



## AUDIT REPORT

# Unit Reserve Stamp Stock Accountability – Arlington, VA, Main Post Office

September 27, 2018



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Report Number FCS-FM-18-031



September 27, 2018

**MEMORANDUM FOR:** JEFFREY A. BECKER  
MANAGER, NORTHERN VIRGINIA DISTRICT

E-Signed by Michelle Lindquist   
VERIFY authenticity with eSign Desktop  
*Michelle Lindquist*

**FROM:** Michelle Lindquist  
Director, Financial Controls

**SUBJECT:** Audit Report – Unit Reserve Stamp Stock Accountability -  
Arlington, VA, Main Post Office  
(Report Number FCS-FM-18-031)

This report presents the results of our audit of the Unit Reserve Stamp Stock Accountability - Arlington, VA, Main Post Office (Project Number 18BFM028FCS000).

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

Attachment

cc: Postmaster General  
Corporate Audit and Response Management

## Background

This report presents the results of our self-initiated audit of Unit Reserve Stamp Stock Accountability – Arlington, VA, Main Post Office (Project Number 18BFM028FCS000). The Arlington Main Post Office is located in the Northern Virginia 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.

The U.S. Postal Service Office of Inspector General (OIG) data analytics identified the Arlington, VA, Main Post Office with two large inventory count discrepancies in the unit reserve stamp stock<sup>1</sup> accountability. Based on our analysis for fiscal year (FY) 2018, Quarter 1,<sup>2</sup> we identified that Arlington Main Post Office had one-unit reserve stamp stock counts higher than the expected count and one less than the expected count for two consecutive days in December 2017. The unit reported a \$214,015 overage and a \$6,012 shortage in the counted stock compared to the expected stock in the two counts. It is unusual for one office to have such high percentage variances in unit reserve stamp stock inventory counts in less than a month. Inventory counts greater than expected result in an overage count, while inventory counts less than expected result in a shortage count.

The unit reserve stock custodian is responsible for managing the stamp stock inventory, and must report unit reserve stock activities. The postmaster or site manager must ensure timely performance of the unit reserve stamp count. In addition, the Revenue & Field Accounting organization, which reports to the Controller, developed facility reviews of financial controls, and each area is responsible for conducting these reviews and immediately remediating any findings. The reviews include seven field controls, including a control for stamp stock accountability.<sup>3</sup>

## Objective, Scope and Methodology

The objective of this audit was to determine whether the unit reserve stamp stock inventory was managed effectively at the Arlington, VA, Main Post Office.

We interviewed unit personnel and Postal Service management. We also analyzed accounting records and financial transactions related to the unit reserve stamp stock accountability data and evaluated the segmented inventory process from October 1 through December 31, 2017.

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<sup>1</sup> Stamp stock inventory.

<sup>2</sup> Quarter 1 is from October 1, 2017 through December 31, 2017.

<sup>3</sup> A series of unannounced audits using the Sarbanes-Oxley (SOX) Remediation Tool (SORT) to measure improvement. The SORT is a database used for SOX compliance and for documenting the Postal Service's field-level financial control testing in relation to SOX controls. SOX aims to enhance the accuracy of financial reporting.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).<sup>4</sup> We did not test the validity of controls over this system; however, we verified the accuracy of the data by reviewing related documentation, tracing selected information to supporting source records, and interviewing knowledgeable Postal Service personnel. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from August through September 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 September 12, 2018, and included their comments where appropriate.

## Finding #1: Inventory Count Records

Unit management did not manage the Arlington Main Post Office unit reserve stamp stock inventory and process effectively. We found the unit did not include non-saleable,<sup>5</sup> excess stamp stock in a stamp count conducted on October 19, 2017. In addition, we noted unit management did not complete:

- Postal Service (PS) Form 3294, *Cash and Stamp Stock Count and Summary*, for the unit reserve stamp stock count on December 26, 2017.
- PS Form 3368-P, *Accountability Examination Record*. PS Form 3368-P provides a summary of the results for all inventory counts at the post office for the last two years.
- PS Form 3369, *Consigned Credit Receipt*, for the unit reserve stamp stock. The person to whom accountability is being transferred accepts responsibility for the stamp stock by completing and signing PS Form 3369.
- PS Forms 571, *Discrepancy of \$100 or More in Financial Responsibility*, for the two out-of-tolerance unit reserve stamp counts on December 7 and 8, 2017. PS Form 571 is used to report discrepancies of \$100 or more. If applicable, the post office would complete and submit PS Form 571 to the appropriate OIG field office.
- PS Form 3977, *Duplicate Key Combination and Password Envelopes*, for the unit reserve stamp stock accountability. The duplicate key is used to open the stamp stock accountability of an employee, and the password, if necessary, is used to access the employee's Retail System Software (RSS)<sup>6</sup> login.

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<sup>4</sup> 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.

<sup>5</sup> Non-saleable stock includes any partial packages of stamps, stamped envelopes or postal cards that are removed from sale because they were obsolete, defected, or damaged.

<sup>6</sup> The RSS is the primary hardware and software system used to conduct retail sales transactions in post offices.

The non-saleable stock was not included in the unit reserve stamp stock inventory because the manager was unaware of the requirement to return or destroy non-saleable stock. He stated the non-saleable stock was present when he became the unit reserve custodian in January 2017. A SORT review in November 2017 identified the non-saleable stock in the amount of \$214,208, causing management to record the non-saleable stock into the unit reserve inventory. On December 7, 2017, unit management conducted a unit reserve count resulting in the \$214,015 overage. On December 8, 2017, the manager determined non-saleable stock was commingled with the unit's retail floor stock inventory, causing a \$6,012 shortage unit reserve stamp stock count. On the same day, the manager returned the non-saleable stock to the Stamp Fulfillment Services (SFS).<sup>7</sup> Further, the manager was unaware of the policies to complete the forms or to create a duplicate key and password envelope for the unit reserve stamp stock.

Postal Service policy<sup>8</sup> states the postmaster, manager, or supervisor is responsible for management of all stamp stock assigned. In addition, Postal Service policy<sup>9</sup> states non-saleable stock should not be commingled with saleable stock.

At RSS units, policy<sup>10</sup> requires the supervisor and an independent employee to enter the stamp stock count on PS Form 3294. In addition, the postmaster is responsible for establishing and maintaining a file containing PS Form 3294 or system-generated PS Form 3294, system-generated counts sheets, PS Form 3368-P, PS Form 3369, and PS Form 571 (if applicable).<sup>11</sup> Further, Postal Service policy<sup>12</sup> states field units must complete a PS Form 3977 envelope to protect each duplicate key and password.

When stamp stock items are not properly recorded in the unit reserve stamp stock inventory, there is an increased risk of undetected theft and losses. If inventory files are not maintained and updated at the unit, it may be difficult to identify trends or timely address shortages or overages of Postal Service unit reserve stamp stock inventory. In addition, limited access to keys impacts the unit management's ability to conduct timely counts or monitor and safeguard Postal Service assets.

**Recommendation #1:** We recommend the Manager, Northern Virginia District, instruct the postmaster to reiterate to the necessary personnel the requirements for properly conducting unit reserve stamp stock inventory counts and managing the inventory.

**Recommendation #2:** We recommend the Manager, Northern Virginia District, direct the necessary unit personnel to complete Stamp Stock Management training.

<sup>7</sup> Located in Kansas City, MO, SFS is the sole order fulfillment center for the Postal Service's stamps and products.

<sup>8</sup> Handbook F-101, *Field Accounting Procedures – Draft*, Section 13-1.2, May 2017.

<sup>9</sup> Handbook F-101, Section 11-6.5. c.

<sup>10</sup> Handbook F-101, Section 13-3.5.

<sup>11</sup> Handbook F-101, Section 13-1.3.

<sup>12</sup> Handbook F-101, Section 3-8.2.1.

## Management's Comments

Management agreed with the findings and recommendations.

Regarding recommendation 1, district management stated a letter of instruction was issued to the Arlington postmaster outlining the requirements to review and follow Handbook F-101 procedures regarding stamp stock counts and managing inventory. In addition, district management is requiring certification from the Arlington postmaster confirming their management personnel has completed this review. During subsequent correspondence, management provided a signed Certification of Compliance from the Arlington postmaster acknowledging the manager read Handbook F-101 and will adhere to properly conducting unit reserve stamp stock inventory counts and managing the inventory. These corrective actions were completed on September 18, 2018.

Regarding recommendation 2, management stated they are requiring management at the Arlington Main Post Office to complete a stamp stock management training course, located in the Postal Service's Learning Management System. This course provides instructions for managing the stamp stock transactions and accounting in a postal retail unit. Management stated this will be completed by September 30, 2018.

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

## Evaluation of Management's Comments

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

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendation 2 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed. Based on the information provided separately to support recommendation 1, we consider recommendation 1 closed with the issuance of this report.

## Appendix A: Management's Comments



September 27, 2018

Monique Colter  
Director Audit Operations  
Office of Inspector General  
United States Postal Service

**Subject:** Response to Draft Audit Report – Unit Reserve Stamp Stock Accountability -  
Arlington, VA, Main Post Office (Report Number FCS-FM-18-DRAFT)

Thank you for the opportunity to respond to the OIG Audit of Unit Reserve Stamp Stock Accountability -Arlington, VA, Main Post Office. Management does agree with the findings noted in the audit report. Management also agrees with the recommendations as outlined in the audit.

### **Recommendation #1**

We recommend the Manager, Northern Virginia District, instruct the postmaster to reiterate to the necessary personnel the requirements for properly conducting unit reserve stamp stock inventory counts and managing the inventory.

### **Management Response/ Action Plan**

Management agrees with this recommendation and has implemented by issuing a letter of instruction outlining the requirement to review and follow the instructions in the F-101, Field Accounting Procedures, Chapters 11 and 13 regarding stock counts and managing inventory. A certification from the Arlington postmaster confirming management has completed this review will be required.

### **Target Implementation Date**

September 2018

### **Responsible Official**

Northern Virginia District Manager

### **Recommendation #2**

We recommend the Manager, Northern Virginia District, direct the necessary unit personnel to complete Stamp Stock Management training.

### **Management Response/ Action Plan**

Management agrees with this recommendation and has implemented by requiring management at the Arlington Main Post Office to complete the course titled "FIN: Field: Stamp Stock Management", Course Number: 10019052, located in the Learning

Management System. This course provides instructions for managing the stamp stock transactions and accounting in a postal retail unit.

**Target Implementation Date**

September 2018

**Responsible Official**

Northern Virginia District Manager

  
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Jeffrey A. Becker  
Northern Virginia District Manager