



AUDIT REPORT

No Sale Transactions - Los Angeles, CA, LAX - Village Station

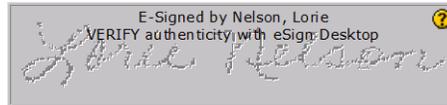
December 7, 2018





December 7, 2018

MEMORANDUM FOR: KENNETH SNAVELY
MANAGER, LOS ANGELES DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – No Sale Transactions - Los Angeles, CA,
LAX - Village Station (Report Number FCS-FM-19-002)

This report presents the results of our audit of No Sale Transactions - Los Angeles, CA, LAX - Village Station (Project Number 19BFM003FCS000).

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: Postmaster General
Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of No Sale Transactions - Los Angeles, CA, LAX - Village Station (Project Number 19BFM003FCS000). The LAX - Village Station is in the Los Angeles District of the Pacific 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 Service retail associates (RA) can use the Retail Systems Software's (RSS)¹ "No Sale" administrative function to open the cash drawer, typically to exchange higher value currency for lower value currency dominations. The RA must make the following three selections in RSS to choose the No Sale option:

- Select the "Administration Functions>More" button then
- Select the "Systems Administration" button, then
- Select the "No Sale" button for the drawer to open.

Selecting the No Sale option is not accidental and gathers suspicion when done with any kind of frequency. Extremely high No Sale usage may indicate dubious trends or behaviors and allows unnecessary exposure to the contents of the RSS terminal drawer, which contains cash, checks, credit card information, stamps, and money orders.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified the Los Angeles, CA, LAX - Village Station with 1,136 No Sale transactions from December 1, 2017, through August 31, 2018. This represented 6 percent of the unit's total retail transactions and was one of the top 10 units in the Los Angeles District with the highest number of No Sale transactions for our scope period. During this same period, counts of the unit's retail floor stock² resulted in three financial shortages totaling \$7,559. In addition, the unit had three financial overages in the unit reserve stock³ totaling \$51,063, \$43,775 of which was the result of stamps being recovered following a fire that took place at the post office on May 6, 2017. Due to the fire, the unit had to be relocated to a different facility.

¹ The primary hardware and software system used to conduct retail sales transactions at post offices.

² Retail floor stock is a common inventory for use by retail employees who are not directly accountable for that inventory. It is the sum of display stock plus loose stock at a point of sale unit.

³ All stamps and stamped paper, and philatelic products that have not been consigned to a RA or other accountabilities within the unit.

Objective, Scope and Methodology

The objective of this audit was to determine whether No Sale transactions were monitored and managed effectively at the LAX - Village Station.

To determine whether No Sale transactions were monitored and managed effectively, we extracted and analyzed Enterprise Data Warehouse (EDW)⁴ system data for the 1,136 No Sale transactions recorded at the LAX - Village Station between December 1, 2017, and August 31, 2018. We reviewed the unit's records and interviewed unit personnel and Postal Service management.

We relied on computer-generated data from the EDW system. 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 October through December 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 November 15, 2018, and included their comments where appropriate.

Finding #1: No Sale Transactions

Unit management did not monitor and manage the 1,136 No Sale Transactions recorded at the unit. The acting unit supervisor stated she was not aware of the number of times RAs selected the No Sale option on the RSS terminal because she was not instructed to monitor and manage this category of transactions. In addition, the acting supervisor stated she is only on-site on a part-time basis to issue stamps since her regular duty station is at another post office.

The Postal Service currently has the RSS *Line Item Void and No Sale Report* which provides information such as the employee identification number and the number of times each employee selected the No Sale option by date which can be used as a tool to monitor No Sale transactions. However, the Postal Service does not have a policy that requires unit management to generate or review this report. The Committee of Sponsoring Organizations of the Treadway Committee⁵ framework requires risk to be controlled to provide assurance that financial transactions are reviewed and occurring

⁴ 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.

⁵ The model that has been adopted as the generally accepted framework for internal control and is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.

as planned to mitigate risk. In addition, the Postal Service's *Segmented Inventory Accountability (SIA) Best Practice*⁶ states retail unit supervisors and postmasters can take investigative action in case of dubious trends and behaviors, such as extremely high No Sale or void usage.

Cash is an easily negotiated liquid asset. Credit and debit card information is vulnerable to exploitation and misuse as well. Without proper monitoring of No Sale transactions, the LAX - Village Station has an increased risk of theft of funds, credit or debit card information, and stamp stock. The No Sale transactions and retail floor stock losses were the highest at this unit in May 2018. With the high value of retail floor stock losses, the high incidents of No Sale transactions, and the acting supervisor not on-site at the unit full-time, monitoring these activities can help reduce the risk of potential misconduct.

The OIG is currently performing audit work on No Sale Transactions in several locations. We are evaluating whether an organization-wide policy to monitor and manage No Sale Transactions would be appropriate to reduce the risk of intentional or unintentional improper activity. Therefore, we are not making a recommendation in this report.

Finding #2: Retail Floor and Unit Reserve Stock Counts

Unit management did not notify district management and the OIG of the retail floor and unit reserve stock counts with financial discrepancies greater than \$100. Specifically, unit management did not complete and submit Postal Service (PS) Form 571, Discrepancy of \$100 or More in Financial Responsibility, for two out-of-tolerance retail floor stock counts on May 24 and July 31, 2018 (see [Table 1](#)); and for three out-of-tolerance unit reserve stock counts on March 10, May 25, and August 5, 2018 (see [Table 2](#)). While the amounts were similar, we were unable to identify a relationship between the retail floor stock shortages and unit reserve stock overages since the differences were for different types of products.

⁶ EDW, Retail Data Mart, *SIA Best Practices - Retail Associate* report information page.

Table 1. Retail Floor Stock Counts

Count Date	Net Result ⁷
3/24/2018	(\$86)
5/24/2018	(6,963)
7/31/2018	(511)
8/3/2018	0
TOTAL	(\$7,559)

Source: Postal Service EDW and OIG analysis.

Table 2. Unit Reserve Stock Counts

Count Date	Net Result
3/10/2018	\$43,775 ⁸
3/24/2018	0
5/25/2018	6,400
8/5/2018	888
TOTAL	\$51,063

Source: EDW and OIG analysis.

The acting supervisor was unaware of the policy to complete the form for the retail floor and unit reserve stock counts exceeding the financial discrepancy limit, even though the acting supervisor had completed appropriate financial training.⁹

According to Postal Service policy,¹⁰ the postmaster, manager or supervisor must complete and submit PS Form 571 to the appropriate OIG office for discrepancies of \$100 or more, forward a copy to the district finance manager, file documents locally, and retain for two years. When applicable financial discrepancies are not evaluated and reported by the unit, the risk of improper activity, such as the exposure to cash theft and losses by Postal Service personnel, increases.

Recommendation #1: We recommend the Manager, Los Angeles District, reiterate to unit management the requirements to report financial discrepancies greater than \$100 to district management and the U.S. Postal Service Office of Inspector General.

⁷ The total is off due to rounding individual count results.

⁸ The amount of the stamps salvaged from the fire and ultimately recorded back into RSS during the actual count at the newly opened unit.

⁹ The acting supervisor completed Financial Stamp Stock Management and Daily Financial Reporting in April 2017.

¹⁰ Handbook F-101, *Field Accounting Procedures – Draft*, Section 14-2.7 and 13-3.7.d, May 2017.

This report has not yet been reviewed for release under FOIA or the Privacy Act. Distribution should be limited to those within the Postal Service with a need to know.

Management's Comments

Management agreed with the findings and the recommendation and that No Sale transactions could increase the risk of improper activity. However, they stated they will await further guidance from the OIG resulting from this and other similar audits, since there is not enough evidence linking retail floor stock losses or similar discrepancies to the use of No Sale Transactions.

Regarding financial discrepancies reporting, district management will reiterate to all units the requirements of reporting financial discrepancies over \$100, filing the document locally, and retaining it for two years. Management expects to issue a memorandum by December 31, 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 recommendation. The corrective action taken 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 1 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.

Appendix A: Management's Comments



November 27, 2018

Lazerick Poland
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: No Sale Transactions - Los Angeles, CA, LAX - Village Station
(Report Number FCS-FM-19-DRAFT, Project Number 19BFM003FCS000, dated
November 16, 2018)

Based on the objective of the audit, management agrees that the LAX – Village Station should monitor and manage No Sale Transactions. As the OIG is currently evaluating other similar audits across the organization, the LA District will await the findings from these audits.

Recommendation 1:

The OIG is currently performing audit work on No Sale Transactions in several locations. This includes evaluating whether an organization-wide policy to monitor and manage No Sale Transactions would be appropriate to reduce the risk of intentional or unintentional improper activity. Therefore, no recommendation is being made in this report.

Management Response/Action Plan:

Management will await further guidance offered by the OIG as there does not seem to be enough evidence that the cause of retail floor stock losses or similar discrepancies are linked to the use of No Sale Transactions. Management does agree that the use of No Sale Transactions could increase the risk of intentional or unintentional improper activity.

Target Implementation Date:

Not applicable until further notice.

Responsible Official:

Not applicable until further notice.

Recommendation 2:

We recommend the Manager, Los Angeles District, reiterate to unit management the requirements to report financial discrepancies greater than \$100 to district management and the U.S. Postal Service Office of Inspector General.

Management Response/Action Plan:

Management agrees with the recommendation. A memorandum will be sent out to all units reiterating the requirements of reporting financial discrepancies greater than \$100 to the USPS Office of Inspector General, forwarding a copy to District Finance, and

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filing the document locally and retaining for two years. This will be in-line with the accounting F-101 handbook which states that when documenting count results any discrepancy over \$100 must be submitted via PS form 571.

Target Implementation Date:
Memorandum – Dec 31, 2018

Responsible Official:
Dennis Chon – District Finance Manager



Ken Snavely
District Manager

cc: *Sally Haring*
Manager, Corporate Audit Response Management