



Office of Inspector General | United States Postal Service

Audit Report

Internal Controls Over No Sale Transactions

Report Number FT-AR-19-007 | July 17, 2019



Table of Contents

- Cover
- Highlights..... 1
 - Objective 1
 - What the OIG Found..... 1
 - What the OIG Recommended 2
- Transmittal Letter 3
- Results..... 4
 - Introduction/Objective 4
 - Background..... 4
 - Finding #1: Internal Control Opportunities 4
 - Recommendation #1 7
 - Management’s Comments..... 7
 - Evaluation of Management’s Comments 7
- Appendices 8
 - Appendix A: Additional Information..... 9
 - Scope and Methodology..... 9
 - Prior Audit Coverage 10
 - Appendix B: Management’s Comments..... 11
- Contact Information 12

Highlights

Objective

The objective of this audit was to identify opportunities to enhance controls used by headquarters organizations to monitor No Sale transactions.

U.S. Postal Service retail associates (RA) can use the Retail Systems Software's No Sale administrative function to open the cash drawer, typically to exchange higher value currency for lower value currency denominations. The RA must make three selections in the system to choose the No Sale option; therefore, selection of the No Sale option is not accidental and gathers suspicion when done with frequency. Extremely high No Sale transactions may indicate dubious trends or behaviors.

During fiscal years 2018 and 2019, the U.S. Postal Service Office of Inspector General (OIG) issued five reports regarding No Sale transactions. From this body of work, we made six recommendations, and all are closed. We used data analytics to identify locations that recorded a high number of No Sale transactions. We reported that unit management did not monitor or manage No Sale transactions recorded during the respective scope period. We also noted that the Postal Service has a report that identifies the daily use of the No Sale function by RAs and can be used as a tool to monitor No Sale transactions. However, the Postal Service did not have a policy that required unit management to generate or review the report. Because of the similar results in each audit, we evaluated 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.

What the OIG Found

Opportunities exist to develop internal controls to monitor No Sale transactions. Several reports already exist, which could be incorporated into policies and procedures to provide a cost-effective solution for monitoring and managing No Sale transactions.

Postal Service Headquarters personnel stated there is no policy regarding No Sale transactions and they do not actively monitor No Sale transactions.

In addition, headquarters management has not instructed area and district management to monitor No Sale transactions. However, area and district management were trained on and are expected to periodically review a report that includes No Sale activity.

We also noted best practices used by the Capital Metro Area and the Capital, Central Illinois, and Connecticut Valley districts to monitor and manage No Sale transaction activity including:

- Limiting the number of No Sale transactions that could be processed,
- Requiring supervisor approval for No Sale transactions,
- Maintaining a No Sale transaction log, and
- Reviewing reports of No Sale activity.

The No Sale function provides employees the ability to open the cash drawer without a customer transaction, which could give the employee access to Postal Service funds for their personal use. While it is not typically the sole mechanism identified in OIG financial embezzlement investigations, its use, together with other financial control failures, could be a contributing factor in Postal Service retail cash and stamp stock losses. A recent OIG investigation involving No Sale transactions resulted in an employee's admission of using the No Sale key to disguise the theft of about \$23,000. Two additional OIG investigations involving the No Sale function identified over \$34,000 in losses and resulted in the prosecution and resignation of the employees. In one case, the retail associate operated the scheme over a two-year period.

“ A recent OIG investigation involving No Sale transactions resulted in an employee’s admission of using the No Sale key to disguise the theft of about \$23,000.”

As a result of this audit, Capital Metro Area and Capital District management resumed their efforts to monitor No Sale transactions and reiterated threshold guidance to their staff. Capital District management also plan to review the retail diagnostics reports for No Sale activity. Further, Connecticut Valley District management stated they intend to implement controls relative to No Sale transactions and monitor the transactions on a consistent basis.

What the OIG Recommended

We recommended the Vice President, Controller, coordinate with the Manager, Revenue & Field Accounting, to develop a policy to monitor No Sale transactions, considering the existing available reports and best practices used by area and district personnel.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

July 17, 2019

MEMORANDUM FOR: CARA M. GREENE
VICE PRESIDENT, CONTROLLER

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop 


FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance & Pricing

SUBJECT: Audit Report – Internal Controls Over No Sale Transactions
(Report Number FT-AR-19-007)

This report presents the results of our audit of the Internal Controls Over No Sale Transactions (Project Number 19BFM011FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, Director, Finance, or me at 703-248-2100.

Attachment

cc: Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of Internal Controls Over No Sale Transactions (Project Number 19BFM011FCS000). The objective of our audit was to identify opportunities to enhance controls used by headquarters organizations to monitor No Sale transactions.

U.S. 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 should gather suspicion when done with any kind of frequency. The No Sale function was specifically designed as a three-step process with the sole purpose of making change for larger bills. Extremely high No Sale transactions may indicate dubious trends or behaviors. Excessive No Sale transactions allows unnecessary exposure to the contents of the RSS terminal drawer, which contains cash, checks, credit card receipts, stamps, and money orders.

Background

During fiscal years (FY) 2018 and 2019, the U.S. Postal Service Office of Inspector General (OIG) issued five reports regarding No Sale transactions. We used data analytics to identify sites that recorded a high number of No Sale transactions. We reported that unit management did not monitor or manage No Sale transactions recorded during the respective scope periods.² They stated No Sale transactions was not a category they were instructed to monitor

and manage, and they were focused on other operations. We noted that the Postal Service 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. This report can be used as a tool to monitor No Sale transactions. However, the Postal Service did not have a policy that required unit management to generate or review this report.

Management agreed that No Sale transactions could increase the risk of improper activity. However, they did not believe there was sufficient evidence linking retail floor stock losses or similar discrepancies to the use of No Sale transactions.

Because of the similar results in each audit, we evaluated 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.

Finding #1: Internal Control Opportunities

Opportunities exist to develop internal controls to monitor No Sale transactions. Several reports already exist, which could be incorporated into policies and procedures to provide a cost-effective solution for monitoring and managing No Sale transactions. Specifically:

- The *No Sale Transactions by Retail Unit* report in the Enterprise Data Warehouse (EDW)³ identifies abnormally high frequency in the use of the No Sale function.

“ Selection of the No Sale option is not accidental and should gather suspicion when done with any kind of frequency.”

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

² Employees at the five sites visited stated they used the No Sale function for various reasons, including making change and verifying funds to cash money orders.

³ 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.

- The *SIA Best Practices - Retail Associate* and *SIA Best Practices - Retail Unit* reports in EDW identify key retail unit performance metrics such as dubious No Sale trends and behaviors like extremely high No Sale usage.
- The *Line Item Void and No Sale Report* in RSS identifies the daily use of the No Sale function by RA.

Postal Service Headquarters personnel stated there is no policy regarding No Sale transactions and they do not actively monitor No Sale transactions. They stated a direct connection between No Sale transactions and financial losses has to exist to develop internal controls over No Sale transactions. Further, they stated the benefits of implementing controls need to outweigh the costs.

In addition, headquarters management has not instructed area and district management to monitor No Sale transactions. However, the acting manager, Retail Operations, stated that training on the *Sales & Service Retail Diagnostics* (retail diagnostics)⁴ report was provided to the areas and districts in January 2017, during which No Sale transactions were discussed as a component of the report. Area and district management are expected to review the entire report daily and respond accordingly. 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 as planned to mitigate risk.

We also noted best practices used by the Capital Metro Area and the Capital, Central Illinois, and Connecticut Valley Districts to monitor and manage No Sale transaction activity:

- Capital Metro Area management established a threshold guideline of five No Sale transactions per week per RA at each retail unit. This threshold was reiterated through memos distributed by the area vice president and acting area controller on May 10 and 13, 2019, after our site visit. Capital District management established a threshold guideline of no more than five No Sale transactions per week at each retail unit. Our data showed the eight districts in the Capital Metro Area were among the nine districts in the country with the fewest No Sale transactions from October 1, 2018, through March 31, 2019 (see [Table 1](#)).

“ Our data showed the eight districts in the Capital Metro Area were among the nine districts in the country with the fewest No Sale transactions from October 1, 2018, through March 31, 2019.”

⁴ An application used to quickly review and identify opportunities to increase performance and efficiency for all Function 4 workhours/staffing, customer visits/transactions, and retail lobby technology. Function 4 workhours are the nonsupervisory hours of employees involved in the distribution of mail, retail window and vending equipment services, and miscellaneous administrative operations.

⁵ A 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.

Table 1. Districts with the Fewest No Sale Transactions

District	Number of No Sale Visits	Number of Total Transactions	No Sale Transactions as Percentage of Total
Greater South Carolina	7,597	8,617,977	0.1%
Capital	10,316	7,593,580	0.1%
Northern Virginia	12,068	5,942,795	0.2%
Baltimore	13,505	7,752,246	0.2%
Richmond	20,513	8,842,411	0.2%
Atlanta	21,861	13,150,478	0.2%
Alaska	24,130	2,741,912	0.9%
Mid-Carolinas	29,591	11,957,943	0.2%
Greensboro	32,938	10,394,174	0.3%

Source: Postal Service EDW and OIG analysis.

- Capital Metro Area management required supervisory approval of a No Sale transaction before the transaction could be completed in RSS.
- Capital Metro Area management required RAs to record each No Sale transaction in a No Sale transaction log. Unit management were also required to review the No Sale transaction log and other reports daily.
- Capital District management generated EDW reports after month-end to identify the total No Sale transactions for each retail unit. While this practice has not been enforced in the last few years, they reiterated this policy to their staff on May 3, 2019, via emails, after our site visit.

- Central Illinois District management required retail units to review the *Line Item Void and No Sale Transaction Report* for any abnormal activity after closing the unit for the day.
- Connecticut Valley District management periodically reviewed the No Sale data in the retail diagnostics report and followed up with the unit as to the reason for any abnormal activity. Further, management educated retail units on the correct procedure⁶ to check funds on hand before cashing money orders rather than using the No Sale function.

The No Sale function provides employees the ability to open the cash drawer without a customer transaction, which could give the employee access to Postal Service funds for their personal use. While it is not typically the sole mechanism identified in OIG financial embezzlement investigations, its use, together with other financial control failures, could be a contributing factor in Postal Service retail cash and stamp stock losses. A recent OIG investigation involving No Sale transactions resulted in an employee’s admission of using the No Sale key to disguise the theft of about \$23,000. Two additional OIG investigations identified over \$34,000 in losses and resulted in the prosecution and resignation of the employees. In these cases, the lead sales and service associate used the No Sale function to open the cash drawer and convert Postal Service funds to their personal use. In one case, the associate operated the scheme over a two-year period.

“ The No Sale function provides employees the ability to open the cash drawer without a customer transaction, which could give the employee access to Postal Service funds for their personal use.”

⁶ The View Available Cash function is a two-step process, by selecting the Money Orders button, then the Cashing Services > Show Cash button.

As a result of this audit, the Capital Metro Area and Capital District management resumed their efforts to monitor No Sale transactions and reiterated threshold guidance to their staff. Capital District management also plan to review the retail diagnostics reports for No Sale activity. Further, Connecticut Valley District management stated they intend to implement controls relative to No Sale transactions and monitor the transactions on a consistent basis.

Recommendation #1

We recommend the **Vice President, Controller**, coordinate with the **Vice President, Delivery and Retail Operations**, to develop a nationwide policy to monitor No Sale transactions, considering the existing available reports and best practices used by area and district personnel.

Management's Comments

Management agreed with the finding and recommendation. The Vice President, Controller, will work with the Vice President, Delivery and Retail Operations, to develop and implement a nationwide policy to monitor No Sale transactions by January 1, 2020. This policy will balance the cost of implementation, including the impact to customer wait-time-in-line, versus the residual risk after considering existing financial controls.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation in the report. The corrective actions planned should resolve the issues identified in the report.

The recommendation requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when the corrective action is completed. Recommendation one 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.

Appendices

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information.....	9
Scope and Methodology	9
Prior Audit Coverage	10
Appendix B: Management’s Comments.....	11

Appendix A: Additional Information

Scope and Methodology

To determine whether No Sale transactions were monitored and managed effectively, we extracted and analyzed EDW system data for all No Sale transactions recorded between October 1, 2018, and March 31, 2019. We also reviewed prior audit reports and completed investigations involving No Sale transactions.

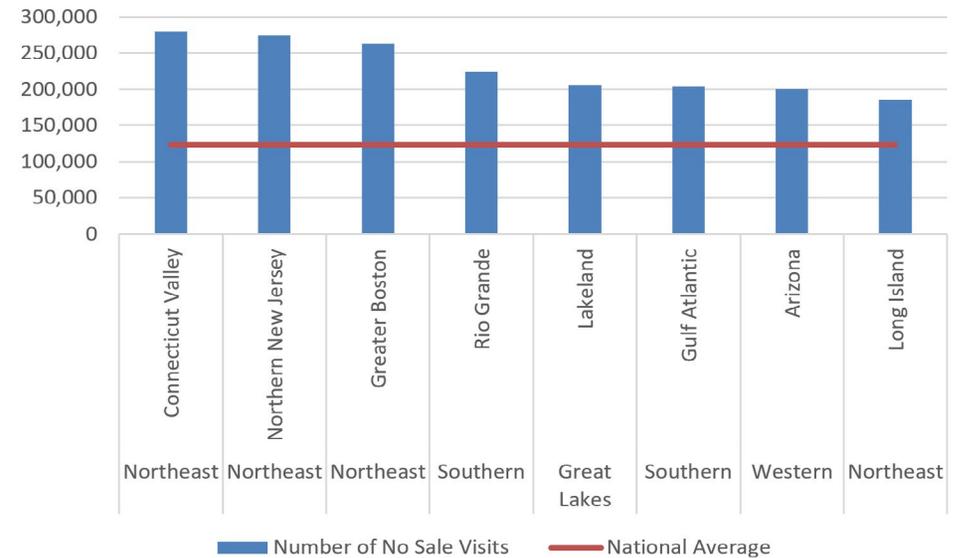
We judgmentally selected the Capital Metro and Great Lakes Areas, as well as the Capital and Central Illinois districts, for review due to their proximity to our OIG audit offices. We then expanded our scope to include the Northeast Area and the Connecticut Valley District. The data we generated from EDW showed the Northeast Area had the highest number of No Sale transactions during our scope period (see Table 2), and the Connecticut Valley District had the greatest number of No Sale transactions above the national average⁷ (see Chart 1).

Table 2. Number of No Sale Transactions by Area

Postal Area	Total Number of No Sale Transactions
Northeast	1,829,594
Southern	1,749,716
Western	1,385,878
Eastern	1,255,680
Great Lakes	1,027,849
Pacific	886,406
Capital Metro	148,389
Total	8,283,512

Source: Postal Service EDW and OIG analysis.

Chart 1. Top Eight Districts with the Most No Sale Transactions Above the National Average



Source: Postal Service EDW and OIG analysis.

We conducted this performance audit from April through July 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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on June 21, 2019, and included their comments where appropriate.

We relied on computer-generated data from EDW. We used this data to identify the areas and districts with the highest number of No Sale transactions during the scope period. We did not test the validity of controls over this

⁷ We calculated the national average by totaling all No Sale transactions for all districts during the scope period (8,283,512) and dividing it by 67, the number of Postal Service districts.

system; however, we verified the accuracy of the data by ensuring there were no duplicate items and interviewing knowledgeable Postal Service personnel. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date
<i>No Sale Transactions - Bloomfield, NJ, Main Office</i>	Determine whether No Sale transactions were monitored and managed effectively at the Bloomfield, NJ, Main Office.	FCS-FM-19-004	February 6, 2019
<i>No Sale Transactions - Bainbridge Island, WA, Station</i>	Determine whether No Sale transactions are monitored and managed effectively at the Bainbridge Island, WA, Station.	FCS-FM-19-003	December 7, 2018
<i>No Sale Transactions - Los Angeles, CA, LAX - Village Station</i>	Determine whether No Sale transactions were monitored and managed effectively at the LAX - Village Station.	FCS-FM-19-002	December 7, 2018
<i>No Sale Transactions - Dallas, TX, Mockingbird Finance Station</i>	Determine whether No Sale transactions are monitored and managed effectively at the Dallas, TX, Mockingbird Finance Station.	FCS-FM-19-001	November 21, 2018
<i>No Sales Transactions - Brooklyn, NY, New Lots Station</i>	Determine whether No Sales transactions are monitored and managed effectively at the Brooklyn, NY, New Lots Station.	FCS-FM-18-021	July 24, 2018

Appendix B: Management's Comments

CARA M. GREENE
VICE PRESIDENT, CONTROLLER



July 9, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over No Sale Transactions
(Report Number FT-AR-19-Draft)

Management agrees with the findings and recommendation presented in the OIG's report and notes that existing financial controls have been effective in reducing risks to an immaterial level and in a manner that appropriately balances the cost of control implementation against the benefits provided by the risks being mitigated. The recommendation provided by the OIG will add to our existing suite of financial controls.

Recommendation #1:

We recommend the Vice President, Controller, coordinate with the Vice President, Delivery and Retail Operations, to develop a nationwide policy to monitor No Sale transactions, considering the existing available reports and best practices used by area and district personnel.

Management Response/Action Plan:

The Vice President, Controller will work collaboratively with the Vice President, Delivery and Retail Operations, to develop a nationwide policy to monitor No Sale transactions, considering the existing available reports and best practices used by area and district personnel. The policy will balance the cost of implementation, including the impact to customer wait time in line, versus the residual risk after considering our existing financial controls.

Target Implementation Date:

January 2020

Responsible Official:

Sean Knepper, Manager, Revenue and Field Accounting

A handwritten signature in blue ink, appearing to read "Cara M. Greene".

Cara M. Greene
Vice President, Controller

cc: audittracking@usps.oig.gov
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