



AUDIT REPORT

Internal Controls Over Single Drawer Accountability - Bivalve, MD, Post Office

May 19, 2017



Report Number FT-FM-17-019



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Accountability – Bivalve, MD, Post Office**
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BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) used data analytics to identify post offices with cash and stamp stock shortages. Our analytics showed the Bivalve, MD, Post Office, a remotely managed post office (RMPO), had a shortage of \$3,243 or 65 percent of the office's total authorized limit of \$5,000 for cash and stamp stock.

An RMPO offers part-time window service hours, staffed by Postal Service employees who operate from a Single Drawer Accountability (SDA). An SDA is comprised of stamp stock, cash, and money orders specifically assigned to the office, which is overseen by an administrative post office.

The objective of this audit was to review internal controls to reduce the risk of stamp stock and cash shortages at the Bivalve Post Office.

WHAT THE OIG FOUND:

Internal controls to reduce stamp stock and cash shortages at the Bivalve Post Office needed improvement.

We determined the \$3,243 shortage was due to a burglary. However, the administrative post office postmaster (postmaster) did not notify the OIG about the shortage as required because she was not aware the requirement applied to burglaries. Further, the postmaster did not secure all door keys and the vault combination or replace

bait money orders stolen during the burglary.

The postmaster stated she lost track of door key and vault combination assignments and forgot to replace bait money orders.

In addition, the postmaster did not retain required financial documents, and the sales and service associate (SSA) did not always accurately and timely report daily financial transactions, make timely deposit funds, or charge the current price for rolls of stamps.

The postmaster and the SSA were trained but unaware of the requirements for documentation retention and financial reporting. Further, the SSA stated she was aware of some of her errors but did not request assistance to correct them because she was concerned about job security.

If controls over cash and stamp stock are not followed, there is an increased risk the financial records could be misstated and theft could occur without detection.

As a result of this audit, management changed the door locks and vault combination, replaced the bait money orders and created a log to track the distribution of keys and vault combination. Also, management trained the SSA in March 2017.

WHAT THE OIG RECOMMENDED:

We recommended management instruct the postmaster to notify the OIG of all shortages of \$100 or more at this office. We also recommended management reiterate the documentation retention policy and verify employees accurately record financial transactions, timely deposit funds, and sell rolls of postage stamps at the current rate.

[Link to review the entire report](#)



May 19, 2017

MEMORANDUM FOR: DANE A. COLEMAN
ACTING MANAGER, BALTIMORE DISTRICT

E-Signed by Lorie Nelson 
VERIFY authenticity with eSign Desktop
Lorie Nelson

FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Single Drawer
Accountability – Bivalve, MD, Post Office
(Report Number FT-FM-17-019)

This report presents the results of our audit of the Internal Controls Over Single Drawer Accountability – Bivalve, MD, Post Office (Project Number 17BFM011FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna Smith, acting deputy director, Financial Controls, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our self-initiated audit of Internal Controls Over Single Drawer Accountability (SDA) at the Bivalve, MD, Post Office (Project Number 17BFM011FT000). The Bivalve Post Office is in the Baltimore 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.

We reviewed financial transactions and supporting documentation from January 1, 2016, through January 31, 2017. We conducted a count of the stamp stock and cash, extracted and analyzed financial data, reviewed applicable policies and procedures, and interviewed personnel responsible for overseeing stamp stock and cash at the office.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).¹ We did not test the validity of controls over this system; however, we verified the accuracy of the data by tracing selected information to supporting source records and confirming our analysis and results with Postal Service managers. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from February through May 2017, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 13, 2017, and included their comments where appropriate.

Internal Controls Over Stamp Stock and Cash

Internal controls to reduce the risk of stamp stock and cash shortages at the Bivalve Post Office, a remotely managed post office (RMPO), needed improvement. The administrative post office postmaster² (postmaster) did not notify the U.S. Postal Service Office of Inspector General (OIG) of a \$3,243 stamp stock and cash shortage, properly secure Postal Service property, replace stolen bait money orders, or retain required financial documentation. In addition, the sales and service associate (SSA) did not always accurately and timely record daily financial transactions or accurately price rolls of postage stamps.

¹ 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.

² The administrative post office postmaster is responsible for oversight of SDA offices.

If controls over cash and stamp stock are not followed, there is an increased risk the financial records could be misstated and theft could occur without detection.

Stamp Stock and Cash Shortage

We verified the \$3,243 shortage was related to a burglary at the office that occurred in July 2016, during non-business hours. The postmaster followed the policy to notify the U.S. Postal Inspection Service of the burglary; however, she did not complete Postal Service (PS) Form 571, *Discrepancies of \$100 or More in Financial Responsibility*, to notify the OIG as required.³ The postmaster stated she was not aware the requirement applied to burglaries.

Building and Asset Security

The postmaster did not properly secure all building keys and the vault combination or replace stolen bait money orders. For example:

- The postmaster did not know the number of building keys distributed to Postal Service employees. She was also unaware of the number of duplicate keys maintained at the unit and the names of all employees with access to the vault combination. Postal Service policy states the RMPO employee must provide adequate security for all accountable items. It also requires the administrative post office postmaster to maintain a set of building keys in a safe location and the vault combination in a duplicate key envelope in a secured location.⁴
- The postmaster stated during August and September 2016, the Bivalve Post Office did not have a permanently assigned SSA. Therefore, she provided a door key and the vault combination to multiple temporary SSAs and lost track of the key and vault combination assignments. Accordingly, we considered the cash and stamp stock (valued at \$2,157.56) and the 98 money orders (valued at \$5,114.44⁵) on site during our visit, at risk.
- The postmaster did not replace bait money orders stolen during the burglary. Postal Service policy states bait money orders are assigned by the postmaster. Three bait money orders must be maintained with the large bills in each cash drawer.⁶ The postmaster stated she forgot to replace the stolen bait money orders.

³ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 24-7.4.

⁴ Handbook F-101, Section 24-14.2.1 and 24-14.2.2.

⁵ From January 1, 2016, through January 31, 2017, fraudulently cashed postal money orders had an average value of \$719.37 per money order. We calculated the 98 money orders have a potential value of \$70,498.26. However, only 7.25 percent of fraudulent money orders were cashed at Postal Service locations. As a result, we valued the 98 money orders at \$5,114.44. We obtained the average value of fraudulently cashed money orders and the percentage cashed at Postal Service locations from the Postal Service's fiscal year (FY) 2016 through FY 2017 Fraud Reports, maintained by the General Accounting Branch at St. Louis, MO, Accounting Services.

⁶ Handbook F-101, Section 24-4.3, and Publication 348, *Window Services Crime Prevention Booklet*, Chapter 3, dated October 2008.

The manager, Postal Office Operations, stated the door locks and vault combination were changed after the burglary; however, she was unable to provide the maintenance documentation. On March 9, 2017, she submitted a work order to change the locks and vault combination and included a copy in her files. She also created a duplicate key log to record and track the keys and vault combination assigned to employees. Finally, she placed an order for bait money orders.

Document Retention

The postmaster did not retain financial documents as required. Specifically, she was unable to provide:

- PS Form 3368, *Accountability Examination Record*, to log stamp stock and cash counts.
- PS Form 3294, *Cash and Stamp Stock Count and Summary*, for the cash and stamp count conducted on October 20, 2016, when she started working at the office.
- Support documentation for PS Form 7381, *Requisitions for Supplies, Services, or Equipment*, for six purchases of supplies made between January 16, 2016, and January 23, 2017, valued at \$179.

Postal Service policy states SDA offices must maintain the cash and stamp stock count sheets, accountability examination records and approved requisitions for supplies, services or equipment for two years.⁷ The postmaster was trained in June 2015, however, she stated she was not aware of the documentation retention requirements.

Daily Financial Transactions

The SSA did not always accurately and timely record daily financial transactions. From January 16, 2016, to January 17, 2017, the SSA made 63 financial reporting errors (see [Table 1](#)). Specifically, the SSA did not always:

- Deposit daily funds when the cash on-hand amount exceeded \$100 (14 days). Postal Service policy states the RMPO should consolidate funds generated from daily transactions into one bank deposit and must not make bank deposits for less than \$100.⁸ Accounting Services⁹ in Eagan, MN, periodically notifies Postal Service retail units when they have not made required bank deposits after five consecutive days. The Eagan ASC notified the postmaster in November 2016 that required bank deposits at Bivalve Post Office were not being made, and the SSA made a bank deposit on November 23, 2016. However, we identified five days between December 2016 and January 2017 where the unit's on-hand cash exceeded \$100 and bank

⁷ Handbook F-101, Sections 24-7 and Appendix D.

⁸ Handbook F-101, Section 24-8.

⁹ Accounting Services manages accounting processes and procedures in three locations (Eagan, MN; St. Louis, MO; and San Mateo, CA) and the Accounting Center Support group, which consists of the Accounting Help Desk and Accounting Service Management.

deposits were not made. The postmaster stated she was not aware this situation had occurred again, and she did not receive additional notifications from the ASC.¹⁰

- Closeout the office’s daily transactions on the date of occurrence (10 days). Postal Service policy requires the SSA to accurately report financial transactions, which includes closeout of the unit’s financial transactions daily.¹¹
- Record postage stamp sales on the daily financial report (4 days). Postal Service policy states employees are responsible for accurately reporting financial transactions.¹²
- Properly report 17 credit and debit card transactions:
 - For 13 credit card transactions: nine were not recorded on the date they occurred, three were not recorded, and one transaction for \$50.14 was incorrectly recorded as \$50.10 on the daily financial report.
 - For four debit card transactions: three were incorrectly classified as credit card transactions, and one transaction was not recorded on the day it occurred.
- Record 18 financial transactions totaling \$69 for packaging product sales and copy machine revenue in the appropriate account identifier code (AIC).¹³

Postal Service policy states during the closeout of daily transactions, the SSA must verify and account for all credit and debit card receipts and accurately record the transaction totals into the appropriate AIC on the daily financial report.¹⁴

Table 1. Financial Transaction Errors Identified at Bivalve Post Office

Transaction Date	Bank Deposit Not Made	Daily Financial Report Not Closed Out	Stamp Sales Not Reported	Credit Card Errors	Debit Card Errors	Incorrect Account Identification Code
01/23/16		X				
01/26/16			X			
05/07/16		X				
05/09/16		X				
07/20/16	X	X	X			
07/21/16	X	X	X			
08/02/16	X	X	X			
08/09/16		X		X	X	
10/03/16						X
11/04/16	X	X				

¹⁰ We verified this higher level control did not function as intended in this situation. The ASC did not send further notifications.

¹¹ Handbook F-101, Section 24-8.

¹² Handbook F-101, Section 24-2.2 and 24-9.

¹³ Consists of three digits, used to classify financial transactions to the proper general ledger account.

¹⁴ Handbook F-101, Section 24-9 (e).

Transaction Date	Bank Deposit Not Made	Daily Financial Report Not Closed Out	Stamp Sales Not Reported	Credit Card Errors	Debit Card Errors	Incorrect Account Identification Code
11/10/16						X
11/12/16	X					
11/14/16				X		
11/15/16	X					X
11/16/16				X		X
11/18/16					X	
11/19/16	X					X
11/21/16	X	X		X		
11/22/16	X	X		X		
11/23/16						X
11/26/16						X
12/03/16	X					
12/05/16						X
12/08/16	X					
12/10/16						X
12/12/16					X	X
12/13/16					X	X
12/14/16				X		
12/15/16				X		
12/16/16				X		X
12/17/16				X		
12/20/16						X
12/21/16						X
12/22/16	X			X		X
12/29/16				X		
12/30/16				X		
12/31/16				X		
01/05/17						X
01/10/17	X					
01/18/17						X
01/26/17	X					X
Totals	14	10	4	13	4	18

Source: U.S. Postal Service Office of Inspector General analysis of EDW data and the unit's internal support documentation.

Stamp Sales

We observed the SSA selling rolls of stamps (100 first class stamps) for \$47 instead of \$49. Effective January 22, 2017, the Postal Service increased the rate for a first class stamp to \$0.49.¹⁵ Although the new price was posted at her retail counter, the SSA continued to sell stamps at the incorrect rate.

The SSA received on-the-job-training in November 2016. She stated she was aware of some of her errors but did not always request assistance to correct them because she was concerned about job security. Management provided refresher training to the SSA from March 6 through 20, 2017.

Recommendations

We recommend the manager, Baltimore District:

1. Require the host administrative postmaster for the Bivalve, MD, remotely managed post office to report all financial shortages greater than \$100 to the U.S. Postal Service Office of Inspector General.
2. Reiterate the documentation retention policy to all employees at the Bivalve Post Office and verify the requirements are being met.
3. Verify employees at the Bivalve Post Office timely deposit funds, accurately record financial transactions, and sell rolls of postage stamps at the current rate.

Management's Comments

Management agreed with recommendations 2 and 3 and partially agreed with recommendation 1. Management disagreed that the cash and stamp stock valued at \$2,157.56 and the 98 money orders valued at \$5,144.44 were at risk. They stated the actual performance as demonstrated by the SDA audits performed in 2016 and 2017, with the exception of the burglary, are supported by the fact that no money order expenses were posted for the office for this time period.

In response to recommendation 1, management sent a directive on May 12, 2017, to all personnel at the postmaster's RMPOs on the requirement to complete PS Form 571 when audits result in variances of \$100 or more. However, management disagreed that the additional step of informing the OIG is required for burglaries, citing (1) the vagueness of the policy as it relates to shortages due to a robbery or burglary, (2) the fact they notified the U.S. Postal Inspection Service of the burglary, and (3) questions on the form do not infer it is to be used for burglaries but appear to be geared to comparing current and previous audits and identifying employee financial issues that could lead to potential theft.

¹⁵ 2017 Price Change Postmaster Kit Retail and Customer Service Operations.

In response to recommendations 2 and 3, management established a plan on May 12, 2017, instructing the postmaster to:

- Review Handbook F-101 and all associated policies.
- Adhere to the retention periods, print the retention period guidelines, and place a copy at each RMPO for reference.
- Provide a daily email to the manager, Postal Office Operations, with the status of the daily financial report for each RMPO.

Additionally, management provided training to the SSA at the office and installed updated signage with current rates at the office to assist with charging the correct price for postage.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. Regarding the at-risk items, although stamp stock variances were not significant and no money order expenses were posted to the unit over the period of the previous five counts, they were not properly secured at the time of our visit and, therefore, were at risk of loss. We acknowledge that management's actions to secure these items as a result of our audit significantly reduced that risk going forward.

Regarding the shortage that resulted from a burglary, we continue to believe all discrepancies of \$100 or more in financial responsibility, including burglaries, must be reported to the OIG. However, we only identified this issue at one unit and acknowledge that policy is vague. Accordingly, we will not pursue this further at this time but may follow up as part of our ongoing financial controls work.

Management completed corrective actions by May 12, 2017, and provided training records to the OIG. Accordingly, we consider all recommendations closed with the issuance of this report.

Appendix A: Management's Comments



May 17, 2017

Lori Lau Dillard
Director Audit Operations
Office of Inspector General
United States Postal Service

Subject: Response to Draft Audit Report – Draft Audit Report – Internal Controls Over Single Drawer Accountability – Bivalve, MD, Post Office (Report Number FT-FM-17-DRAFT)

Thank you for the opportunity to respond to the OIG Audit of the Single Drawer Accountability at the Bivalve Post Office.

Regarding funds at risk, management disagrees that the cash and stamp stock valued at \$2,157.56 and money orders valued (based upon averages cited by the OIG) at \$5,144.44 were actually at risk. The actual performance as demonstrated by the single drawer accountability audits performed in 2016 and 2017, with the exception of the burglary, are supported by the fact that no money order expenses were posted for the Bivalve Post Office for this time period.

PFC DESC	Unit Finance Number ID	Unit Finance Number DESC	Date ID	Reporting Technology DESC	Finance Unit Type DESC	AIC 222 - SDA Overages	AIC 622 - SDA Shortages
BALTIMORE PFC	2308280814	BIVALVE	03/01/17	e1412	SDA		(\$43.53)
BALTIMORE PFC	2308280814	BIVALVE	01/11/17	e1412	SDA	\$12.31	
BALTIMORE PFC	2308280814	BIVALVE	10/20/16	e1412	SDA	\$84.42	
BALTIMORE PFC	2308280814	BIVALVE	07/18/16	e1412	SDA		(\$3,243.22)
BALTIMORE PFC	2308280814	BIVALVE	01/15/16	e1412	SDA	\$22.00	

Management also does not agree with the OIG's claim that the office did not follow policy by failing to report the shortage that resulted from a burglary on Form 571. The only references addressing robbery or burglary we found are in Publications 275 and 348 which are provided by the Inspection Service and do not mention contacting the OIG. We were unable to find any documentation supplied by the OIG referencing what specifically should be done by a postmaster after a robbery or burglary. In the case of the burglary at the Bivalve Post Office the Inspection Service was notified, did conduct an investigation and the postmaster did believe this had been reported appropriately.

- 2 -

The only reference cited in the audit to indicate that PS Form 571 should be completed is in the F-101, section 24-7 which includes the words "if applicable". Section 24-7 references scheduled and random audits, not burglaries. Further, from review of the PS Form 571, there are no leading questions to infer the form is also to be used for burglaries, but rather appears to be geared to comparing a current audit to previous audits and identifying if an employee may have financial issues that might indicate potential theft. The form is used to report variances in excess of \$100, including overages, indicating it is not just for instances where funds are missing. In the case of the burglary in the Bivalve Post Office, the shortage was reported to the Inspection Service and the count was neither a regularly scheduled nor random count and therefore did not necessarily meet the requirement and conditions noted in section 24-7 of the F-101.

Recommendation #1

We recommend the manager, Baltimore District require the host administrative postmaster for the Bivalve, MD, remotely managed post office to report all financial shortages greater than \$100 to the U.S. Postal Service Office of Inspector General.

Management Response/ Action Plan

Management partially agrees with this recommendation. Management agrees that, as noted in the F-101, section 24-7, PS Form 571 will be completed when random or regularly scheduled audits are conducted and result in variances of \$100 or more. This has been implemented by the Manager, Post Office Operations by sending a directive to the APO postmaster of the Bivalve Post Office and personnel at all RMPO's under the APO postmaster of this requirement.

Management does not agree that PS Form 571 is required to be completed for burglaries based on the information included above. As a robbery or burglary are very specific and fluid situations that require the immediate involvement of law enforcement personnel, including the Postal Inspection Service, we disagree that the additional step of informing the OIG is required and the policy or procedure directed at postal operations is vague and never specifically addresses these situations.

Target Implementation Date

5/12/2017

Responsible Official

Manager, Post Office Operations

Recommendation #2

- 3 -

We recommend the manager, Baltimore District reiterate the documentation retention policy to all employees at the Bivalve Post Office and verify the requirements are being met.

Management Response/ Action Plan

Management agrees with this recommendation and has implemented by establishing a Performance Improvement Plan (PIP) that instructs the postmaster to review the F-101 and all associated policies and adhere to the retention periods as listed in Appendix D. The postmaster was also instructed to print the retention period guidelines and place a copy at each remotely managed post office for reference.

Target Implementation Date

5/12/2017

Responsible Official

Manager, Post Office Operations

Recommendation #3

We recommend the manager, Baltimore District verify employees at the Bivalve Post Office timely deposit funds, accurately record financial transactions, and sell rolls of postage stamps at the current rate.

Management Response/ Action Plan

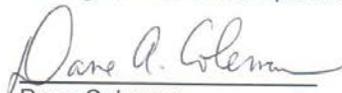
Management agrees with this recommendation and has implemented by establishing a Performance Improvement Plan (PIP) that instructs the postmaster to provide an email on a daily basis to the Manager, Post Office Operations, with the status of the daily financial report for each remotely managed post office. Additionally, training has been provided to the clerk at the Bivalve Post Office since the audit and training records have been provided to the OIG previously. Updated signage with current rates has been installed at the Bivalve Post Office to assist with charging the correct price for postage.

Target Implementation Date

5/12/2017

Responsible Official

Manager, Post Office Operations



Dane Coleman
Baltimore District Manager (a)