



Internal Controls Over Retail Floor Stock - Potsdam, NY, Main Office

June 2, 2017



Report Number FT-FM-17-021



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Potsdam, NY, Main Office**

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BACKGROUND:

U.S. Postal Service management at the Potsdam, NY, Main Office reported four retail floor stock shortages between June 30, 2016, and March 3, 2017. The unit reported stock shortages on June 30, 2016, for \$893.06; September 1, 2016, for \$58.85; October 26, 2016, for \$57.45; and March 3, 2017, for \$734.06. We conducted this audit as a result of a referral from the U.S. Postal Service Office of Inspector General's Office of Investigations.

Retail floor stock consists of stamps sold on the retail floor. The unit's reserve stock custodian issues stamp stock directly to the retail floor stock. No individual sales and service associate (SSA) is accountable for this stock. However, each SSA making sales from this credit is responsible for ensuring accurate reporting of the sales, adequate protection, and security of the retail floor stock.

The objective of this audit is to determine whether internal controls were in place and effective to reduce the risk of retail floor stock shortages at the Potsdam, NY, Main Office.

WHAT THE OIG FOUND:

Internal controls over retail floor stock were in place and effective during our site visit at Potsdam Main Office. We analyzed all counts from April 1, 2016, through April 19, 2017, and did not identify clear patterns or a cause for the shortages. Unit personnel followed

established policies and procedures for the issuance, distribution, and security of the retail floor stamp stock.

Specifically, the unit:

- Documented stock transfers from unit reserve to the retail floor stock.
- Limited accessibility of the retail floor stock to SSAs assigned to retail operations during lobby window hours.
- Secured retail floor stock in locked drawers at the retail counter during window lobby hours and in a safe compartment inside the vault after window lobby hours.
- Conducted examinations of retail floor stamp stock inventory quarterly as required.
- Maintained retail floor stock inventory made available to SSAs for daily customer transactions, within allowable limits during our scope period.

WHAT THE OIG RECOMMENDED:

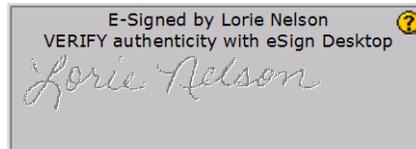
Because controls were in place and effective, we are not making a recommendation.

[Link to review the entire report](#)



June 2, 2017

MEMORANDUM FOR: THOMAS F. KELLEY
MANAGER, ALBANY DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Retail Floor Stock–
Potsdam, NY, Main Office (Report Number FT-FM-17-021)

This report presents the results of our audit of the Internal Controls Over Retail Floor Stock – Potsdam, NY, Main Office (Project Number 17BFM015FT000).

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 Retail Floor Stock at the Potsdam, NY, Main Office (Project Number 17BFM015FT000). The Potsdam Main Office is in the Albany District of the Northeast Area. This audit is 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 April 1, 2016, through March 31, 2017. We conducted a count of the retail floor and unit reserve stamp stock. We extracted and analyzed financial data, reviewed applicable policies and procedures, and interviewed personnel responsible for overseeing the process.

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 April through June 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 April 27, 2017, and included their comments where appropriate.

Retail Floor Stock Internal Controls

Internal controls over retail floor stock were in place and effective during our site visit at Potsdam Main Office. Unit personnel followed established policies and procedures for the issuance, distribution, and security of the retail floor stamp stock. Specifically, the unit:

- Documented stock transfers from unit reserve to the retail floor stock as the transfers occurred.
- Limited accessibility of the retail floor stock to sales and service associates (SSA) assigned to retail operations during lobby window hours. We only observed SSAs handling the retail floor stock.

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.

- Secured retail floor stock in locked drawers at the retail counter during window lobby hours and within a safe compartment inside the vault after window lobby hours. We verified no retail stamp stock were in SSAs' cash drawers.
- Conducted examinations of retail floor stamp stock inventory quarterly² as required.³
- Maintained retail floor stock inventory made available to SSAs for daily customer transactions, within allowable limits⁴ during our scope period.

We counted the retail floor stock on April 19, 2017, and found a shortage of \$196.44. We analyzed all five counts from April 1, 2016, through April 19, 2017, to determine whether patterns existed or a cause for the shortage occurred. We did not identify clear patterns or a cause for the shortages. We found 79 different items where discrepancies existed during at least one count. Further, 28 or 35 percent of the missing stamps were booklets or coils (see Table 1).

Table 1. Retail Floor Stock Counts Items with Discrepancies

Item Number	Item Description	Unit Price ⁵	Discrepancies				
			6/30/16 Count	9/1/16 Count	10/26/16 Count	3/3/17 Count	4/19/17 Count
100400	4 c Chippendale Chair	\$0.04			(1)	(5)	
100500	5c Toleware	\$0.05	(9)		(12)	(28)	
103300	3c Coffeepot	\$0.03	4			(47)	
104100	1c Tiffany Lamp	\$0.01	3			(1)	
107200	2c Navajo Jewelry	\$0.02	2				
108000	10c American Clock	\$0.10	2	(1)	1	2	
115400	Purple Heart 2012	\$0.47	(64)	(1)	(1)	(18)	(2)
116800	21c Lincoln	\$0.21	(3)				
117200	34c Hummingbird	\$0.34	(9)				
117300	5.75 Priority Mail	\$5.75	(1)				
117400	\$1 Patriotic Wave	\$1.00			(52)	27	
117500	\$2 Patriotic Wave	\$2.00				28	
117600	Coastal Birds (Post Cards)	\$0.34	7		(10)	(2)	
117700	Penguins	\$0.21	(5)	(19)	89	(5)	
117800	Butterfly	\$0.68	(2)	1			
119100	\$6.45 Priority Mail	\$6.45	(3)	4	(1)	(1)	

² Counts conducted June 30, 2016, September 1, 2016, October 26, 2016, March 3, 2017 and April 19, 2017.

³ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 13-9.1.

⁴ Handbook F-101, Section 14-2.3.

⁵ The unit price represents the effective rate on the date of the first discrepancy for that item. These unit prices may have changed as a result of a postage stamp rate decrease on April 10, 2016 and an increase on January 22, 2017.

		Discrepancies					
Item Number	Item Description	Unit Price ⁵	6/30/16 Count	9/1/16 Count	10/26/16 Count	3/3/17 Count	4/19/17 Count
119300	River Gorge Priority Mail Express	\$22.95				(1)	
119700	Uncle Sam's Hat	\$0.21					(1)
222100	Flowers (Stamped Card)	\$0.38		(25)			(19)
227900	Tree (Stamped Card)	\$0.38	2	28	(3)	9	
232100	Folk Art (#10 Stamped Envelope)	\$0.59	(16)	(1)	1	(8)	(3)
472300	Celebrity Chefs	\$0.47	1				
472800	Special Olympics	\$0.47	(1)	1		(20)	
473000	From Me to You	\$0.47	(2)				
473100	Missing Children	\$0.47	(1)				
473200	US Coast Guard	\$0.47	(1)				
473300	Ingrid Bergman	\$0.47	(78)				
473600	Views of Planets	\$7.52	(1)	1			
473700	Indiana Statehood	\$0.47		(1)		(20)	
473900	Shirley Temple	\$0.47	(40)				
474000	Star Trek (Booklet)	\$9.40			(1)		
474100	Wonder Woman (Booklet)	\$9.80				1	
553000	Breast Cancer (Semi-Postal)	\$0.60	20				
561600	Love Skywriting	\$0.49				2	(2)
575900	Forever Roses	\$0.47	(7)				
578700	Sealed With Love	\$0.47	(19)				
579100	War of 1812 (Booklet)	\$9.40	(1)				
579200	Lydia Mendoza	\$7.52	(1)				
579900	Where Dreams Blossom	\$0.47	(10)				
581000	World War II Medal (Booklet)	\$9.40	(3)				
582000	Holy Family	\$0.47	21			(41)	
586200	Neon Celebrate!	\$0.47	(1)	(19)	(20)	18	
586300	Quilled Heart	\$0.47	23		(20)	7	3
586600	Pluto Explored (Souvenir Sheet)	\$1.88	(1)	1	(1)		
587000	Evergreen Wreath	\$1.15	24				
587300	Civil War 1864	\$5.64	(1)				
587400	Medal of Honor Korean War (Booklet)	\$9.40	2				
587700	Vintage Rose	\$0.47	(19)				
588200	War 1812 McHenry (Booklet)	\$9.80				(1)	
588800	Diwali	\$0.49					(1)
589000	Elvis Presley	\$7.52	(1)				
589200	The Moon (Global Forever)	\$1.15	(100)	(11)	105	(8)	
589300	Civil War 1865	\$5.64	1				
589500	Vintage Tulip	\$0.68	(1)	2			

		Discrepancies					
Item Number	Item Description	Unit Price ⁵	6/30/16 Count	9/1/16 Count	10/26/16 Count	3/3/17 Count	4/19/17 Count
589600	Wedding Cake	\$0.68	(3)			(1)	
589800	Gifts of Friendship	\$5.64	10		(10)		
589900	World Stamp Show	\$0.47	8				
672000	US Flag Booklet/20	\$9.80				(5)	(5)
674600	Work Projects Administration Posters Booklet	\$9.80					(2)
678700	Botanical Booklet/10	\$4.70	(5)				
679100	US Flag Booklet/10	\$4.70	(2)	(1)	(2)	(1)	
679600	Forever Baubles Booklet	\$9.40	(5)				
680200	Charlie Brown Booklet	\$9.40	(3)				
680400	Snowflakes (Booklet)	\$9.40	(1)				
680500	US Flag Booklet/20	\$9.40	(13)	(4)	(6)	(13)	
680600	Botanical Art (Booklet)	\$9.40	(3)				
680700	Pets Booklet	\$9.40		(2)		(4)	(2)
680900	Pickup Trucks Booklet	\$9.40			3	(4)	
681100	Songbirds Booklet	\$9.80				(17)	
681200	Nativity Booklet	\$9.80				(1)	
681300	Madonna & Child (Booklet)	\$9.80				(1)	
681500	Holiday Windows (Booklet)	\$9.80				(5)	
688700	Madonna and Child (Booklet)	\$9.40	(1)				
688900	Gingerbread (Booklet)	\$9.40	(2)				
689000	Star Spangled (Booklet)	\$9.40	(24)				
690000	Harvest Booklet	\$9.40	(4)	(1)			
749800	US Flag Coil/100	\$49.00				(1)	(2)
787300	US Flag Coil/100	\$49.00				(4)	
789900	Spangled Coil/100	\$47.00	(3)				
TOTALS			(340)	(48)	59	(169)	(36)

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

Because controls were in place and effective, we are not making a recommendation.

Management's Comments

Management agreed with our findings that internal controls over retail floor stock were in place and effective and that established policies and procedures for the issuance, distribution, and security of the retail floor stamp stock were followed during our period of review. See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to our report findings.

Appendix A: Management's Comments



May 30, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Internal Controls over Segmented Inventory
– Potsdam, NY Main Office Report Number FT-FM-17-DRAFT

Thank you for the opportunity to respond to the OIG audit titled, *Internal Controls Over Retail Floor Stock – Potsdam, NY, Main Office*.

We agree with the OIG's findings that Internal Controls over Retail Floor Stock were in place and effective during their visit to the Potsdam Post Office and that established policies and procedures for the issuance, distribution, and security of the retail floor stamp stock were followed. Following the established policies and procedures is important for the financial security of the Postal Service.

A handwritten signature in blue ink that reads "Thomas F. Kelley".

Thomas F. Kelley
District Manager, Albany

cc: VP Controller
VP Retail & Customer Service
VP Area Operations (Northeast)
Manager, Finance (Albany)
Manager, Corporate Audit Response Management