



AUDIT REPORT

Internal Controls Over Stamp Stock Shipments - James Crews Station, Kansas City, MO

September 29, 2017





September 29, 2017

**Internal Controls Over Stamp Stock Shipments –
James Crews Station, Kansas City, MO**
Report Number FT-FM-17-034

BACKGROUND:

The U.S. Postal Service Office of Inspector General performed data analytics to identify offices with expenses related to lost or stolen stamp stock shipments. We identified \$11,640 of expenses related to stamp stock shipments for the James Crews Station, Leon Mercer Jordan Finance Station, and Northeast Finance Station between May 1, 2016, and April 30 2017.

The James Crews Station, Leon Mercer Jordan Finance Station, and Northeast Finance Station share a finance number for processing financial data. Stamp stock for the Leon Mercer Jordan and Northeast Finance Stations is shipped to James Crews Station.

Stamp Fulfillment Services (SFS), 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 SFS.

- Enhancements to tracking stamp movement and in-transits at SFS; 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 James Crews Station.

WHAT THE OIG FOUND:

Internal controls over stamp stock shipments at the James Crews Station, Leon Mercer Jordan Finance Station, and Northeast Finance Station needed improvement. Specifically, the stock custodian did not always:

- Timely receive \$1,512 of stamp stock shipments in the retail system or make sure a witness was present when receiving shipments.
- Research and resolve \$438.50 of stamp stock discrepancies.
- Maintain all stamp stock shipment documentation as required.

The stock custodian stated due to competing priorities, she is not always able to receive stock at finance stations timely or implement the use of the financial differences log to monitor expenses and ensure timely clearance. In addition, a witness was not always available at the finance stations, and she does not ask for a witness at James Crews Station because she has not implemented all the requirements from the policy. Further, she was unaware why the missing stamp shipment documentation was missing and stated the documentation could be misplaced.

If controls over stamp stock are not followed, there is an increased risk the financial records could be misstated, and the Postal Service cannot ensure that the differences are not a result of theft or fraud.

WHAT THE OIG RECOMMENDED:

We recommended management instruct unit management to develop a procedure to ensure stamp stock shipments for all stamp accountabilities are received timely in the retail system to avoid in-transit adjustments.

We also recommended management reiterate and enforce policies in Handbook F-101, *Field Accounting Procedures*, for receiving stock; maintaining required stamp stock shipment documentation; and researching and resolving financial discrepancies.

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



September 29, 2017

MEMORANDUM FOR: GAIL M. HENDRIX
MANAGER, MID-AMERICA DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Stamp Stock
Shipments – James Crews Station, Kansas City, MO
(Report Number FT-FM-17-034)

This report presents the results of our audit of the Internal Controls Over Stamp Stock Shipments – James Crews Station, Kansas City, MO (Project Number 17BFM027FT000).

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 Verification.....	2
Stamp Stock Shipment Discrepancies.....	3
Documentation	4
Recommendations	5
Management's Comments	5
Evaluation of Management's Comments.....	5
Appendix A: Management's Comments	6

Introduction

This report presents the results of our self-initiated audit of Internal Controls Over Stamp Stock Shipments at James Crews Station in Kansas City, MO (Project Number 17BFM027FT000). The station is located in the Mid-America District of the Western Area. This audit is designed to provide U.S. Postal Service management with timely information on potential finance control risks at Postal Service locations.

The James Crews Station, Leon Mercer Jordan Finance Station, and Northeast Finance Station share a finance number¹ for processing financial data. Stamp stock for the Leon Mercer Jordan and Northeast Finance Stations is shipped to James Crews Station from the Stamp Fulfillment Services² (SFS). To determine whether internal controls were in place and effective for stamp stock shipments, we extracted and analyzed financial data for the three facilities from May 1, 2016, through April 30, 2017, and stamp stock supporting documentation. 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).³ 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 July 21, 2017 and included their comments where appropriate.

Internal Controls Over Stamp Stock Shipments

Internal controls over stamp stock shipments at the James Crews Station, Leon Mercer Jordan Finance Station, and Northeast Finance Station needed improvement. Personnel did not always timely receive stamp stock shipments in the Retail System

¹ An assigned six-digit number that correlates accounting data with the related post office installation. Each unit has a four-digit identifier associated with the finance number that provides a unique number.

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

³ EDW is a collection of data from many sources, which is stored in a single place for reporting and analysis.

Software (RSS)⁴ within 15 days or ensure a witness was present when receiving shipments. Further, the stock custodian did not research and resolve stamp stock shipping discrepancies or maintain all stamp stock shipment documentation as required.

If controls over stamp stock are not followed, there is an increased risk the financial records could be misstated, and the Postal Service cannot make sure that the differences are not a result of theft or fraud.

Stamp Stock Shipment Verification

Personnel did not always timely receive stamp stock shipments in the RSS for shipments from SFS to the Northeast and Leon Mercer Jordan Finance Stations. Specifically, for all the 25 discrepancies identified in our scope period and six walkthrough⁵ items observed, we found 10 instances where stamp stock was received into the system more than 15 days⁶ after the shipment date (see Tables 1 and 2).

Table 1. Stamp Stock Shipments Received After 15 Days

Station Name	Shipment Value	Shipment Date	Delivery Date	Received Date	# of Days Elapsed (Shipment to Receive)
Northeast Finance	\$ 75.20	5/6/2016	unknown	5/25/2016	19
Northeast Finance	94.00	5/26/2016	unknown	6/17/2016	22
Northeast Finance	714.40	6/21/2016	unknown	7/14/2016	23
Northeast Finance	235.00	7/8/2016	7/14/2016	8/4/2016	27
Northeast Finance	94.00	12/16/2016	12/22/2016	1/17/2017	32
Leon Mercer Jordan Finance	47.00	12/16/2016	12/20/2016	1/21/2017	36
Northeast Finance	235.00	6/28/2016	unknown	8/4/2016	37
Leon Mercer Jordan Finance	5.64	12/10/2016	12/15/2016	1/21/2017	42
TOTAL	\$1,500.24				

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of documentation reviewed on-site during the week of July 10, 2017.

⁴ RSS replaced the Point of Service System, which was the primary hardware and software system used to conduct retail sales transactions in post offices.

⁵ Walkthrough items are shipments we observed the stock custodian receiving into the RSS while we were on-site at the three facilities during the week of July 10, 2017.

⁶ If the unit does not accept stock in the system within 15 days, Accounting Services issues an expense to reconcile the reporting discrepancy.

Table 2. Walkthrough Item Stamp Stock Shipments Received After 15 Days

Station Name	Shipment Value	Shipment Date	Delivery Date	Received Date	# of Days Elapsed (Shipment - Receive)
Leon Mercer Jordan Finance	\$ 5.88	6/21/2017	6/22/2017	7/11/2017	20
Northeast Finance	5.88	6/21/2017	6/23/2017	7/12/2017	21
TOTAL	\$ 11.76				

Source: OIG analysis of documentation reviewed on-site during the week of July 10, 2017.

Further, the stock custodian did not ensure a witness was present when receiving shipments. While conducting walkthroughs at the three sites, we observed the stock custodian did not ask for a witness, and the stamp stock shipment documentation we reviewed did not contain a witness signature.

Postal Service policy states shipments sent to retail units create an in-transit item⁷ and, if the unit does not accept the stock within 15 days in the retail system, Accounting Services,⁸ issues an expense to clear the in-transit item.⁹ In addition, the policy also states a witness should be present when counting received stamp stock and verifying to a Postal Service (PS) Form 17, *Stamp Requisition/Stamp Return (PS Form 17)*, and the form should be signed and dated.¹⁰ The stock custodian stated she is not always able to receive stock at finance stations in a timely manner due to competing priorities or the availability of transportation to drive from James Crews Station to the finance stations as needed. Also, the stock custodian stated a witness was not always available at the finance stations because they operate for only two hours per day and are staffed by one sales and service associate.¹¹ She said at James Crews Station, she just accepts and receives the stock without asking anyone to be a witness. The stock custodian stated she has received training but has not had the opportunity to implement all the procedures required.

Stamp Stock Shipment Discrepancies

The retail unit personnel did not always adequately research and resolve stamp stock shipment discrepancies. We identified two of the 25 discrepancies identified in our scope period, valued at \$438.50, that have not been resolved for 423 and 76 days (see [Table 3](#)). These two unresolved stamp stock shortages were related to stock returned but not received by SFS, or adjustments manually created using the In-transit Expense

⁷ Stock shipments sent to retail units from SFS. This in-transit item is cleared once the unit receives the stock in RSS.

⁸ Accounting Services in St. Louis, MO manages accounting processes and procedures relating to stamp stock shipments.

⁹ Handbook F-101, *Field Accounting Procedures*, August 2015, Section 8-4b-c.

¹⁰ Handbook F-101, Section 11-5.1c-d.

¹¹ During the exit conference, the district finance manager stated the station manager may need to accompany the CSS to act as witness if the associate is not available. OIG may follow-up during a subsequent review on this issue.

Form.¹² Further, the stock custodian has not maintained a financial differences log or documentation to monitor resolution of the discrepancies.

Table 3. Unresolved Financial Discrepancies

Station Name	Journal Entry Effective Date	Reason Code	Reason Code Description	Account Identifier Code ¹³	Absolute Value	Number of Days Unresolved
Northeast Finance	5/16/2016	EF	Created manually using the In-transit Expense Form.	647	\$10.00	423
James Crews	4/28/2017	FF	Created because the store returned stock that was never picked up at the warehouse.	647	428.50	76
TOTAL					\$438.50	

Source: EDW Net Financial Difference Line Detail Report.

Postal Service policy states that the retail units must research discrepancies and maintain a file with detailed records for all expenses issued to the retail unit, monitor expenses, and ensure timely clearance.¹⁴ The stock custodian stated she attended training held earlier this year but has not had a chance to implement the training, such as using the financial differences log, due to competing priorities. The two financial differences were unresolved as of July 13, 2017 and could affect the integrity of the Postal Service's financial records.

Documentation

Retail unit personnel did not maintain all stamp stock shipment documentation as required. Specifically, of all the 25 financial differences identified in our scope period, we were not able to find the PS Form 17 for:

- Two of three SFS shipments to the James Crews Station.
- Two of eight SFS shipments to Northeast Finance Station.

Postal Service policy states the PS Form 17 should be kept for two years plus the current fiscal year.¹⁵ Maintaining these records provides accountability of stamp stock shipments sent to retail units and could be used in researching and resolving financial discrepancies. The stock custodian stated she was unsure why these forms were not located with other PS Forms 17 and could possibly just be misplaced.

¹² An online tool for reporting in-transit stamp stock errors.

¹³ Account identifier codes (AIC) are used to classify financial transactions to the proper general ledger account. AIC 647 is used to record expenses associated with financial shortages, including stock ledger exceptions.

¹⁴ Handbook F-101, Section 8-6.1.

¹⁵ Handbook F-101, Appendix D, Forms and Retention Periods.

Recommendations

We recommend the manager, Mid-America District:

1. Instruct the unit management to develop a procedure to ensure stamp stock shipments for all stamp accountabilities are received timely in Retail System Software to avoid in-transit adjustments.
2. Reiterate policies in Handbook F-101, *Field Accounting Procedures*, for receiving stock; maintaining required documentation; and researching and resolving financial discrepancies.

Management's Comments

Management agreed with the findings and recommendations. Regarding recommendation 1, the unit reserve custodian will accept stamp stock shipment received from SFS on the day it is received at the unit. If received on the custodian's non-scheduled day, it will be received and entered in RSS when they return.

Regarding recommendation 2, management plans to have a discussion with unit personnel about receiving stock, maintaining documentation, and resolving discrepancies.

Management plans to implement both recommendations by October 6, 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.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not 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



September 28, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls over Stamp Stock Shipments
James Crews Station, Kansas City, MO
(Report Number FT-FM-17-DRAFT)

Management agrees with both recommendations.

Recommendation 1: Instruct the unit management to develop a procedure to ensure stamp stock shipments for all stamp accountabilities are received timely in Retail System Software to avoid in-transit adjustments.

Management Response/Action Plan:

The unit reserve custodian(s) will accept stamp stock shipments received from the Stamp stock Fulfillment Center on the day it is received at the unit. If received on the custodian's non-scheduled day it will be received and entered to the retail system upon his/her return.

Target Implementation Date:

October 6, 2017

Responsible Official:

Manager, Customer Service

Recommendation 2: Reiterate policies in Handbook F-101, *Field Accounting Procedures*, for receiving stock; maintaining required documentation; and researching and resolving financial discrepancies

Management Response/Action Plan:

Discussion with employees at the unit(s) and instructions on receiving stock, maintaining documentation, and resolving discrepancies will be given. Activity cited in recommendation #1 will greatly reduce the discrepancies.

Target Implementation Date:

October 6, 2017

Responsible Official:

Manager, Customer Service



Eddie Morgan, Postmaster, Kansas City, Missouri
Mid-America District

cc: Manager, Corporate Audit Response Management
Gail M. Hendrix, District Manager, Mid-America District