



Bank Deposits – Brandywine, MD, Post Office

June 26, 2018

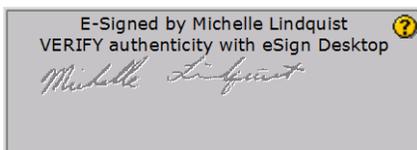


Report Number FCS-FM-18-019



June 26, 2018

MEMORANDUM FOR: SALVATORE N. VACCA
MANAGER, CAPITAL DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Bank Deposits – Brandywine, MD, Post
Office (Report Number FCS-FM-18-019)

This report presents the results of our audit of the Bank Deposits– Brandywine, MD, Post Office (Project Number 18BFM016FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna PruDe, Operational Manager, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Background

This report presents the results of our audit of the Bank Deposits – Brandywine, MD, Post Office (Project Number 18BFM016FCS000). The Brandywine Post Office is in the Capital District of the Capital Metro Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

Postal retail units (PRU) consolidate funds from daily transactions and prepare and remit bank deposits in tamper-evident plastic bags.¹ Accounting Services² reconciles banking activities and issues financial differences³ over \$50 to the PRU for any discrepancies.⁴ Differences include inconsistencies between banking deposits and receipts. The value of the transactions is expensed to the unit. A Narrowcast Report is sent to a PRU when a discrepancy occurs.⁵ A manager or designee must identify the cause of the differences, adjust the financial records, maintain detailed records, and ensure timely resolution. A reason must be annotated for any unresolved differences.⁶

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified 17 unresolved differences, totaling \$37,429, between January 1 and December 31, 2017, related to bank deposits issued to Brandywine Post Office on 16 different days, including two on one day. The OIG's Field Financial Risk Model also identified that the Brandywine Post Office had the highest value of financial differences in the Capital District during calendar year 2017.

Objective, Scope and Methodology

The objective of this audit was to determine whether financial differences related to bank deposits were properly researched and resolved at the Brandywine, MD, Post Office.

We reviewed daily financial records and attached supporting documentation maintained by the unit from January 1 through December 31, 2017. We observed the daily closing procedures and conducted interviews of unit personnel and Postal Service management.

¹ To increase the security, tamper-evident plastic bags are used to remit Postal Service bank deposits.

² An accounting and disbursing facility that provides accounting and support for postal activities.

³ Adjustment entries resulting from reconciling financial activities such as banking, credit and debit cards, sales, stamp stock shipments, and money orders.

⁴ Handbook F-101, Field Accounting Procedures, June 2016, Section's 8-1 and 8-3.

⁵ A Narrowcast report is generated for expensed items greater than \$500. This report is e-mailed to the PRU, the district Finance manager, area accounting manager and the area Finance manager.

for expensed items greater than \$10,000, Accounting Services, Headquarters is also notified.

⁶ Handbook F-101, Section 8-6.1.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).⁷ We did not test the validity of controls over these systems; however, we verified the accuracy of the data by reviewing related documentation, tracing selected information to supporting source records, and interviewing knowledgeable Postal Service employees. We determined that the data was sufficiently reliable for the purposes of this report.

We conducted this audit from April through June 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We discussed our observations and conclusions with management on June 12, 2018, and included their comments where appropriate.

Finding #1: Bank Deposit Financial Differences

Bank deposit financial differences were not properly researched and resolved at the Brandywine, MD, Post Office. Specifically, we reviewed all 17 unresolved bank deposit financial differences⁸ reported on 16 dates during our timeframe and found unit management did not research and resolve 15 of the 17, having a net value of \$15,961 (see [Figure 1](#)). One of the bank deposit financial differences valued at \$16,998 was a missing bank deposit. The postmaster stated that she is working with Accounting Services on the missing bank deposit financial difference;⁹ however, as of May 3, 2018, she still had not resolved the outstanding difference. We referred this issue to the OIG Office of Investigations.

⁷ A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to the EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

⁸ The unit resolved two bank deposit financial differences on January 22, 2018, after the date of our data analysis.

⁹ The date of the missing deposit was September 8, 2017. On September 22, 2017, the Accounting Services requested the postmaster research the missing bank deposit.

Table 1. Bank Deposit Financial Differences for Calendar Year 2017

Number of Unresolved Differences	Type of Transaction	Business Date	Account Identifier Code 247 Overage Values ¹⁰	Account Identifier Code 647 Shortage Values ¹¹	Account Identifier Code 647 Overage Values ¹²	Net Value of Overages and Shortages	
1	Bank Discrepancy ¹³	1/11/2017		\$304.00		304.00	
2	Bank Reconciliation Difference ¹⁴	1/12/2017	(332.00)			(332.00)	
3	Bank Reconciliation Difference	3/24/2017		2,400.00		2,400.00	
4	Bank Discrepancy	3/24/2017			(2,409.00)	(2,409.00)	
5	Bank Discrepancy	5/1/2017		150.00		150.00	
6	Bank Discrepancy	7/19/2017			(80.00)	(80.00)	
7	Bank Reconciliation Difference	8/28/2017		80.00		80.00	
8	Bank Discrepancy	8/30/2017			(80.00)	(80.00)	
9	Bank Discrepancy	9/8/2017		16,998.00		16,998.00	
10	Bank Reconciliation Difference	11/15/2017		2,145.00		2,145.00	
11	Bank Discrepancy	11/17/2017			(1,965.00)	(1,965.00)	
12	Bank Discrepancy	11/20/2017			(150.00)	(150.00)	
13	Bank Discrepancy	11/24/2017			(200.20)	(200.20)	
14	Bank Discrepancy	12/7/2017			(1,000.00)	(1,000.00)	
15	Bank Discrepancy	12/21/2017		100.00		100.00	
	Total						\$15,960.80

Source: EDW Net Financial Differences Line Detail Report, unit documentation, and OIG analysis.

Postal Service policy¹⁵ requires PRUs to review differences from banking reconciliations to determine the cause of errors, ensure expenses are offset timely, and take necessary action to prevent future errors. The postmaster stated she did not recall receiving the Narrowcast Report for the missing bank deposit financial difference and, therefore, was not aware of the pending transactions prior to the adjustments being made.

Policy¹⁶ also states postmasters or unit managers may access bank deposit difference reports in EDW and must ensure those financial differences are researched and

¹⁰ The Account Identifier Code (AIC) is used to classify financial transactions to the proper general ledger account. A financial overage is a credit (decrease) to the unit's expense account due to discrepancies in a post office's daily financial report, related to banking, debit/credit card, money order, and other exceptions.

¹¹ Expense associated with financial shortages due to discrepancies in Post Office's daily financial report, related to banking, debit/credit card, money order and other exceptions. This amount is a debit (increase) to the unit's expense account.

¹² Reduction in expense to correct prior amount reported.

¹³ A discrepancy between bank deposits and receipts.

¹⁴ The difference between the bank deposit amount and transmitted sales data.

¹⁵ Handbook F-101, Sections 8-3.1.1.

¹⁶ Handbook F-101, Section 8-6.1(c) and (d).

resolved timely. Further, policy states the PRU managers or designated employees are responsible for:

- Maintaining files with detailed records for all financial differences.
- Annotating a detailed expense record with the reason an expense was not cleared.¹⁷

The postmaster stated she did not have working knowledge or training on resolving bank deposit financial differences,¹⁸ and was not aware she needed to maintain files to monitor the differences. The accounting manager, Capital Metro Area, informed the OIG that the Capital Metro Area facilitates an annual financial training class for postmasters and supervisors. According to the accounting manager, the postmaster, Brandywine Post Office, has never attended these finance training sessions.

If bank deposit financial differences are not resolved, the risk of theft or fraud at the Brandywine Post Office increases. Further, unreconciled bank deposit financial differences can negatively impact the accuracy of Postal Service financial reports. We consider the \$16,998 associated with the one unresolved missing bank deposit as unsupported questioned costs.¹⁹

As a result, of our audit, the postmaster began maintaining a log to document financial differences as they occurred. In addition, she stated she plans to use the log to document future financial differences.

Recommendation #1: We recommend the Manager, Capital District, reiterate to the Brandywine, MD, Postmaster policies for proper researching and timely resolution of bank deposit financial differences.

Recommendation #2: We recommend the Manager, Capital District, provide Financial Difference 247/647 training to the Brandywine, MD, Postmaster.

Finding #2: Daily Financial Closeout Procedures

Unit personnel did not always properly retain Postal Service (PS) Form 1412, *Daily Financial Report*, or supporting documentation. Specifically:

¹⁷ *Financial Differences - AIC 247/647 Log* – Handbook F-101, Exhibit C-1.

¹⁸ The training course is called Financial Difference AIC 247/647 Training.

¹⁹ A weaker claim and a subset of questioned costs. Claimed because of failure to follow policy or required procedures, but does not necessarily connote any real damage to Postal Service.

- PS Forms 1412 were missing for three of the 16 dates reviewed. This form provides a uniform method to report financial transactions electronically to Accounting Services at the close of each business day.
- A deposit ticket was missing for one date of the 16 dates reviewed.

Postal Service policy²⁰ states the unit must print and file PS Form 1412 locally, including supporting documentation such as a duplicate copy of the deposit ticket. In addition, policy²¹ requires field unit managers to review supporting documentation for all entries included on the daily PS Form 1412. Further, policy²² states the unit must retain PS Form 1412 for a period of two years plus the current fiscal year. However, the policy does not include a retention period for supporting documentation.²³ The postmaster stated she did not always review the form and supporting bank deposit documentation due to higher priority duties.

When unit management does not retain supporting documentation for financial transactions, the Postal Service risks not being able to substantiate the validity of bank deposits.

Recommendation #3: We recommend the Manager, Capital District, reiterate the importance of the daily closeout procedures, including proper retention periods, for the Postal Service Form 1412, *Daily Financial Report*, to the Brandywine, MD, Postmaster.

²⁰ Handbook F-101, Section 5-4.2s and t and Section 9.1.2.2k.

²¹ Handbook F-101, Section 2-4.1.

²² Handbook F-101, Appendix D, Forms and Retention Periods.

²³ We believe the intent of the PS 1412 retention policy applies to its supporting documentation.

Finding #3: Bank Deposit Preparation

Unit management did not properly prepare bank deposits for dispatch. Specifically, unit management did not:

- Properly complete the return address G-10 label.²⁴
- Complete PS Form 3806, Receipt for Registered Mail, and file locally. The form is used to show proof of the value of the registered mail piece containing the bank deposit.
- Properly secure the bank deposits in a secured container. Deposits were stored in an unlocked desk drawer in the postmaster's office.

According to Postal Service policies,²⁵ deposits submitted in the tamper-evident plastic bags must have a return address, PS Form 3806 must be filled out and filed locally, and the field unit manager or supervisor must provide adequate security for all accountable items.²⁶ Further, metal cabinets and file cabinets are the lowest priority equipment used to secure accountable items, with the highest priority being safes or vaults.²⁷

The postmaster stated she believed the unit's round-dated stamp imprinted on the G-10 label was adequate support for the return address. In addition, the postmaster stated PS Form 3806 was not completed and filed locally because she was unaware the form applied to the unit's bank deposit and thought PS Form 3806 was only used for customer's purchasing the Registered Mail service. Further, there was no safe or vault available to secure deposits. When bank deposits are not properly prepared for dispatch and bank deposit funds are not properly secured, there is a risk of loss or theft.

As a result of our audit, the postmaster took corrective action by requesting and receiving a safe for the unit, on May 3, 2018. The new safe securely maintains bank deposits in accordance with Postal Service policy.

Recommendation #4: We recommend the Manager, Capital District, reiterate to all unit personnel the requirements for properly completing the return address on Label 41, G-10, *Open Return Address*, and Postal Service Form 3806, *Receipt for Registered Mail*.

²⁴ All rates and classes of outgoing Postal Service business mail must display a First-Class Mail® G-10 imprint.

²⁵ Handbook DM-902, *Procedures for Handling Registered Postal Bank Remittance Mail*, April 2010, Sections 2-1a and 2-1b.

²⁶ Handbook F-101, Section 3-1.1.

²⁷ Handbook F-101, Section 3-1.1.2.

Management's Comments

Management agreed with the findings, recommendations and the monetary impact. Regarding all recommendations, the district manager provided Finance Refresher training to the postmaster on June 19, 2018. This training covered policies for properly researching and timely resolving bank deposit and AIC 247/647 *Financial Differences*. It also covered the importance of the PS Form 1412 process and retention period.

In addition, in a separate correspondence, the district finance manager reiterated by email to all post offices in the Capital District the proper procedures for completing a bank deposit including, scanning the deposit as accepted, completing the return address, and treating the deposit like all other registered mail.

See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the report and corrective actions should resolve the issues. We consider all recommendations closed with the issuance of this report.

Appendix A: Management’s Comments



June 20, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Bank Deposits – Brandywine, MD, Post Office
(Report Number FCS-FM-18-DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report regarding bank deposits in Brandywine, MD. Management does agree with the findings noted in the audit report. Management agrees with the recommendations as outlined in the audit response per the action plans shown below.

Regarding the monetary impacts identified as unsupported questioned costs in the amount of \$16,998 we agree it is the responsibility of any postmaster or manager to take appropriate action to investigate and resolve missing bank deposits including working with the appropriate investigative group when necessary. Documentation must be maintained indicating the steps taken and the resolution.

Recommendation #1

We recommend the Manager, Capital District, reiterate to the Brandywine, MD, Postmaster policies for proper researching and timely resolution of bank deposit financial differences.

Management Response/Action Plan

Management agrees with this recommendation and has implemented by requiring the postmaster to attend financial training conducted by Capital Metro Area Accounting.

Target Implementation Date

June 19, 2018

Responsible Official

Capital Metro Area Accounting

Recommendation #2

We recommend the Manager, Capital District, provide Financial Difference 247/647 training to the Brandywine, MD Postmaster.

Management Response/Action Plan

Management agrees with this recommendation and has implemented by requiring the postmaster to attend financial training conducted by Capital Metro Area Accounting.

Target Implementation Date

June 19, 2018

Responsible Official

Capital Metro Area Accounting

Recommendation #3

We recommend the Manager, Capital District, reiterate the importance of the daily closeout procedures, including proper retention periods, for the Postal Service Form 1412, *Daily Financial Report*, to the Brandywine, MD Postmaster.

Management Response/Action Plan

Management agrees with this recommendation and has implemented by requiring the postmaster to attend financial training conducted by Capital Metro Area Accounting.

Target Implementation Date

June 19, 2018

Responsible Official

Capital Metro Area Accounting

Recommendation #4

We recommend the Manager, Capital District, reiterate to all unit personnel the requirements for properly completing the return address on Label 41, G-10, *Open Return Address*, and Postal Service Form 3806, *Receipt for Registered Mail*.

Management Response/Action Plan

Management agrees with this recommendation and has sent messaging to the field outlining the proper procedures for completing a bank deposit including scanning the deposit as accepted, completing the return address and treating the deposit like all other registered mail by completing the PS Form 3806. This subject is also covered in the financial training being given throughout the district.

Target Implementation Date

June 19, 2018

Responsible Official

District Finance Manager



Sal Vacca
Capital District Manager

cc: Manager, Corporate Audit & Response Management