



AUDIT REPORT

Accountable Paper and Postal Funds - Pomona, CA, Main Post Office

January 16, 2020




Project Number 20-113-R20



January 16, 2020

MEMORANDUM FOR: EDUARDO H. RUIZ
MANAGER, SANTA ANA DISTRICT

E-Signed by Michelle Lindquist 
VERIFY authenticity with eSign Desktop
Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Accountable Paper and Postal Funds –
Pomona, CA, Main Post Office
(Project Number 20-113-R20)

This report presents the results of our audit of the Accountable Paper and Postal Funds – Pomona, CA, Main Post Office.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna Smith, Operational Manager, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of Accountable Paper and Postal Funds – Pomona, CA, Main Post Office (Project Number 20-113). The Pomona, CA, Main Post Office is in the Santa Ana District of the Pacific Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified that the Pomona, CA, Main Post Office conducted accountability examinations in fiscal year (FY) 2019 within appropriate tolerance levels.¹ Accountability examinations include retail floor stock (stamps sold on the retail floor), unit reserve stock (stamps used to replenish those sold on the retail floor), cash credits (cash retained in drawers after daily deposit), and money orders. Inventory can be transferred between segments; therefore, all segments of inventory must be counted to ensure accuracy. Previous counts of unit reserve stamp stock counted December 7, 2018, and retail floor stamp stock counted July 31, 2019, accountabilities had shortages of \$35 and \$46, respectively. We wanted to validate whether these stamp count results were accurately presented.

Objective, Scope, and Methodology

The objective of this audit was to determine whether internal controls over accountable paper² and postal funds³ at the Pomona, CA, Main Post Office were managed effectively. To accomplish our objective, we conducted physical counts during the week of November 18, 2019, that included unit reserve stamp stock, retail floor stamp stock, unit cash reserve, and 10 cash credits. We reviewed and analyzed stamp stock that was ordered and returned since the last retail floor stamp count and stamp sales during that same period. We also reviewed and analyzed previous stamp counts and stamp stock expensed for FY 2019.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).⁴ We did not test the validity of controls over this system; however, we verified the accuracy of the data by reviewing related documentation, tracing selected information to supporting source records, and interviewing knowledgeable Postal Service employees. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from November 2019 through January 2020, in accordance with generally accepted government auditing standards and included such tests of

¹ Handbook F-101, *Field Accounting Procedures* (DRAFT), May 2017. Section 13-9.2 states that stamp tolerance is \$50 for stamp inventories up to \$30,000.

² Postage stock, bird stamps, philatelic products, stamped papers, and blank money order stock.

³ Cash, checks, and money orders.

⁴ A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

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 objective. We believe the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on December 30, 2019, and included their comments where appropriate.

Finding #1: Internal Controls over Stamp Accountabilities

Unit management did not effectively manage the accountable paper and postal funds. Based on our independent counts, we identified that unit reserve stamp stock and retail floor stamp stock accountabilities had shortages of \$327 and \$3,224, respectively. The retail floor stock system balance was \$16,396; therefore, the shortage was 20 percent of the inventory. Additionally, we identified that:

- Stamps valued at about \$1,690 were not entered into Retail Systems Software (RSS)⁵ inventory for either unit reserve stamp stock or retail floor stamp stock. The retail floor stock showed a negative balance on the last count conducted on July 31, 2019 (see Table 1).

Table 1. Stamps Not Entered in RSS

| Stamp Item Number | RSS Floor Stock Balance 7/31/2019 | Unit Floor Stock Count 7/31/2019 | RSS Floor Stock Balance 11/19/2019 | OIG Floor Stock Count 11/19/2019 | Value Not in RSS since 7/31/2019 |
|-------------------|-----------------------------------|----------------------------------|------------------------------------|----------------------------------|----------------------------------|
| 119400 | (226) | 0 | (474) | 1,288 | \$1,690 ⁶ |

Source: OIG analysis.

- Stamps shipments were not always accepted into RSS timely (see Table 2).

⁵ The primary hardware and software system used to conduct retail sales transactions at post offices.

⁶ Value is determined by adding all four columns and multiplying by the stamp value of 85 cents.

Table 2. Delayed Acceptance – Stamp Stock Shipment

| Shipment Number | Date of Transfer from SDO ⁷ | Date Expensed by Accounting Services | Date Entered into RSS by Unit | Elapsed Days |
|-----------------|--|--------------------------------------|-------------------------------|--------------|
| 9091123102 | 4/1/2019 | 4/17/2019 | 9/9/2019 | 145 |
| 1010065686 | 5/9/2019 | 5/23/2019 | 9/10/2019 | 110 |
| 1009305138 | 12/27/2018 | 1/12/2019 | 3/12/19 | 59 |
| 1010465504 | 7/26/2019 | 8/11/2019 | 9/24/2019 | 44 |

Source: OIG analysis.

- Postal Retail Units (PRU) must enter the value of stamp stock shipments from the Stamp Distribution Office into RSS.⁸ If PRU employees do not enter the value of stamp stock shipments within 15 days, Accounting Services issues an expense to the PRU to reconcile the reporting discrepancy between shipping and receiving units.⁹
- Stamps valued at \$3,003 were recorded into RSS; however, they were not located during our physical count on November 19, 2019. See Table 3 for two large discrepancies that were not offset by unit reserve stamp stock overages. The postmaster or unit manager is responsible for ensuring that controls are in place for maintaining an accurate inventory for all accountable paper in the PRU.¹⁰

Table 3. Large Retail Floor Count Discrepancies

| Stamp Item Number | RSS Floor Stock Balance 11/19/2019 | OIG Physical Count on 11/19/2019 | Stamp Item Value | (Shortages) |
|-------------------|------------------------------------|----------------------------------|------------------|------------------|
| 740100 | 38 | 0 | \$55 | \$(2,090) |
| 682300 | 83 | 0 | \$11 | (913) |
| Total | | | | \$(3,003) |

Source: OIG analysis.

- Four of the 10 cash credits were outside of tolerance limit of \$10¹¹ (see Table 4).

⁷ A postal unit that receives and disburses stamps, stationery, and philatelic products. It provides stamps and stamp products for all Post Offices, stations, branches, and contract stations within its service area.

⁸ Handbook F-101, Section 11-5.8.

⁹ Handbook F-101, Section 8.4.

¹⁰ Handbook F-101, Section 11.3-1.

¹¹ Handbook F-101, Section 13-8.4.

Table 4. Cash Credit Count Results

| Inventory Segment | Actual Count | Overages/(Shortages) |
|--------------------------|---------------------|-----------------------------|
| Cash Credit 01 | \$111.77 | \$11.77 |
| Cash Credit 02 | 117.64 | 17.64 |
| Cash Credit 03 | 114.47 | 14.47 |
| Cash Credit 04 | 57.60 | (42.40) |

Source: OIG analysis.

- The postmaster, manager, or supervisor is responsible managing all cash credits assigned.¹² Local unit management is responsible for monitoring and pursuing collection of the shortage while adhering to the applicable collective bargaining agreement and the Debt Collection Act.¹³

Unit management stated that stamp stock order parcels are scanned during the start of distribution clerks' shifts and shipped in brown boxes that were not easily identifiable as being stamp shipments. They could not explain why they had stamp shortages, stamps not entered into inventory, or cash credit counts that exceeded tolerance levels.

When employees do not properly record stamp stock items or fail to adhere to internal controls, there is an increased risk of undetected theft and losses. We consider the total stamp shortages of \$3,551 to be questioned costs.¹⁴

Recommendation #1: We recommend the **Manager, Santa Ana District**, direct unit management at the Pomona, CA, Main Post Office to reiterate policy and procedures over the handling and security of stamp accountabilities to all unit personnel.

Finding #2: Safeguarding of Parcels

Although outside the scope of the audit, on November 18, 2019, we observed a damaged parcel from 2005 that was not returned to the Mail Recovery Center (MRC) as required¹⁵ (see [Figure 1](#)).

¹² Handbook F-101, Section 13.1.2.

¹³ Handbook F-101, Section 13.3.7-2c.

¹⁴ Unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, etcetera. May be recoverable or unrecoverable. Usually a result of historical events.

¹⁵ Standard Operation Procedure, complete Postal Service Form 2856, Damage Report of Insured Article and Contents, and submit form and package to MRC.

Figure 1. Damaged Parcel From 2005



Source: OIG photograph taken during fieldwork.

According to unit management, this was found during housekeeping and the insurance claim had been already paid. If controls over insured articles are not followed, there is an increased risk of undetected theft and lost revenue.

On November 19, 2019, unit management took immediate corrective action and the parcel was returned to the MRC; therefore, we are not making a recommendation on this issue.

Management's Comments

Management agreed with the finding and recommendation. Regarding recommendation 1, district management will take administrative action to include remedial retraining and additional corrective action as appropriate. Management targeted implementation date is March 15, 2020.

In subsequent correspondence, management stated they agreed with the monetary impact.

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 action should resolve the issue identified in the report.

The recommendation requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is 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
SANTA ANA DISTRICT



January 15, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Accountable Paper and Postal Funds – Pomona, CA, Main Post Office
(Project Number 20-113-DRAFT)

Recommendation #1: We recommend the Manager, Santa Ana District, direct unit management at the Pomona, CA, Main Post Office to reiterate policy and procedures over the handling and security of stamp accountabilities to all unit personnel.

Management Response/Action Plan:

We are in agreement with the recommendation to reiterate policy and procedures over the handling and security of stamp accountabilities to all unit personnel at the Pomona, CA, Main Office. Administrative action will be taken to include remedial retraining and additional corrective action as appropriate.

Target Implementation Date:

March 15, 2020

Responsible Official: Manager, Santa Ana District



Eduardo H. Ruiz, Jr.
Manager, Santa Ana District

cc: Manager, Corporate Audit and Response Management