



AUDIT REPORT

Internal Controls Over Stamp Stock Shipments - Rosemeade Station, Carrollton, TX

August 28, 2017



Report Number FT-FM-17-025



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– Rosemeade Station, Carrollton, TX**
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BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) used data analytics to identify offices with lost or stolen stamp stock shipments. We identified expenses regarding stamp stock shipments for the Rosemeade Station in Carrollton, TX, and Rosemeade Station mobile Point-of-Sale (mPOS) between May 1, 2016, and April 30, 2017.

Stamp Fulfillment Services in Kansas City, MO, fulfills stamp orders from postal retail units. Retail units are responsible for identifying and locating missing stamp stock shipments. When retail units do not resolve discrepancies timely, Accounting Services records an expense to the units for the difference.

Management advised they are strengthening overall stamp accountability and upgrading financial controls, including:

- Daily financial accountability reconciliations and semi-annual stamp counts at Stamp Fulfillment Services.
- Enhancements to tracking stamp movement and in-transits at Stamp Fulfillment Services; and stamp shipments to individual post offices.
- New tracking process and centralized review of all missing stamp stock shipments, including orders sent to the wrong unit.

- New stamp destruction process that better aligns and tracks inventory discrepancies.

The objective of this audit was to determine whether internal controls over stamp stock shipments were in place and effective at the Rosemeade Station.

WHAT THE OIG FOUND:

Internal controls over stamp stock shipments at the Rosemeade Station, although established, were not always effective and needed improvement. Specifically:

- The unit did not always adequately secure stock shipments in a locked drawer or cabinet upon arrival into the unit.
- Personnel did not always properly receive stamp stock shipments or transfer stamp stock: A witness was not present when receiving stock and personnel did not always complete or sign and date required receipt forms. Further, the unit did not always transfer stock to the mPOS accountability to align with sales from the mPOS device.
- The unit did not maintain all required stamp stock documentation, such as Postal Service Forms 17, Stamp Requisition/Stamp Return, or system-generated shipment received receipts.

- Thirty-three stamp stock discrepancies were not researched and resolved.

The Customer Service supervisor stated he was unaware of automatic stamp stock shipments until notification from Accounting Services that stamps were sent to the unit. Further, he stated that when they received the mPOS device, they were not aware of the procedures or that the mPOS had its own accountability. When they received guidance, they had already established procedures on their own and did not refer to its requirements. Finally, the Customer Service supervisor stated that he was unaware of the requirement to resolve financial differences.

If controls over stamp stock shipments are not followed, there is an increased risk of undetected theft of stamp stock and that financial records could be misstated.

WHAT THE OIG RECOMMENDED:

We recommended district management instruct the unit manager to notify the Customer Service supervisor of all arriving stamp stock shipments. We also recommended management reiterate and enforce policies for securing, receiving, and transferring stamp stock; segregating duties; maintaining required documentation; and resolving financial differences.

[Link to review the entire report](#)



August 28, 2017

MEMORANDUM FOR: TIMOTHY R. COSTELLO
MANAGER, DALLAS DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Stamp Stock
Shipments – Rosemeade Station, Carrollton, TX
(Report Number FT-FM-17-025)

This report presents the results of our audit of the Internal Controls Over Stamp Stock Shipments - Rosemeade Station, Carrollton, TX (Project Number 17BFM020FT000).

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 Stamp Stock Shipments at the Rosemeade Station in Carrollton, TX (Project Number 17BFM020FT000). The Rosemeade Station is in the Dallas District of the Southern Area. This audit is designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

To determine whether internal controls over stamp stock shipments were in place and effective, we extracted and analyzed financial data from May 1, 2016, through April 30, 2017, reviewed supporting documentation and 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 reviewing related documentation and internal controls, tracing selected information to supporting source records, and interviewing knowledgeable Postal Service personnel. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from June through August 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 audit objective. 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 June 22, 2017, and included their comments where appropriate.

Internal Controls Over Stamp Stock Shipments

Internal controls over stamp stock shipments at the Rosemeade Station, although established, were not always effective and needed improvement. The unit did not always adequately secure stamp stock shipments in a locked drawer or cabinet upon arrival into the unit and personnel did not always properly receive stamp stock shipments or transfer stamp stock. Further, the unit did not maintain required stamp stock documentation and did not always research and resolve stamp stock discrepancies.

If controls over stamp stock shipments are not followed, there is an increased risk of undetected theft of stamp stock and that financial records could be misstated.

¹ EDW is a collection of data from many sources which is stored in a single place for reporting and analysis. The vision of EDW is to provide a single repository for managing all of the Postal Service's data assets.

Stamp Stock Security

Personnel at the Rosemeade Station did not always adequately secure stamp stock shipments upon arrival at the unit. Stamp stock shipments from Stamp Fulfillment Services² usually arrive before 7:00 a.m., as Priority or First-Class[®] Mail with signature confirmation. Unit personnel scan the shipments with a Passive Adaptive Scanning System (PASS)³ scanner and the carrier responsible for the shipment's assigned route gives the shipment to the supervisor on duty. The supervisor signs for the shipment and places the stock unsecured on top of the safe until the Customer Service supervisor (CSS) can receive⁴ the shipment into the unit. The safe is located in the stamp room and the door to the room remained open throughout the day (see Figure 1). If the CSS has not received the items when the unit closes for the day, closeout personnel place the stamps inside the safe containing the retail floor stock.

Figure 1. Safe and Stamp Room



Source: Photos taken by U.S. Postal Service Office of Inspector General (OIG) auditors June 6-8, 2017.

Postal Service policy states that the Postmaster or unit manager is responsible for ensuring that controls are in place for maintaining an accurate inventory for all accountable paper (which includes stamp stock) within the postal retail unit, including providing adequate security for all accountable items.⁵ It also states that stamp stock must not be left in the open. During the day it may be stored in a locked drawer or cabinet, but at all other times it must be in the main vault, safe, or security container providing the best available protection.⁶ The CSS stated that he does not routinely check the safe for stamp stock shipments and is not notified when automatic shipments have arrived. He remains unaware that stamp stock was sent to the unit until receiving notification from Accounting Services.

² Located in Kansas City, MO, SFS is the sole order fulfillment center for the Postal Service's stamps and products.

³ PASS is a self-contained, mobile overhead scanning system used at Delivery Units to support package deliveries.

⁴ When stock is received in the system, a Receive Stock Receipt is printed.

⁵ Handbook F-101, *Field Accounting Procedures*, August 2015, Section 11-3.1a.

⁶ Handbook F-101, Section 3-3.2.

Stamp Stock Shipment Receipt and Transfer

Personnel at the Rosemeade Station did not always properly receive stamp stock shipments or transfer stamp stock. We found that:

- The CSS did not include a witness while receiving the stock shipment into the unit or transferring it between the unit reserve⁷ and mobile Point-of-Sale (mPOS)⁸ device. The CSS is the only individual involved in these functions. In addition, the CSS did not always sign or date Postal Service (PS) Form 17, Stamp Requisition/Stamp Return. We could not locate PS Forms 17 for all of the items in our sample; however, we reviewed several PS Forms 17 at the unit that were not in our sample and none contained appropriate signatures. Postal Service policy states that a witness should be present when counting received stock and verifying to a PS Form 17 and the form should be signed and dated.⁹ It also states that field units must separate the duties of employees who account for assets from those who have access to various assets and of employees who authorize transactions from those who record or reconcile data.¹⁰
- Unit personnel did not always transfer stock from the unit reserve to the mPOS accountability as required. Rather, personnel were using stock from the retail floor stock to make sales on the mPOS device. Postal Service procedures state the mPOS finance number is a separate accountability and stamps will have to be transferred from Retail Systems Software (RSS)¹¹ to mPOS.¹²
- When transferring items back to the unit reserve from mPOS, personnel did not always prepare a manual¹³ PS Form 17 or receive the stock in the RSS. Postal Service procedures state that stamps returned from mPOS to the unit reserve will be recorded on a manual PS Form 17. The mPOS printer-generated shipment receipt¹⁴ and the RSS-generated shipment received receipt should be attached to the manual PS Form 17 and filed locally.¹⁵

The CSS stated that when they received the mPOS device, they did not receive the guide and were not aware of the procedures or that the mPOS had its own accountability. Further, he was not aware of the requirement to receive the stock back in RSS.¹⁶ When they received the guide, they had already established procedures on their

⁷ All postage stamps, postal stationery, nonpostal stamps (for example, migratory bird hunting and conservation stamps), and philatelic products received by the window unit of a main post office, station, or branch but not yet consigned to a clerk.

⁸ An innovative and practical solution to speed simple transactions in retail lobbies.

⁹ Handbook F-101, Sections 11-5.1c and d.

¹⁰ Handbook F-1, *Accounting and Reporting Policy*, January 2015, Section 2-5.2.1.1.

¹¹ RSS was deployed in February 2016 and replaced the Point of Service (POS) system, which is the primary hardware and software system used to conduct retail sales transactions in post offices.

¹² *Mobile Point-of-Sale Information Guide* (guide), September 2016, page 23, Receiving stamps into the mPOS.

¹³ When shipping stamp stock back from mPOS to unit reserve, the system does not generate the PS Form 17 so it must be prepared manually.

¹⁴ This receipt prints on the mPOS receipt printer locally when stock is returned using the device's system.

¹⁵ *Mobile Point-of-Sale Information Guide*, page 24, Return the Stock from the mPOS Unit to RSS Unit.

¹⁶ We walked him through the process as delineated in the *Mobile Point-of-Sale Information Guide*.

own and did not refer to its requirements. However, they learned how to transfer stock to the mPOS primarily through trial and error and now properly transfer stock in accordance with policy. As a result, we are not making a recommendation on that issue at this time.

Documentation

The unit did not maintain all documentation as required. We found:

- For 29 of 33 shipments reviewed, the unit did not have the required PS Form 17 for stock sent to the unit by the SFS or returned to the unit from mPOS. We located only a packing list for one additional item that was not part of our sample.
- The unit did not have copies of PS Forms 17 for stock transferred to the mPOS from the unit for any of the transfers reviewed.

Postal Service policy states the PS Form 17 should be kept for two years plus the current fiscal year.¹⁷ The guide also states that the mPOS printer-generated shipment receipt and the RSS-generated shipment received receipt should be attached to the manual PS Form 17 and filed locally.¹⁸ As stated previously, for transfers from mPOS back to the unit reserve, the unit initially was not aware of the requirement, but then did not consider the guide's requirements after receiving it.

Financial Differences

The unit did not always research and resolve financial differences¹⁹ related to stamp stock shipments. We identified 33 financial differences, valued at \$27,696.20, that were not resolved. Specifically:

- Nine unresolved stamp stock shortages totaling \$5,347.60 were related to stamp stock not received by the Rosemeade Station or received with a different shipment number, stock returned by Rosemeade Station but not received by SFS, or adjustments manually created using the Intransit Expense Form.²⁰
- Twenty-four unresolved stamp stock overages totaling \$22,348.60 were related to stamp stock received by the unit with no record of a stock shipment, or adjustments manually created using the Intransit Expense Form.

Postal Service policy states that retail units create or offset previously issued expenses by researching discrepancies and entering adjustments on PS Form 1412, Daily Financial Report. Retail units must also maintain a file with detailed records for all

¹⁷ Handbook F-101, Appendix D, Forms and Retention Periods.

¹⁸ *Mobile Point-of-Sale Information Guide*, page 24, Return the stock from the mPOS Unit to RSS Unit.

¹⁹ Variances in financial activities such as banking, money orders, stock ledger, and Daily Financial Report reconciliations at retail units.

²⁰ An online tool for reporting in-transit stamp stock errors.

expenses issued to the postal retail unit, and monitor expenses and ensure timely clearance.²¹ The CSS stated that he was not aware that he needed to resolve financial differences for stamp stock. These 33 financial differences, valued at \$27,696 and unresolved as of June 8, 2017, could affect the integrity of the Postal Service's financial records.²²

Recommendations

We recommend the Manager, Dallas District:

1. Instruct the unit manager to notify the Customer Service supervisor of all arriving stamp stock shipments.
2. Reiterate and enforce policies in Handbook F-101, *Field Accounting Procedures*, and the *Mobile Point-of-Sale Information Guide* for securing, receiving, and transferring stock; segregating duties; maintaining required documentation; and resolving financial differences, to the Rosemeade Station Manager and Customer Service Supervisor.

Management's Comments

Management agreed with the findings and recommendations.

Regarding recommendation 1, district management will send a letter to unit management regarding the importance of communication between morning management and the customer service supervisor and require unit management to certify back to the district manager via email by September 1, 2017. Also, the district finance manager will conduct a retail unit audit by September 25, 2017, to ensure the process is in place.

Regarding recommendation 2, district management will reiterate the policies via the same September 1, 2017, letter. The district manager will also instruct unit management to complete two training courses related to Stamp Stock Custodian and Mobile Point-of-Sale by September 8, 2017.

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.

²¹ Handbook F-101, Section 8-6.1.

²² Data Integrity - Validation of the consistency, accuracy, and completeness of data used by the Postal Service. Data used to support management decisions that are not fully supported or completely accurate. This can be the result of flawed methodology; procedural errors; or missing or unsupported facts, assumptions, or conclusions.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Neither recommendation should be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Management's Comments

DISTRICT MANAGER
DALLAS CUSTOMER SERVICE & SALES



August 23, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over Stamp Stock Shipment – Rosemeade Station,
Carrollton, TX (Report Number FT-FM-17-DRAFT)

Management agrees with all the findings of this audit conducted by U.S. Postal
Service Office of Inspector General.

Recommendation 1:

We recommended the manager, Dallas District instruct the unit manager to notify
the Customer Service Supervisor of all arriving stamp stock shipments.

Management Response/Action Plan:

Management agrees with the above recommendation. The district manager will initiate
a letter to unit management in Rosemeade Station about the importance of
establishing proper communication between the morning management that receives
the stamp stock shipment and the customer service supervisor that is responsible for
accepting the stamp stock shipment and will require the unit management to certify
back to the district manager via email. As a follow up, the district finance manager will
conduct a postal retail unit audit by September 25, 2017, to ensure that the process is
still in place for this unit.

Target Implementation Date:

Unit management will certify via email by September 1, 2017. The postal retail audit
will be completed by September 25, 2017, by district finance manager.

Responsible Official:

Unit manager and district finance manager are the responsible officials.

Recommendation 2:

We recommended the manager, Dallas District, reiterate and enforce the policies in
Handbook F-101, Field Accounting Procedures, and the Mobile Point-of-Sale
Information Guide for securing, receiving, and transferring stock; segregating duties;

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maintaining required documentation; and resolving financial differences, to the Rosemeade Station Manager and Customer Service Manager.

Management Response/Action Plan:

Management agrees to the above recommendation. District Manager will reiterate the Handbook F-101, Field Accounting Procedures, and the Mobile Point-of-Sale Information Guide for securing, receiving, and transferring stock; segregating duties; maintaining required documentation; and resolving financial differences to the unit management at Rosemeade Station via the same letter as mentioned in the Management Response/Action Plan of Recommendation 1. Also, District Manager will instruct the unit management at Rosemeade Station to complete two LMS Courses related to Stamp Stock Custodian (LMS course# 10019052) and Mobile Point-of-Sale (LMS course#10023415) to enforce the Handbook F-101, Field Accounting Procedures, and the Mobile Point-of-Sale Information Guide for securing, receiving, and transferring stock; segregating duties; maintaining required documentation; and resolving financial differences to the unit management at Rosemeade Station.

Target Implementation Date:

Unit manager will ensure that all unit Management staff has completed both LMS courses by September 8, 2017.

Responsible Official:

All Management staff at Rosemeade station will be responsible to complete both LMS training.



Timothy R. Costello

cc: Corporate Audit and Response Management