



## AUDIT REPORT

# Internal Controls Over Financial Differences – Cardiss Collins Postal Store, Chicago, IL

March 1, 2017



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Report Number FT-FM-17-011



March 1, 2017

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Cardiss Collins Postal Store, Chicago, IL**  
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***BACKGROUND:***

The U.S. Postal Service Office of Inspector General (OIG) uses risk models to identify financial anomalies. Risk models are analytic tools that look at specific behaviors and patterns that are strong indicators of improper activity.

The OIG's Field Financial Risk Model identified the Cardiss Collins Postal Store in Chicago, IL, as having the highest value of financial differences in the Chicago District from April 1, 2016, to June 30, 2016.

Financial differences are variances in financial activities that occur at postal retail units. Differences include variances between banking deposits and receipts, errors with transmitted sales and money order data, and stock shipments not received by the unit. The value of the differences is expensed to the unit.

A manager or designee must identify the cause of the differences, adjust the financial records, maintain detailed records, and ensure the differences are resolved timely. A reason must be annotated for any unresolved differences.

The objective of this audit was to determine if financial differences identified at the Cardiss Collins Postal Store were properly researched and resolved.

***WHAT THE OIG FOUND:***

Financial differences identified at the Cardiss Collins Postal Store were not always properly researched and resolved. We reviewed 91 financial differences and found 24 did not have adequately detailed records of research and were not resolved as of November 7, 2016.

The customer service supervisor responsible for overseeing the process set an internal requirement of 30 days to resolve differences for the unit. However, she stopped monitoring differences that remained unresolved after 30 days and only addressed the most current differences. She stated she had competing priorities and was unable to focus on all financial differences.

If the Postal Service does not properly research and resolve financial differences, misconduct, theft, or fraud may go undetected. In addition, unresolved financial differences impact the Postal Service's ability to report accurate financial records.

***WHAT THE OIG RECOMMENDED:***

We recommended management research and resolve outstanding financial differences and implement controls to ensure continuous monitoring and timely resolution.

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



March 1, 2017

MEMORANDUM FOR: GREGORY JOHNSON  
MANAGER, CHICAGO DISTRICT

E-Signed by Asha Mede  
VERIFY authenticity with eSign Desktop

**FROM:** *for*  
Lorie Nelson  
Director, Finance

**SUBJECT:** Audit Report – Internal Controls Over Financial Differences –  
Cardiss Collins Postal Store, Chicago, IL  
(Report Number FT-FM-17-011)

This report presents the results of our audit of the Internal Controls Over Financial Differences – Cardiss Collins Postal Store, Chicago, IL (Project Number 17BFM005FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please Asha Mede, deputy director, Financial Controls, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

## TABLE OF CONTENTS

|   |   |
|---|---|
| Introduction .....                        | 1 |
| Financial Differences Resolution .....    | 2 |
| 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 the Internal Controls Over Financial Differences – Cardiss Collins Postal Store, Chicago, IL (Project Number 17BFM005FT000). The Cardiss Collins Postal Store is in the Chicago 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.

Financial differences represent variances in financial activities such as banking, money orders, stock ledger, and Postal Service (PS) Form 1412, Daily Financial Report<sup>1</sup> reconciliations at PRUs.<sup>2</sup> The PRU or the Postal Service's Accounting Services<sup>3</sup> makes adjustments for these differences. 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 regarding the cause for all financial differences issued to the unit, and document the reason for unresolved expenses.<sup>4</sup>

We reviewed financial differences for the Cardiss Collins Postal Store from April 1, 2016, through June 30, 2016. To determine whether financial differences were properly researched and resolved, we extracted and analyzed financial differences data for the scope period, interviewed responsible personnel to determine the process for researching and resolving differences, and reviewed available supporting documentation.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW). We did not test the validity of controls over EDW; however, we verified the accuracy of the data by confirming our analysis and results with Postal Service managers. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from November 2016 through March 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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<sup>1</sup> Provides individual retail associates and postal retail units (PRU) with a uniform method to report financial transactions.

<sup>2</sup> Handbook F-101, *Field Accounting Procedures*, June 2016, Sections 8 and 8-1.

<sup>3</sup> Accounting, disbursing, and data processing facilities that provide accounting support for postal activities.

<sup>4</sup> Handbook F-101, Section 8-6.

We discussed our observations and conclusions with management on November 18, 2016, and included their comments where appropriate.

## Financial Differences Resolution

Our tripwire identified the Cardiss Collins Postal Store in Chicago, IL, as having the highest value of financial differences in the Chicago District from April 1, 2016, to June 30, 2016. We reviewed 91 financial differences and found that 24, with a net value of \$75,008.60,<sup>5</sup> did not have adequately detailed records of research and were not resolved as of November 7, 2016. Specifically,

- Ten unresolved financial differences were related to stock ledger in-transit reconciliations, with a net overage of \$77,248.00. The Customer Service Supervisor (CSS) submitted a request to the U.S. Postal Service Office of Inspector General's Office of Investigations for further review, as required. However, she did not make appropriate adjustments to the unit's financial records to clear the differences.<sup>6</sup>
- Nine unresolved financial differences were related to errors on the unit's PS Form 1412, identified by the unit, with a net shortage of \$5,689.01. The CSS should have corrected the errors within 1 day.
- Four unresolved financial differences were related to banking or credit and debit card reconciliation errors identified by Accounting Services with a net overage of \$6,518.61. The CSS did not follow her own established procedures to resolve the differences within 30 days.<sup>7</sup>
- One unresolved financial difference shortage of \$3,069.00 was issued by the Chicago District. The CSS did not have documentation to support the reason for this difference. See [Table 1](#) for unresolved differences.

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<sup>5</sup> As shown on the EDW Net Financial Difference Line Detail Report.

<sup>6</sup> Handbook F-101, Field Accounting Procedures, June 2016, Section 8-6.2.1.1 and 8.7.

<sup>7</sup> Postal Service policy requires differences identified by Accounting Services to be resolved timely, but does not define a specific timeframe.

**Table 1. Unresolved Financial Differences April 1 through June 30, 2016**

| Type of Activity                                   | Number    | Account Identifier Code (AIC) 247 Overage <sup>8</sup> | AIC 647 Shortage <sup>9</sup> | Net Value of Overages/ Shortages |
|--|-----------|--|-------------------------------|----------------------------------|
| Stock Difference <sup>10</sup>                     | 10        | (\$155,418.00)   | \$78,170.00                   | (\$77,248.00)                    |
| Postal Service Form 1412 Discrepancy <sup>11</sup> | 9         | (\$6,392.99)   | \$12,082.00                   | \$5,689.01                       |
| Bank Reconciliation Difference <sup>12</sup>       | 2         | \$0.00   | (\$6,330.00)                  | (\$6,330.00)                     |
| Credit/Debit Card Reconciliation <sup>13</sup>     | 2         | \$0.00   | (\$188.61)                    | (\$188.61)                       |
| Journal Entry - District Finance Office            | 1         | \$0.00   | \$3,069.00                    | \$3,069.00                       |
| <b>Total</b>                                       | <b>24</b> |  |                               | <b>(\$75,008.60)</b>             |

Source: EDW Net Financial Difference Line Detail Report.

Postal Service policy states that retail units must maintain a file with detailed records for all financial differences issued to the PRU, and monitor and ensure timely clearance.<sup>14</sup> In addition, financial differences identified at the unit must be resolved the following day.<sup>15</sup>

The CSS responsible for overseeing the process set an internal requirement of 30 days to resolve differences for the unit. She stopped monitoring differences that remained unresolved after 30 days and only focused on the most current differences. She stated she had competing priorities, and was unable focus solely on financial differences.

If the Postal Service does not properly research and resolve financial differences, misconduct, theft, or fraud may go undetected. In addition, unreconciled financial differences impact the Postal Service's ability to report accurate financial records.

<sup>8</sup> The AIC is used to classify financial transactions to the proper general ledger account. A financial overage is a credit (decrease) to the unit's expense account.

<sup>9</sup> A financial shortage is a debit (increase) to the unit's expense account. Reported banking and credit/debit AIC 647 expenses resulted in net credits

<sup>10</sup> A stock in-transit reconciliation discrepancy between shipping and receiving units.

<sup>11</sup> An exception identified during an audit of the unit's daily financial report data.

<sup>12</sup> The difference between the bank deposit amount and transmitted sales data.

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

<sup>14</sup> Handbook F-101, Section 8-6.1.c.

<sup>15</sup> Handbook F-101, Section 8-6.1.2.

## Recommendation

We recommend the manager, Chicago District, instruct the postmaster, Cardiss Collins Postal Store, to:

1. Research and resolve outstanding financial differences and implement controls to ensure continuous monitoring and timely resolution.

## Management's Comments

Management agreed with the findings and monetary impact but disagreed with the recommendation, as there are already entity level controls in place which address the timely resolution and monitoring of financial differences.

Although management disagreed with the recommendation, they will reiterate that financial differences must be researched and resolved timely and provide oversight to ensure that the established policies are followed. Management developed, issued, and discussed standard operating procedures (SOP) on November 29, 2016, with Cardiss Collins management, and reissued the SOPs on February 9, 2017, to the entire district.

Cardiss Collins management is making sure the financial differences are researched weekly and are working to resolve the differences. Further, district finance management held a training session on financial differences and will continue the training periodically. In addition, the district finance office monitors financial differences, follows up with the units, and escalates non-compliance to the postmaster, Chicago. The district manager, Chicago, will hold weekly meetings starting around March 1, 2017, with appropriate personnel to discuss the status of discrepancies and progress towards resolution.

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

## Evaluation of Management's Comments

Although, management disagreed with the recommendation, they took corrective actions based on our recommendation; therefore, the U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation in the report.

The OIG agrees entity level controls are in place; however, these controls were not consistently followed at this unit because the customer service supervisor responsible for resolving the differences did not monitor those that remained unresolved after 30 days. We believe the weekly meetings provided by management to discuss discrepancies and resolutions and the periodic training and information sessions will address the recommendation.

All recommendations require 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  
CHICAGO DISTRICT



February 24, 2017

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over Financial Differences – Cardiss Collins Postal  
Store, Chicago, IL (Report Number FT-FM-17-DRAFT)

Chicago District agrees with the findings contained in this report.

**Chicago District agrees with the calculations of monetary impacts contained in  
the report with a net value of \$75,008.60.**

### **Recommendation 1**

We recommend the manager, Chicago District, instruct the postmaster, Cardiss  
Collins Postal Store, to:

1. Research and resolve outstanding financial differences and implement  
controls to ensure continuous monitoring and timely resolution.

### **Management Response/Action Plan:**

Management disagrees with this recommendation as there are already entity level  
controls in place which address the timely resolution and monitoring of financial  
differences through the Controller Council metrics.

Management will re-emphasize that financial differences must be researched and  
resolved timely and will provide oversight to ensure that the established policies are  
followed. Management developed and issued the standard operating procedures  
(SOP) on November 29, 2016, and re-issued them on February 9, 2017, to the entire  
District. The SOPs were discussed with Cardiss Collins management, including the  
supervisor responsible for these activities. Cardiss Collins management is ensuring  
that the financial differences are researched weekly, and they are continuously  
working to resolve the differences. Further, District Finance management has held a  
training and information session on financial differences and will continue the

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- 2 -

training periodically as a way to increase skills in the field. The Postmaster will be asked to ensure full participation and attendance for these sessions.

The District Finance office monitors financial differences and follows-up with the units. The District Finance office will also escalate instances of non-compliance with the SOPs to the Postmaster, Chicago.

In terms of oversight, the District Manager, Chicago, will hold weekly financial differences meetings with the highest opportunity units to discuss the status of the discrepancies and progress towards resolution. Attendees will include managers of units that are out of compliance with the SOPs, the District Finance Manager, Postmaster, managers, Customer Service Operations (MCSOs), and station managers.

The District Manager, Chicago, will hold the appropriate personnel accountable for failure to resolve/address the financial differences of their units.

**Target Implementation Date:**

The Standard Operating Procedure was implemented in November, 2016. Finance Department monitoring of Financial Differences is ongoing. The District Manager Financial Differences meetings will begin in March, 2017.

**Responsible Official:**

Postmaster, Chicago and Manager, Finance, Chicago District are responsible for the implementation of the actions listed herein.

Please contact Gregory W. Johnson, District Manager, Chicago, via email or by phone at 312-983-8030, should you have any questions regarding this response.

  
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Gregory W. Johnson

cc: Sally K. Haring, Manager, Corporate Audit Response Management  
U.S. Postal Service @ CARMManager@USPS.GOV