



AUDIT REPORT

Financial Differences - Nashville, TN, Main Office Window

September 4, 2019

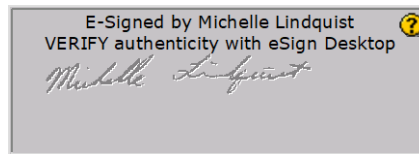


Report Number FCS-FM-19-027



September 4, 2019

MEMORANDUM FOR: CHRISTOPHER L. ALEXANDER
MANAGER, TENNESSEE DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Financial Differences – Nashville, TN, Main
Office Window (Report Number FCS-FM-19-027)

This report presents the results of our audit of the Financial Differences – Nashville, TN, Main Office Window (Project Number 19BFM027FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact please contact Mary Aleman, Operations 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 Financial Differences — Nashville, TN, Main Office Window (Project Number 19BFM027FCS000). The Nashville Main Office Window (MOW) is in the Tennessee District of the Eastern Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

Financial differences are used to report financial adjustments for variances in financial transactions at postal retail units (PRU). Differences include inconsistencies between banking deposits and receipts, errors with transmitted sales and money order data, and stock shipments not received by the unit.¹ PRUs must use the following two Account Identifier Codes (AIC)² to report financial differences and adjustments:³ AIC 247, Financial Difference Overages,⁴ and AIC 647, Financial Difference Shortages.⁵ The St. Louis and Eagan Accounting Services issues expenses to PRUs for differences and adjustments as a result of reconciling the following financial activities:

- Sales audit expenses.
- Reconciliation exceptions (for example, banking, credit and debit cards, and change funds).
- Stamp stock shipment exceptions (stock ledger).
- Money order reconciliation exceptions.⁶

The PRU manager or designated employee is responsible for monitoring and researching financial differences to ensure timely resolution. The unit must also maintain a file with detailed records for all financial differences issued to the unit and annotate detailed expense records for expenses not cleared.⁷

U.S. Postal Service Office of Inspector General's (OIG) data analytics identified that the Nashville MOW had 71 financial difference transactions with a net value of \$117,870 from July 1 through December 31, 2018, or Postal Service fiscal year (FY)⁸ 2018, Quarter (Q)4, and FY 2019, Q1. The Nashville MOW had the fourth highest quantity of

¹ Handbook F-101, *Field Accounting Procedures* (Draft), Section 8-1, May 2017.

² The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

³ Adjustments include banking, money orders, stock ledger, and Postal Service (PS) Form 1412, Daily Financial Report, transactions.

⁴ Financial Differences Overage is an expense associated with financial overages due to discrepancies in post office's daily financial report, related to banking, debit/credit card, money order, 1412 discrepancies and stock ledger (stock in-transit) exceptions. This amount is a credit (decrease) to the unit's expense account.

⁵ Financial Differences Shortage is an expense associated with financial shortages due to discrepancies in post office's daily financial report, related to banking, debit/credit card, money order, 1412 discrepancies and stock ledger (stock in-transit) exceptions. This amount is a debit (increase) to the unit's expense account.

⁶ Handbook F-101, Section 8-1.

⁷ Handbook F-101, Section 8-6.

⁸ The 12-month period that is used to keep accounts and other records for applications such as budgeting, planning, and operations. The fiscal year begins on October 1 and ends on September 30 and is divided into 12 accounting periods (one for each month), grouped into four postal quarters.

financial difference transactions but the highest amount of unresolved financial differences in the Tennessee District for the same timeframe.

Objective, Scope and Methodology

The objective of the audit was to determine whether financial difference transactions at the Nashville MOW were properly documented, researched, and resolved timely. To accomplish our objective, we extracted and analyzed financial differences data for the 71 transactions for the period of July 1 through December 31, 2018. We interviewed responsible personnel to determine the process followed for researching and resolving differences, conducted an observation of the unit closeout process and reviewed available supporting documentation.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW)⁹ system. 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 personnel. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from June through September 2019, 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 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 1, 2019, and included their comments where appropriate.

Finding #1: Financial Differences

Although we verified that 71 financial differences totaling \$117,870 were expensed to the Nashville MOW, management did not maintain adequate documentation required to assess whether those differences were properly researched and timely resolved. Specifically, management printed the financial differences report but did not annotate the reasons that the unit did not clear expenses. Thirty-three of the 71 differences did not have an offsetting entry to AIC 247 or AIC 647 to clear the discrepancy as of December 31, 2018. See [Table 1](#) for details.

⁹ 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.

Table 1. Summary of Unresolved Financial Difference Transactions by Type

Type of Transaction	Number of Transactions	Dollar Amount of AIC 247 Overage	Dollar Amount of AIC 647 Shortage	Net Value of Overages and Shortages
Bank Discrepancy ¹⁰	25		\$117,638 ¹¹	\$117,638
Banking Reconciliation Difference ¹²	2		(681)	(681)
Debit/Credit Card Reconciliation Difference ¹³	1		(208)	(208)
In-Transit Stock Difference ¹⁴	1		119	119
Money Order Difference ¹⁵	1		162	162
Money Order Audit Expense ¹⁶	2	(\$160)	900	740
Sales Audit Adjustment ¹⁷	1		100	100
Total	33	(\$160)	\$118,030	\$117,870

Source: EDW FPR Net Financial Differences Report (AIC 247/647) – All Expenses report and auditor's analysis.

Postal Service policy states that the PRU's managers or designated employees must:

- Research discrepancies thoroughly, initiate a financial adjustment memorandum, and ensure adjustment entries are performed by retail associates the following business day.
- Maintain files with detailed records for all financial differences.
- Annotate the detailed expense records with the reasons expenses are not cleared.¹⁸

¹⁰ A discrepancy between bank deposits and receipts.

¹¹ The unit was expensed for 23 checks totaling \$116,566 that were not included in the December 6 and 19, 2018, unit bank deposits. Although the checks were deposited on the next business day, the unit did not get credit for the deposits until January 9, 2019. Further, the unit did not have any supporting documentation at the unit explaining what occurred.

¹² The difference between the bank deposit amount and transmitted sales data.

¹³ A discrepancy between the credit/debit card amount and the transmitted sales data.

¹⁴ A stock in-transit reconciliation discrepancy between shipping and receiving units.

¹⁵ Money order discrepancy identified by a local PRU.

¹⁶ A discrepancy identified during the money order reconciliation process.

¹⁷ An exception identified during audit of the unit's daily financial report data.

¹⁸ Handbook F-101, Section 8-6.

According to the unit manager, this occurred because the supervisor assigned to oversee the financial differences process was on leave for 14 days in December 2018, when 99 percent¹⁹ of the unresolved financial differences amount occurred. In addition, the Nashville MOW was assigned two different managers between July and December 2018, which may have resulted in inconsistent methods of verifying that financial differences were properly documented, researched, and resolved timely.

If the Postal Service does not reconcile financial differences, misconduct, theft, or fraud may go undetected. In addition, unreconciled financial differences can impact the accuracy of the Postal Service's financial reports. As a result of this audit, on July 1, 2019, the supervisor began annotating the research performed on the net financial differences report as required.

Recommendation #1: We recommend the **Manager, Tennessee District**, direct the Postmaster, to reiterate to all personnel responsible for resolving financial differences at the Nashville Main Office Window how to properly research and resolve financial differences timely and file supporting documents in one central location at the unit.

Management's Comments

Management agreed with the finding and recommendation. Management will research and resolve the financial differences at the Nashville Main Office Window and retrain employees involved to ensure they have a proper understanding of the material and processes required to maintain compliance. These actions are scheduled to be completed by September 15, 2019.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the finding and recommendation in the report.

The recommendation requires 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.

¹⁹ Based on \$116,566 of \$117,870 unresolved differences.

Appendix A: Management's Comments



August 29, 2019

Michelle Lindquist
Director, Financial Controls

SUBJECT: Financial Differences – Nashville, TN, Main Office Window
(Report Number FCS-FM-19-DRAFT)

The following is provided in response to your audit of Financial Differences – Nashville, TN, Main Office Window in the Tennessee District. The Tennessee District remains committed to improving efficiency at all of our customer service facilities and we appreciate the review and identification of opportunities for improvement within the district.

We agree with the findings and recommendations. Responses to individual findings are provided below.

Finding #1: Financial Differences

“Although we verified that 71 financial differences totaling \$117,870 were expensed to the Nashville MOW, management did not maintain adequate documentation required to assess whether those differences were properly researched and timely resolved. Specifically, management printed the financial differences report but did not annotate the reasons that the unit did not clear expenses. Thirty-three of the 71 differences did not have an offsetting entry to AIC 247 or AIC 647 to clear the discrepancy as of December 31, 2018.”

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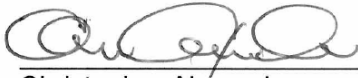
Management Response/Action Plan:

I have directed [REDACTED] Nashville TN to research and resolve the financial differences in the main office window and to retrain employees involved to ensure they have a proper understanding of the material and processes required to maintain compliance.

Target Implementation Date:
September 15, 2019

Responsible Official:

[REDACTED] Nashville TN



Christopher Alexander
District Manager, Tennessee District

cc: David Williams Jr.

[REDACTED]