 Field Units Policy**

The district Finance manager processes payment of billing statements to EZ Pass badges and stickers or toll collections for official use vehicles.

#### **7-3.6.2 Headquarters Units Policy**

Section reserved for future use.

### **7-3.7 Miscellaneous**

#### **7-3.7.1 Field Units Policy**

Field units are authorized to contact Accounting Services for assistance in investigating miscellaneous expenses charged to the unit by Accounting Services for correcting financial reporting errors.

It is the responsibility of the field unit to review expense reports provided by Accounting Services. Managers and supervisors must investigate and take proper action to correct the previous reporting error in a timely manner. Adjustments for closed prior years will be made in the current year and will not be retroactive.

**7-3.7.2 Headquarters Units Policy**

Accounting Services is authorized to charge field units with a miscellaneous expense for reconciliation differences based on the units' financial reporting.

**7-3.8 Emergency Preparedness**

Emergency Preparedness expenses include depreciation of the capital equipment purchased with the Emergency Preparedness Appropriation funds. These expenses are recognized over the life of the equipment as is the appropriation revenue.

**7-3.8.1 Field Units Policy**

Section reserved for future use.

**7-3.8.2 Headquarters Units Policy**

Corporate Accounting is responsible for monitoring and recording journal entries to account for Emergency Preparedness expenses.

**7-3.9 Indemnities****7-3.9.1 Field Units Policy**

Field units should accept all presented indemnity claims. For domestic articles insured for a total value of \$50 or less, claims are to be adjudicated locally at the field unit.

Claims for domestic articles insured for a value of more than \$50 and other special service claims must be sent for processing to Accounting Services located in St. Louis.

Handling of all inquiries for international articles is the responsibility of the International Inquiry Center (IIC) in Denver, CO. The adjudication of claims (claim processing) functions for all international articles are handled by Accounting Services.

**7-3.9.2 Headquarters Units Policy**

Accounting Services is responsible for processing domestic insurance claims and other special service claims. Accounting Services maintains the record of payment for locally adjudicated claims forms received from field units.

Accounting Services handles adjudication of submitted claims packets for international articles.

Corporate Accounting establishes payment policies for payment of domestic indemnity claims.

## 7-4 Interest Expense

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USPS Treasury is responsible for providing Corporate Accounting with timely financial information regarding acquisitions and repayments of borrowings to facilitate proper interest expense accounting and financial reporting. Corporate Accounting is responsible for the timely recording of interest expense.

Corporate Accounting is responsible for the monitoring and recording of interest expense for retirement-related obligations.

## 8 Commitments

The Postal Service tracks some expenses and capital costs as they relate to a budget before the actual expenses or capital charges appear in the financial statements. Along with providing useful information for internal reporting, commitment tracking is also a federal reporting requirement for the President's unified budget. The Postal Service is required (per Title 39, United States Code) to disclose amounts of commitments in the notes to the financial statements contained in the annual report. Commitments consist of expense and capital commitments. The Postal Service discloses commitments in the notes of the financial statements.

### 8-1 Expense Commitments

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Expense commitments consist of operational lease obligations for buildings and contracts for normal operational expense items that have been purchased under a contract. Expense commitments also include inventory and research and development contracts.

### 8-2 Capital Commitments

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Capital commitments consist of capital lease obligations for buildings and contracts for capital items such as equipment, building improvements, construction and vehicles.