



AUDIT REPORT

No Sale Transactions – Bloomfield, NJ, Main Office

February 6, 2019

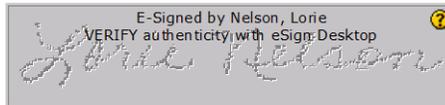


Report Number FCS-FM-19-004



February 6, 2019

MEMORANDUM FOR: MICHAEL P. DEIGNAN
ACTING MANAGER, NORTHERN NEW JERSEY
DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – No Sale Transactions -
Bloomfield, NJ, Main Office
(Report Number FCS-FM-19-004)

This report presents the results of our audit of No Sale Transactions - Bloomfield, NJ, Main Office (Project Number 19BFM004FCS000).

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 Response Management

Background

This report presents the results of our self-initiated audit of No Sale Transactions - Bloomfield, NJ, Main Office (Project Number 19BFM004FCS000). The Bloomfield, NJ, Main Office is in the Northern New Jersey District of the Northeast 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 denominations. 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, and then
- Select the "No Sale" button for the drawer to open.

Selection of 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 5,158 No Sale transactions at the Bloomfield Main Office from October 1, 2017, through September 30, 2018. This represented 5.9 percent of the 87,975 total transactions recorded at the unit during this time frame. During this same period, two counts of the unit's retail floor stock² resulted in a net financial shortage of \$1,194 (see [Table 1](#)). In addition, the unit had four counts of unit reserve stock³ that resulted in a net financial shortage of \$420 (see [Table 2](#)).

Objective, Scope and Methodology

The objective of this audit was to determine whether No Sale transactions were monitored and managed effectively at the Bloomfield, NJ, Main Office.

To determine whether No Sale transactions were monitored and managed effectively, we extracted and analyzed Postal Service Enterprise Data Warehouse (EDW)⁴ data for the 5,158 No Sale transactions recorded at the Bloomfield, NJ, Main Office between

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

² 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 the point of sale.

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

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.

October 1, 2017, and September 30, 2018. We reviewed the unit's records and conducted interviews of 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 assessed 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 2018 through February 2019, 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 audit objective. We discussed our observations and conclusions with management on December 18, 2018, and included their comments where appropriate.

Finding #1: No Sale Transactions

Unit management did not monitor and manage the 5,158 No Sale Transactions recorded at the unit. The Officer-in-Charge stated her main focus was delivery because she had a retail supervisor. The Customer Service Supervisor added that he looks at the No Sales report that prints with the Postal Service (PS) Form 1412, *Daily Financial Report*,⁵ if he is closing the unit, which is about once a month, but he does not actively manage the No Sale transactions. The OIG identified that on four dates, one RA recorded more than 10 consecutive No Sale Transactions:

- 11 transactions on November 27, 2017.
- 41 transactions on January 18, 2018.
- 66 transactions on February 16, 2018.
- 17 transactions on March 1, 2018.

The Postal Service currently has the *RSS Line Item Void and No Sales 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 Commission framework⁶ Principle Number 10 states the organization develops control activities to mitigate risks to acceptable levels. Further, Principle Number 12 states the organization deploys control activities through policies that establish what is expected and procedures that put policies into action. In addition, the Postal Service's *Segmented Inventory*

⁵ Provides individual retail associates and retail units with a uniform method to report financial transactions.

⁶ 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.

*Accountability (SIA) Best Practice*⁷ 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. The postmaster or field unit manager is responsible for overseeing field unit operations⁸ and is expected to maintain an alertness to situations that could prompt personnel to engage in illegal or dishonest acts.⁹

The RAs we interviewed at the unit stated the No Sale function was used to access the cash drawer to make change for other RAs or customers, to request or receive cash from the unit cash reserve, verify there are sufficient funds to cash a customer's money order, or to correct an error in change given to a customer. However, No Sale Transactions can be evidence of potential misconduct and exposes the Bloomfield Main Office to increased risk of theft of funds, credit or debit card information and stamp stock. At this time, we are unable to directly connect the retail floor stock shortages totaling \$1,194 with the No Sale Transactions during the scope period. However, monitoring No Sale Transactions could act as a secondary control when other controls, such as conducting stamp stock counts, are not being followed. Cash is an easily negotiated liquid asset and credit and debit card information is vulnerable to exploitation and misuse as well. Proper monitoring of No Sale Transactions can alert management of potentially risky behaviors.

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 conduct retail floor stock counts when required. Specifically, the unit did not conduct counts of the retail floor stock during fiscal year 2018 quarters two¹⁰ and three,¹¹ as required. Further, the retail floor stock count conducted on December 21, 2017, resulted in a shortage variance of \$1,514, which was out-of-tolerance; therefore, a count of the unit reserve stock should have been conducted that day.

In addition, unit management did not properly comply with policies to complete or maintain required Postal Service (PS) forms. Specifically, the unit did not have required copies of PS Form 3368-P, *Accountability Examination Record*,¹² on site for the unit reserve stock and retail floor stock counts. Further, unit management did not complete

⁷ EDW, Retail Data Mart, SIA Best Practices - Retail Associate Report Information Page. SIA is a financial concept used at postal retail units with RSS terminals. Each unit consists of a Unit Reserve Stock, cash credit segments, stamp stock segments, and a shared Retail Floor Stock. This concept separates cash from stamp stock in retail credits.

⁸ Handbook F-101, *Field Accounting Procedures – Draft*, May 2017, Section 2-4.

⁹ Handbook F-1, *Accounting and Reporting Policy*, January 2015, Section 2-5.1.

¹⁰ January through March 2018.

¹¹ April through June 2018.

¹² Provides a summary of the results for all inventory counts at the post office for the last two years.

and submit PS Form 571, *Discrepancy of \$100 or More in Financial Responsibility*, for two retail floor stock counts (see Table 1) and two unit reserve stock counts (see Table 2) that resulted in out-of-tolerance variances.

Table 1. Retail Floor Stock Counts

Count Date	Net Result ¹³
12/21/2017	(\$1,514)
8/15/2018	\$320
TOTAL	(\$1,194)

Source: Postal Service EDW and OIG analysis.

Table 2. Unit Reserve Stock Counts

Count Date	Net Result
11/14/2017	(\$7,840)
11/17/2017	\$7,497
6/26/2018	\$15
8/15/2018	(\$92)
TOTAL	(\$420)

Source: EDW and OIG analysis.

The Officer-in-Charge stated she arrived at the unit in January 2018 and was focused on bigger issues, so she relied on the Customer Service Supervisor to conduct stamp counts. However, the supervisor was on extended medical leave from January through July 2018, so he could not explain why the counts were not done. The supervisor stated he knew he needed to count the unit reserve stock when the retail floor stock exceeded the threshold but did not, due to an oversight. He was also aware of the requirement to complete and maintain PS Forms 571 and 3368-P, but said he did not complete the forms due to an oversight.

According to Postal Service policy,¹⁴ retail floor stock must be counted every postal quarter¹⁵ and, if the result of the retail floor stock count exceeds the inventory variance of 0.1 percent since the last count, a count of the unit reserve stamp stock credit must also be completed concurrently, before any unit reserve transactions take place. Postal Service policy¹⁶ states the postmaster, manager, or supervisor is responsible for establishing and maintaining a file for each stamp credit, including PS Form 3368-P. Policy¹⁷ also states 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

¹³ All amounts are rounded to the nearest whole dollar amount.

¹⁴ Handbook F-101, Sections 13-9.1 and 13-4b.

¹⁵ Postal Quarter 1: October 1 - December 31; Quarter 2: January 1, - March 31; Quarter 3: April 1 – June 30; and Quarter 4: July 1 – September 30.

¹⁶ Handbook F-101, Section 13-1.3.

¹⁷ Handbook F-101, Section 14-2.7 and 13-3.7d.

Service personnel, increases. If stamp stock inventory files are not maintained and updated at the unit, it may be difficult to identify trends or timely address shortages of Postal Service unit reserve stock and retail floor stock inventories.

As a result of our audit, the unit has begun recording stamp stock count results on the PS Form 3368-P for the Unit Reserve Stock and Retail Floor Stock counts. Therefore, we are not making a recommendation for that issue at this time.

Recommendation #1: We recommend the Acting Manager, Northern New Jersey District, reiterate to Bloomfield, NJ Main Office unit management the requirements to conduct retail floor stock and unit reserve stock counts when required.

Recommendation #2: We recommend the Acting Manager, Northern New Jersey 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's Comments

Management agreed with the findings and recommendations. The Acting District Finance Manager reviewed Handbook F-101 with Bloomfield Main Office unit management on December 27, 2018. District management emphasized the Field Unit Manager's daily, weekly, monthly, quarterly, semi-annual and annual responsibilities to ensure financial compliance; and stock audit compliance measures including count frequency, documentation requirements, and actions to resolve employee shortages.

Management also focused on the requirements for PS Form 571, and all attendees received handouts of applicable Handbook F-101 sections to use for future reference. District management answered all questions and made everyone aware of the compliance expectations. District management included a copy of the training log in the response to the OIG.

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 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. Based on our evaluation of the training logs provided separately, we consider recommendations 1 and 2 closed with the issuance of this report.

Appendix A: Management's Comments



January 7, 2019

LAZERICK POLAND
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – No Sale Transactions – Bloomfield, NJ –
Report Number FCS-FM-19-DRAFT

Thank you for the opportunity to respond to the Office of Inspector General's audit of No Sale Transactions – Bloomfield NJ. Northern New Jersey District concurs that existing procedures for Retail Floor and Unit Reserve Stock Counts must be followed to reduce the risk of improper activity and has taken the measures below in response to the OIG's Recommendations.

It should be noted though that through the Office of Inspector General's own admission during the Exit Conference and written acknowledgement in the Draft Report (Page 3) that they were "unable to directly connect the retail floor stock shortages totaling \$1,194 with the No Sale Transactions during the scope period".

Recommendation #1:

We recommend the Acting Manager, Northern New Jersey District, reiterate to Bloomfield, NJ Main Office unit management the requirements to conduct retail floor stock and unit reserve stock counts when required.

Management Response/Action Plan:

We agree with the recommendation. The (A) District Finance Manager reviewed Handbook F-101 with Bloomfield NJ Main Office unit management which included the Postmaster and Supervisor Customer Services. Specifically, Section 2 – ROLES AND RESPONSIBILITIES, was reviewed placing strong emphasis on the Field Unit Manager's daily, weekly, monthly, quarterly, semiannual, and annual responsibilities to ensure financial compliance. Additionally, the (A) District Finance Manager reviewed Section 13 – STAMP STOCK AND CASH CREDITS, with Unit Management placing strong emphasis on stock audit compliance measures including count frequency, documentation requirements, and actions to resolve employee shortages. All attendees received hard copy handouts of the F-101, Sections 2 & 13 to be utilized for future reference. Also, during the meeting, all questions were answered and everyone was made fully aware of the compliance expectations going forward. This training was documented on PS Form 2548 and is being provided to the OIG as supporting documentation.

Target Implementation Date:
December 27, 2018

Responsible Official:
(A) District Finance Manager

Recommendation #2:

We recommend the Acting Manager, Northern New Jersey 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:

We agree with the recommendation. The (A) District Finance Manager reviewed Handbook F-101 with Bloomfield NJ Main Office unit management which included the Postmaster and Supervisor Customer Services. Specifically, the (A) District Finance Manager reviewed Section 13 – STAMP STOCK AND CASH CREDITS, with unit management placing strong emphasis on stock audit compliance measures including count frequency, documentation requirements, and actions to resolve employee shortages. Specific focus was placed on the requirements for the PS Form 571, Discrepancy of \$100 or More in Financial Responsibility. All attendees received hard copy handouts of the F-101, Section 13 to be utilized for future reference. Also, during the meeting, all questions were answered and everyone was made fully aware of the compliance expectations going forward. This training was documented on PS Form 2548 and is being provided to the OIG as supporting documentation.

Target Implementation Date:
December 27, 2018

Responsible Official:
(A) District Finance Manager



Michael P. Deignan
(A) District Manager, Northern New Jersey

cc: VP Area Operations (Northeast)
(A) Controller (Northeast)
Finance Manager (Northern New Jersey)
Manager, Corporate Audit Response Management

