



## AUDIT REPORT

# Internal Controls Over Post Office Postage Meter Use – Unadilla, NE, Post Office

June 23, 2017



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Report Number FT-FM-17-023



June 23, 2017

**Internal Controls Over Post Office Postage  
Meter Use – Unadilla, NE, Post Office**  
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***BACKGROUND:***

Remotely managed post offices (RMPO) offer part-time window service hours and are required to have a post office postage meter (meter) due to limited stamp stock requirements. Postage meters print a postage label, indicating payment, that is affixed to a mail piece.

The Unadilla, NE, Post Office, is a 4-hour RMPO that did not report any meter sales on its daily financial reports since the meter was activated in January 2014. However, National Meter Accounting and Tracking System records indicate about \$1,234 in meter sales between January 6, 2014, and March 14, 2017.

Employees are responsible for accurately reporting daily financial transactions. An administrative post office postmaster is responsible for oversight of the RMPO and its meter use.

The objective of this audit was to determine whether internal controls were in place and effective for meter use at the Unadilla Post Office.

***WHAT THE OIG FOUND:***

Internal controls for meter use at the Unadilla Post Office needed improvement. The employee that sells postage at the Unadilla Post Office did not accurately report postage meter

sales. We reviewed all 4 meter sales from March 15 through May 3, 2017, totaling \$52.15, and found daily reported meter sales did not match required supporting documentation. In addition, the administrative post office postmaster did not properly perform her on-site reviews of the daily financial reports and supporting documentation so she was not aware of the meter sales reporting errors or improperly completed supporting documentation.

If controls over meter use are not followed, there is an increased risk the financial records could be misstated or theft could occur without detection.

As a result of this audit, the postmaster and the employee that sells postage at the Unadilla Post Office took training on meter usage and the postmaster implemented a process to validate daily financial reporting for accurate recording of meter transactions at the office.

***WHAT THE OIG RECOMMENDED:***

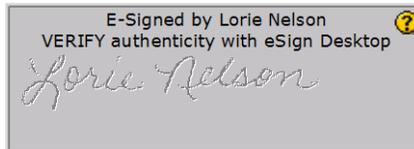
Because management took corrective actions, we are not making a recommendation at this time. However, we may follow up in the future as part of our ongoing financial control audits.

[\*Link to review the entire report\*](#)



June 23, 2017

**MEMORANDUM FOR:** RICHARD J. PIVOVAR  
MANAGER, CENTRAL PLAINS DISTRICT



**FROM:** Lorie Nelson  
Director, Finance

**SUBJECT:** Audit Report – Internal Controls Over Post Office Postage  
Meter Use – Unadilla, NE, Post Office  
(Report Number FT-FM-17-023)

This report presents the results of our audit of the Internal Controls Over Post Office Postage Meter Use – Unadilla, NE, Post Office (Project Number 17BFM016FT000).

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 Postage Meter Use – Unadilla, NE, Post Office (Project Number 17BFM016FT000). The Unadilla Post Office is in the Central Plains District of the Western 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 March 15 through May 3, 2017. We extracted and analyzed financial data, reviewed applicable policies and procedures, and interviewed personnel responsible for overseeing post office postage meter (meter) usage at the office.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW)<sup>1</sup> and National Meter Accounting and Tracking System.<sup>2</sup> We did not test the validity of controls over these systems; however, we verified the accuracy of the data by 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 May 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 May 12, 2017, and included their comments where appropriate.

## Internal Controls Over Post Office Postage Meter Use

Internal controls over Post Office postage meter (meter) use at the Unadilla Post Office, a remotely managed post office (RMPO), needed improvement. The Postal Support Employee (PSE)<sup>3</sup> did not always properly report meter sales on the daily financial report<sup>4</sup> or complete the required supporting documentation. In addition, the administrative post office postmaster<sup>5</sup> (postmaster) did not provide proper oversight of the meter use.

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<sup>1</sup> 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.

<sup>2</sup> Tracks meters, customers, settings and usage. Data reported in this application is transmitted to Postal Service by the meter providers.

<sup>3</sup> The PSE position is a non-career position that processes mail and sells postage at post offices.

<sup>4</sup> All postal retail units report the financial activity at the close of each business day. PS Form 1412, *Daily Financial Report*, provides a uniform method to report financial transactions.

<sup>5</sup> The administrative post office postmaster is responsible for oversight of RMPOs.

If controls over meter use are not followed, there is an increased risk the financial records could be misstated or theft could occur without detection.

### Meter Use

We found the PSE did not accurately report meter sales on the daily financial report or complete the required supporting documentation. Specifically, from March 15 through May 3, 2017, the office reported meter sales on 4 days, and we found:

- Meter sales on the daily financial report did not match meter sales on the supporting Postal Service (PS) Form 3602-PO, *Postage Collected Through Post Office Meter* for 3 of 4 days.
- Meter sales entries on supporting PS Form 3602-PO did not match meter sales on the *Meter Funds Report*,<sup>6</sup> the source document generated from the meter itself, for 2 of 3 days; and we could not locate the *Meter Funds Report* for 1 day (see Table 1).

**Table 1. Postage Meter Sales Errors**

Date	Daily Financial Report Postage Meter Sales	PS Form 3602-PO Meter Sales	Daily Financial Report Match PS Form 3602-PO Meter Sales	Sales Based on Meter Funds Report	PS Form 3602-PO Meter Sales Match Meter Funds Report?
4/18/2017	\$6.95	\$6.95	Yes	\$12.95	No
4/27/2017	14.16	30.40	No	8.16	No
4/29/2017	16.74	6.00	No	Support Not Available	Support Not Available
5/3/2017	\$14.30	\$8.30	No	\$8.30	Yes

Source: On-site daily financial reports and supporting documentation.

RMPO's are required to complete PS Form 3602-PO to record meter settings and calculate and enter the meter sales for daily financial reporting.<sup>7</sup> The form must be filed as supporting documentation with the daily financial report. Post offices obtain the *Meter Funds Report* to record the postage used and available on the PS Form 3602-PO at the beginning and end of each business day.

The PSE could not explain the errors and stated she did not understand the meter process. Also, the postmaster did not provide the PSE with proper training to perform her financial reporting responsibilities. Postal Service policy states that field unit managers are expected, as part of Postal Service internal controls, to foster competence, knowledge, and experience in financial reporting personnel, including necessary training, to perform at their assigned level of responsibility.<sup>8</sup>

<sup>6</sup> Postage meters provide the *Meter Funds Report*, an accounting of the postage used and available on the device. Post offices obtain the report at the beginning and end of each business day to enter into PS Form 3602-PO.

<sup>7</sup> Handbook F-101, Sections 24-6.2; and *e1412 Daily Financial Report User's Guide Standard Office*, February 2016, Module 6: Postage Meters.

<sup>8</sup> Handbook F-1, *Accounting and Reporting Policy*, January 2015, section 2-5, 2-5.1 and 2-5.1(h).

## Administrative Post Office Oversight

The postmaster did not provide proper oversight of the meter use. Specifically, she did not properly perform her on-site reviews of the daily financial reports and supporting documentation so she was not aware of the meter sales reporting errors or improperly completed supporting documentation. Although she conducted regular reviews, she used the *Meter Usage Report*, generated from the PSE's entries in the daily financial report, instead of the required PS Form 3602-PO to review meter sales.

The postmaster stated she did not have meter training and did not understand the meter process. Postal Service policy states the postmaster is responsible for oversight of the office, which includes meters.<sup>9</sup> Further, Postal Service policy states that offices should use PS Form 3602-PO to record meter use and calculate meter sales, and report meter sales in account identification code 110, *Post Office Postage Meter Sales*.<sup>10</sup>

As a result of this audit, on May 9, 2017, the postmaster and PSE took training on meter usage. On May 25, 2017, the manager, Post Office Operations, provided evidence that a process was implemented to validate employees at the Unadilla Post Office accurately record all meter transactions on the date of occurrence. Specifically, the postmaster is performing an on-line review of the daily financial report prior to the PSE's certification of the report. In addition, during on-site visits at the Unadilla Post Office, the postmaster is verifying the reported meter sales on the daily financial reports to the required supporting documentation.

## Recommendation

Because management took corrective actions, we are not making a recommendation at this time. However, we may follow up in the future as part of our ongoing financial control audits.

## Management's Comments

Management agreed with our findings that postage meter sales at the Unadilla Post Office were not always accurately reported and that following policies and procedures is important for the financial security of the Postal Service. Management also reiterated that they took corrective actions to address the issues identified, including training on postage meter usage and implementing a process to validate daily financial reporting for accurate recording of meter transactions at the unit.

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

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<sup>9</sup> Handbook F-101, *Field Accounting Procedures*, June 2016, Section 24-2.1.

<sup>10</sup> Handbook F-101, Sections 24-6.2; and the *e1412 Daily Financial Report User's Guide Standard Office*, February 2016, Module 6: Postage Meters.

## Evaluation of Management's Comments

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

## Appendix A: Management's Comments

RICK PIVOVAR DISTRICT MANGER  
CENTRAL PLAINS DISTRICT



June 16, 2017

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over Postage Meter Use – Unadilla, NE, Post Office (Project Number 17BFM016FT000).

Thank you for the opportunity to respond to the Office of Inspector General (OIG) audit titled, *Internal Controls Over Postage Meter Use – Unadilla, NE, Post Office (Project Number 17BFM016FT000)*.

We agree with the OIG's findings that postage meter sales at the Unadilla Post Office were not always accurately reported. Management took corrective actions to address the issues identified by the OIG that included training on postage meter usage and implementing a process to validate daily financial reporting for accurate recording of meter transactions in Unadilla.

We agree with the OIG that following the established policies and procedures is important for the financial security of the Postal Service.

*Rick Pivovar*

**Richard J. Pivovar**  
**Manager, Central Plains District**

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