



Internal Controls Over Stamp Stock Shipments – Anderson, IN, Post Office

September 27, 2017



Report Number FT-FM-17-033



September 27, 2017

**Internal Controls Over Stamp Stock Shipments –
Anderson, IN, Post Office**
Report Number FT-FM-17-033

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 related to stamp stock shipments between May 1, 2016, and April 30 2017, for the Anderson, IN, Post Office, and Anderson Stations B and C, two small finance stations whose stamp stock is shipped to the Anderson Post Office.

Stamp Fulfillment Services, 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 Anderson Post Office.

WHAT THE OIG FOUND:

Internal controls over stamp stock shipments at the Anderson Post Office were not in place and effective. Specifically:

- We could not locate the required forms for stock sent to the unit for two of 65 stamp stock shipments reviewed for the Anderson Post Office, and 41 of 71 stamp stock shipments reviewed for Anderson Station B.
- The Anderson Post Office and Anderson Stations B and C did not have a log with detailed records for all expenses issued to the unit.

The Postmaster stated that past stamp stock custodians did not properly file and maintain stamp stock shipment records and, following his appointment in March 2017, the Postmaster did not make document retention a priority. In

addition, the Postmaster was not aware of the requirement for a financial differences log.

- Management at the Anderson Post Office and Anderson Stations B and C did not include a witness for any of the 136 stamp stock shipments received during our scope period. In addition, 38 of the 63 receipts of stamp stock shipments for the Anderson Post Office did not have signatures of those receiving the stamp stock. The current stamp stock custodian and the Postmaster stated they were not aware of the requirement to have a witness.
- Management did not monitor or timely resolve a stamp stock discrepancy at Anderson Station C. This unresolved expense went undetected, and Accounting Services expensed the unit after 15 days of no resolution. Further, it impacted subsequent unit reserve stamp stock counts. The prior stamp stock custodian, responsible for the discrepancy and currently a carrier in another office, stated this was an oversight.

When controls over stamp stock shipments are not followed and stamp stock is not timely accounted for, the risk that these stamps could have been lost or stolen increases. Also, unresolved discrepancies impact financial reporting accuracy.

On August 3, 2017, management created a log with detailed records for all expenses issued to the unit. In addition, the Postmaster completed training on closing procedures and daily financial statements, including stamp stock

procedures. Further, management now has a supervisor verify and sign the required form after stamp verification has been completed.

WHAT THE OIG RECOMMENDED:

We recommended district management reiterate the retention requirements for stamp stock shipment forms.

[Link to review the entire report](#)



September 27, 2017

MEMORANDUM FOR: TODD HAWKINS
MANAGER, GREATER INDIANA DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Stamp Stock
Shipments – Anderson, IN, Post Office
(Report Number FT-FM-17-033)

This report presents the results of our audit of the Internal Controls Over Stamp Stock Shipments – Anderson, IN, Post Office (Project Number 17BFM029FT000).

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

TABLE OF CONTENTS

Introduction	1
Internal Controls Over Stamp Stock Shipments	1
Stamp Stock Shipment Documentation	2
Stamp Stock Shipment Receipt	2
Stamp Stock Shipment Resolution	3
Recommendation	4
Management's Comments	4
Evaluation of Management's Comments.....	4
Appendix A: Management's Comments	5

Introduction

This report presents the results of our self-initiated audit of Internal Controls Over Stamp Stock Shipments at the Anderson, IN, Post Office (Project Number 17BFM029FT000). The Anderson Post Office is in the Greater Indiana District of the Great Lakes Area. This audit is designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

The Anderson Post Office, and Anderson Stations B, and C share a finance number¹ for processing financial data. Stamp stock for Stations B and C is shipped to the Anderson Post Office. To determine whether internal controls were in place and effective for stamp stock shipments, we extracted and analyzed financial data for the Anderson Post Office, Anderson Stations B and C from May 1, 2016, through April 30, 2017. We also 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).² 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 July through September 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 August 4, 2017 and included their comments where appropriate.

Internal Controls Over Stamp Stock Shipments

Internal controls over stamp stock shipments at the Anderson Post Office were not in place and effective. Specifically, management did not maintain all stamp stock shipment documentation as required. Also, management did not include a witness for any of the stamp stock shipments received during our scope period, and receipts for stamp stock shipments did not always have required signatures. Finally, stamp stock custodians did not always monitor and timely resolve stamp stock shipment discrepancies.

¹ An assigned six-digit number that correlates accounting data with the related post office installation.

² 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.

When controls over stamp stock shipments are not followed and stamp stock is not timely accounted for, the risk that these stamps could have been lost or stolen and not detected increases. Also, unresolved discrepancies impact financial reporting accuracy.

Stamp Stock Shipment Documentation

The Anderson Post Office did not maintain all stamp stock shipment documentation as required. Specifically:

- We could not locate Postal Service (PS) Forms 17, Stamp Requisition/Stamp Return, for stock sent to the unit by Stamp Fulfillment Services (SFS)³ for:
 - Two of 65 stamp stock shipments reviewed for Anderson Post Office, and
 - 41 of 71 stamp stock shipments reviewed for Anderson Station B.
- The Anderson Post Office, Anderson Stations B and C did not have an Account Identifier Code⁴ (AIC) 247, Financial Differences, Overage, and AIC 647, Financial Differences, Shortage log.

The Postmaster stated that past stamp stock custodians did not properly file and maintain stamp stock shipment records and, following his appointment in March 2017, the Postmaster did not make document retention a priority. In addition, the Postmaster was not aware of the requirement for a log.

Postal Service policy states that the PS Form 17 should be kept for two years plus the current fiscal year.⁵ It also requires retail units to create or offset previously issued expenses by researching discrepancies and entering adjustments on the PS Form 1412, Daily Financial Report. Retail units must also maintain a file with detailed records for all expenses issued to the postal retail unit.

On August 3, 2017, management created a log for documentation for all stamp stock expenses. Therefore, we are not making a recommendation on that issue at this time. However, we may follow up as part of our ongoing financial controls audit work.

Stamp Stock Shipment Receipt

Unit management did not always properly receive stamp stock shipments. Specifically, management at the Anderson Post Office and Anderson Stations B and C did not include a witness for any of the stamp stock shipments received during our scope period. In addition, 38 of the 63 receipts of stamp stock shipments for the Anderson Post Office did not have any signatures of those receiving the stamp stock.

³ Stamp Fulfillment Services is a national fulfillment center for the Postal Service. This facility fulfills and ships national orders for stamps, stationery items, philatelic products, and other retail merchandise.

⁴ Three-digit code that assigns financial transactions to the proper account on the general ledger.

⁵ Handbook F-101, *Field Accounting Procedures*, August 2015, Appendix D, *Forms and Retention Periods*.

Postal Service policy states a witness should be present when counting received stock and verifying to a PS Form 17 and the form should be signed and dated.⁶ The stamp stock custodian and the Postmaster stated they were not aware of the requirement to have a witness.

As a result of our audit, management now has a supervisor verify and sign PS Form 17 after stamp verification has been completed. Therefore, we are not making a recommendation at this time. However, we may follow up as part of our ongoing financial controls audit work.

Stamp Stock Shipment Resolution

Management did not always monitor or timely resolve stamp stock discrepancies. Specifically, on December 14, 2015, a shipment totaling \$22,834 was received at the station from SFS;⁷ however, the stamp stock custodian at Anderson Station C did not enter 300 coils of stamps, valued at \$14,700, into the Retail System Software (RSS).⁸ This unresolved expense went undetected, and Accounting Services⁹ expensed the unit after 15 days of no resolution. Further, it impacted subsequent unit reserve stamp stock counts. On January 9, 2016, the unit reserve stamp stock count showed a discrepancy as a result of the 300 coils that had not been previously entered into the RSS. Also, on May 5, 2016, the stamp stock custodian entered the 300 coils of stamps into the RSS prior to the count, causing an additional discrepancy of \$14,100¹⁰ and a corresponding expense entry because the unit entered stock in the RSS with no record of it being shipped. The prior stock custodian stated this was an oversight.

Postal Service policy states stamp stock shipments sent to retail units create an in-transit item¹¹ and, if the unit does not accept the stock within 15 days in the retail system, Accounting Services issues an expense to clear the in-transit item.¹² Retail units must also monitor expenses and ensure timely clearance.¹³ On August 3, 2017, the postmaster completed training on closing procedures and daily financial statements, including stamp stock procedures. Therefore, we are not making a recommendation at this time. However, we may follow up as part of our ongoing financial controls audit work.

⁶ Handbook F-101, Section 11-5.1.c and d.

⁷ Handbook F-101, Section 8-6.1.

⁸ Located in Kansas City, MO, SFS is the sole order fulfillment center for the Postal Service's stamps and products.

⁹ 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.

¹⁰ Accounting Services are accounting, disbursing, and data processing facilities that provide accounting support for postal activities. When retail units do not resolve discrepancies timely, Accounting Services in St. Louis, MO, records an expense to the units for the difference.

¹¹ The difference between \$14,100 and \$14,700 is due to a subsequent revaluation of Forever stamps from 49 cents to 47 cents.

¹² Stock shipments sent to retail units from SFS. This in-transit item is cleared once the unit receives the stock in RSS.

¹³ Handbook F-101, Section 8-4b-c.

¹⁴ Handbook F-101, Section 8-6.1.c.

Recommendation

We recommend the manager, Greater Indiana District:

1. Reiterate the retention requirements for Postal Service Forms 17, Stamp Requisition/Stamp Return.

Management's Comments

Management agreed with the findings and the intent of the recommendation. The District Manager sent a finance team to the Anderson Post Office on September 1, 2017, to review, assist and educate management on the findings of the U.S. Postal Service Office of Inspector General (OIG) and to ensure comprehension and compliance.

Management also reiterated actions taken to create a log for documenting all stamp stock expenses for each facility; implement the use of a witness when available; reassign stamp accountability at Anderson Stations B and C and provide remedial training and have a supervisor verify and sign financial packets, daily.

In addition, management stated the Greater Indiana Finance Team will conduct ongoing audits of the Anderson Post Offices to ensure compliance. Management plans to complete these actions by October 2, 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 recommendation and corrective actions should resolve the issues identified in the report. All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. The recommendation 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.

Appendix A: Management's Comments

DISTRICT MANAGER
GREATER INDIAN DISTRICT



September 25, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls over Stamp Stock Shipments – Anderson IN, Post Office [FT-FM-17-DRAFT])

Management agrees with the OIG's overall findings for the audit completed on the Internal Controls over Stamp Stock Shipments at the Anderson Post Office.

Recommendation:

We recommend the Manager, Greater Indiana District reiterate the retention requirements for Postal Service Forms 17, Stamp Requisition/Stamp Return.

Management Response:

The Anderson PO could not locate the required Stamp Stock forms for 2 of the 65 shipments and the Anderson Station B finance unit could not locate 41 of the 71 stamp stock shipments reviewed. All Anderson Stations did not maintain a 247/647 log for expenses issued. Management did not obtain a witness signature for 136 stamp stock shipments being received. Management did not monitor or timely resolve a stamp stock discrepancy at Anderson Station C.

Action Plan:

I sent a finance team to the Anderson PO on 09/01/17 to review, assist and educate the management staff on the initial findings of the OIG audit to ensure comprehension and compliance.

Actions taken since the OIG investigation:

- The Anderson Post Office has created a 247/647 log at each facility.
- All stations are obtaining a witness signature when available. If a witness is not available they will utilize, "No Witness Available" (NWA).
- Stamp Stock control has been reassigned. The T-7s at Station B and C have the stamp stock accountability. They have received remedial training.
- A supervisor is verifying and signing daily financial packets.

The Greater Indiana District Finance team will continue to conduct audits at the Anderson Post Offices to ensure compliance.

Target Implementation Date:

October 2, 2017

A handwritten signature in blue ink, appearing to read "Todd Hawkins", is written over a horizontal line.

Mr. Todd Hawkins
Manager, Greater Indiana District

cc: Corporate Audit and Response Management