



## AUDIT REPORT

# Internal Controls Over Stamp Stock Shipments – Genito Station, Midlothian, VA

September 8, 2017



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Report Number FT-FM-17-028



September 8, 2017

**Internal Controls Over Stamp Stock Shipments  
- Genito Station, Midlothian, VA**  
Report Number FT-FM-17-028

**BACKGROUND:**

The U.S. Postal Service Office of Inspector General (OIG) used data analytics to identify offices with expenses related to lost or stolen stamp stock shipments. We identified 46 expenses totaling \$30,347 related to stamp stock shipments for the Genito Station in Midlothian, VA, and Brandermill Finance Station, a small finance station whose stamp stock is shipped to the Genito Station, between May 1, 2016, and April 30, 2017.

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 that 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 Genito Station.

**WHAT THE OIG FOUND:**

Internal controls over stamp stock shipments at the Genito Station needed improvement. Specifically,

- Personnel at the Genito Station did not always secure stamp stock shipments or include a witness when receiving new stamp stock shipments into unit reserve. Specifically, after arrival into the unit, personnel placed the stamp stock shipment in the manager's office where it is left unattended and open to the workroom floor until the manager arrives and verifies the shipment.
- The Genito Station did not always maintain required stamp stock documentation, including a log with detailed records of expenses and required stamp stock shipping or transfer forms.

As a result, we could not verify that all of the 46 expense transactions identified

were related to lost or stolen stamp stock shipments between May 1, 2016 and April 30, 2017. However, we verified 14 stamp stock expenses, regarding lost or stolen shipments, were attributable to correction of errors made when stamp shipments were received or due to errors transferring stock into mobile Point-of-Sale accountability.

This occurred because prior to January 1, 2017, a clerk served as the acting manager and unit reserve stock custodian, but did not have proper stamp stock training. Also, the current unit manager stated he believed stamp shipments were best protected in his office. He also stated that he did not always include a witness in the process to save time and because he was financially responsible for the stamp stock. Finally, the current unit manager stated he was not aware of the requirement to maintain a log with detailed stamp stock records, even though he had previous stamp stock related training.

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

As a result of our audit, on June 22, 2017, management began securing stamp stock in a safe after it is scanned as “arrived” at the unit and created a log and file for required documentation. Further, the unit manager will now include a supervisor as a witness in the stamp stock shipment receipt process. Finally, on

June 19, 2017, the current manager completed additional mobile Point-of-Sale training.

***WHAT THE OIG RECOMMENDED:***

Because management took corrective actions, we are not making a recommendation at this time. However, we may follow up in the future as part of our ongoing financial control audits.

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



September 8, 2017

**MEMORANDUM FOR:** SCOTT BOWER  
MANAGER, RICHMOND DISTRICT



**FROM:** Lorie Nelson  
Director, Finance

**SUBJECT:** Audit Report – Internal Controls Over Stamp Stock  
Shipments – Genito Station, Midlothian, VA  
(Report Number FT-FM-17-028)

This report presents the results of our audit of the Internal Controls Over Stamp Stock Shipments - Genito Station, Midlothian, VA (Project Number 17BFM021FT000).

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

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## Introduction

This report presents the results of our self-initiated audit of Internal Controls Over Stamp Stock Shipments - Genito Station, Midlothian, VA (Project Number 17BFM021FT000). The Genito Station is in the Richmond District of the Capital Metro 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 Genito Station and the Brandermill Finance Station are finance units<sup>1</sup> in Midlothian, VA, and share a finance number<sup>2</sup> for processing financial data. Stamp stock for the Brandermill Finance Station is shipped to the Genito Station. To determine whether internal controls were in place and effective for stamp stock shipments, we reviewed accounting records at the Genito Station and Brandermill Finance Station from May 1, 2016, through April 30, 2017, and stamp stock shipment supporting documentation. We also performed a walkthrough of the stations' stamp stock shipment procedures and conducted interviews of both stations' personnel and Postal Service management.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).<sup>3</sup> 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 managers. We determined that the data was sufficiently reliable for the purposes of this report.

We conducted this audit from June through September 2017, in accordance with generally accepted government auditing standards. 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. We discussed our observations and conclusions with management on June 15, 2017, and included their comments where appropriate.

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<sup>1</sup> A nondelivery post office station or branch that accepts mail from customers and offers retail services to customers and handles their mail.

<sup>2</sup> An assigned six-digit number that correlates accounting data with the related post office installation.

<sup>3</sup> 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.

## Stamp Stock Shipments

Internal controls over stamp stock shipments at the Genito Station needed improvement. Specifically, personnel at the Genito Station did not always secure stamp stock shipments and did not always include a witness when receiving new stamp stock shipments into unit reserve. After arrival into the unit, personnel placed the stamp stock shipment in the manager's office where it is left unattended and open to the workroom floor until the manager arrives and verifies the shipment. Further, the Genito Station did not always maintain required stamp stock documentation, including a log with detailed records of expenses and required stamp stock shipping or transfer forms. Refer to [Appendix A](#) for the stamp stock receipt process at the Genito Station and the Brandermill Finance Station.

As a result, we could not verify that all of the 46 expense transactions identified, were related to lost or stolen stamp stock shipments between May 1, 2016 and April 30, 2017. However, we verified 14 of the stamp stock expenses regarding lost or stolen shipments were attributable to correction of errors made when stamp shipments were received or due to errors transferring stock into the mobile Point-of-Sale (mPOS)<sup>4</sup> accountability.<sup>5</sup>

Postal Service policy states unit managers are to foster competence, knowledge and experience in accounting and financial reporting, including providing necessary training for personnel to perform at their assigned level of responsibility.<sup>6</sup> If controls over stamp stock shipments are not followed, there is an increased risk of undetected theft of stamp stock. Further, there is an increased risk the financial records could be misstated and the Postal Service cannot ensure that financial differences are not a result of theft or fraud.

## Stamp Stock Security

Personnel at the Genito Station did not always secure stamp stock shipments upon arrival at the unit. Stamp stock shipments for the Genito Station and the Brandermill Finance Station are sent to the Genito Station from Stamp Fulfillment Services<sup>7</sup> via Priority Mail. When the shipments arrive and are identified as stamp stock, clerks scan it with the Passive Adaptive Scanning System (PASS),<sup>8</sup> separate it from the other parcels, and place it on the manager's desk, in his unlocked office. The manager's office door is open and accessible to the rest of the mailroom floor (see [Figure 1](#)). The stamp

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<sup>4</sup> An innovative and practical electronic solution to speed simple transactions in retail lobbies.

<sup>5</sup> For example, a \$5,734 expense was charged to the mPOS accountability even though it has a maximum limit of \$5,000. Also, a \$23,532 correction was made for a stamp shipment that was inadvertently received three times. Finally, a \$9,005 correction was made for a shipment improperly received into Genito Station inventory instead of the Brandermill Finance Station inventory.

<sup>6</sup> Handbook F-1, *Accounting and Reporting Policy*, January 2015, Section 2-5.1.h.

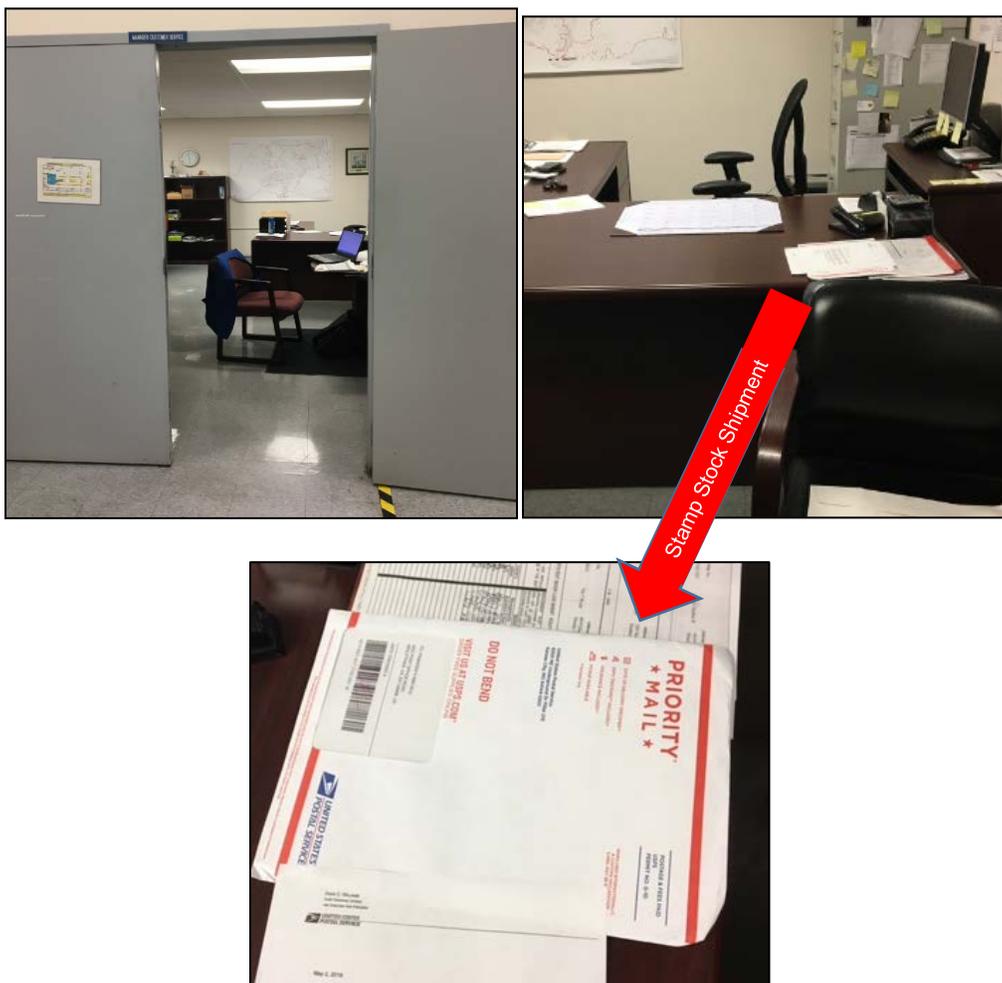
<sup>7</sup> Located in Kansas City, MO, SFS is the sole order fulfillment center for the Postal Service's stamps and products.

<sup>8</sup> PASS is a self-contained, mobile overhead scanning system used at delivery units to support package deliveries.

shipments are left unsecured on the desk until the manager receives the stamps into inventory.

This occurred because the manager felt it was the safest way to keep stock segregated and the best way to alert him to new inventory.

**Figure 1. Genito Station Manager's Office and Desk**



Source: Photos taken by Office of Inspector General auditors while on-site, June 14-15, 2017.

Postal Service policy states stamp stock is not to be left out in the open, visible to others. During the duty day, accountable paper and stamp credits may be stored in a locked drawer or cabinet. At all other times, store accountable paper and stamp credits in the main vault, safe, or security container that affords the best available protection.<sup>9</sup>

On June 22, 2017, management began placing stamp stock shipments in a safe after they are scanned “arrived” at the unit. In addition, Postal Service (PS) Form 3849,

<sup>9</sup> Handbook F-101, *Field Accounting Procedures*, August 2015, Sections 3-3.2.a and f.

*Delivery Notice/Reminder/Receipt*, will be forwarded to the manager to alert him that a shipment has arrived.

### Stamp Stock Documentation

The Genito Station did not maintain all documentation as required. Specifically:

- The unit did not have an Account Identifier Code<sup>10</sup> (AIC) 247, Financial Differences, Overage, and AIC 647, Financial Differences, Shortage log.
- We could not locate PS Forms 17, Stamp Requisition/Stamp Return, for 36 of the 46 shortages and overages recorded during our scope period.
- We could not locate Retail Systems Software (RSS)<sup>11</sup> receipts of stamp stock for 33 of the 46 shipments reviewed.<sup>12</sup>

Postal Service policy states that retail units create or offset previously issued expenses by researching discrepancies and entering adjustments on PS Form 1412, Daily Financial Report. Additionally, policy requires the unit maintain a file with detailed records (documentation) for all AIC 247/647 expenses (financial differences) issued to the postal retail unit and to monitor expenses and ensure timely clearance.<sup>13</sup> PS Form 17 should be kept for two years plus the current fiscal year.<sup>14</sup>

Prior to January 1, 2017, a clerk served as the acting manager at the Genito Station and also served as the unit reserve stock custodian, but did not have proper stamp stock shipment and mPOS training. The current unit manager, also serving as the unit reserve stamp stock custodian, stated he could not locate documentation that related to expenses prior to his appointment in January 2017. In addition, he stated he was not aware of the requirement to have an AIC 247/647 log even though he had previous stamp stock related training. As a result of our audit, on June 22, 2017, management created a log and file for documentation for all AIC 247/647 expenses. Further, on June 19, 2017, the current unit manager completed additional mPOS training.

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<sup>10</sup> Three-digit code that assigns financial transactions to the proper account on the general ledger.

<sup>11</sup> The RSS system 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.

<sup>12</sup> There were 32 unique shipment numbers associated with the 46 transactions in our scope period.

<sup>13</sup> Handbook F-101, Section 8-6.1.b & c.

<sup>14</sup> Handbook F-101, Appendix D, *Forms and Retention Periods*.

## Witness Participation

The unit manager did not always include a witness when receiving new stamp stock shipments into unit reserve. During our site visit, we observed the manager write “NWA”, as an abbreviation to indicate “No Witness Available” even though there were clerks working at the time. 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 dated and signed by the receiver and a witness.<sup>15</sup>

The manager stated he does not include a witness in the process to receive stamp stock to save time. The manager further added he is custodian for the stamp stock at the Genito Station and Brandermill Finance Station and is financially responsible for the stock.

During our site visit, management advised they will now have a supervisor verify and sign PS Form 17.

Because management took corrective actions, we are not making recommendations at this time. However, we may follow up in the future as part of our ongoing financial controls audits.

## Management’s Comments

Management agreed with the findings in this report and implemented controls to secure stamp stock on June 22, 2017, immediately following our site visit. The clerk will immediately scan the incoming stamp stock shipments as attempted and place them in the register safe in the manager’s office with PS Form 3849, Delivery Notice/Reminder/Receipt. In addition, the stock custodian will have a supervisor witness and sign PS Form 17, Stamp Requisition/Stamp Return, after stamp verification has been completed. Further, the unit now has a log of 247/647 differences on site.

See [Appendix B](#) for management’s comments in their entirety.

## Evaluation of Management’s Comments

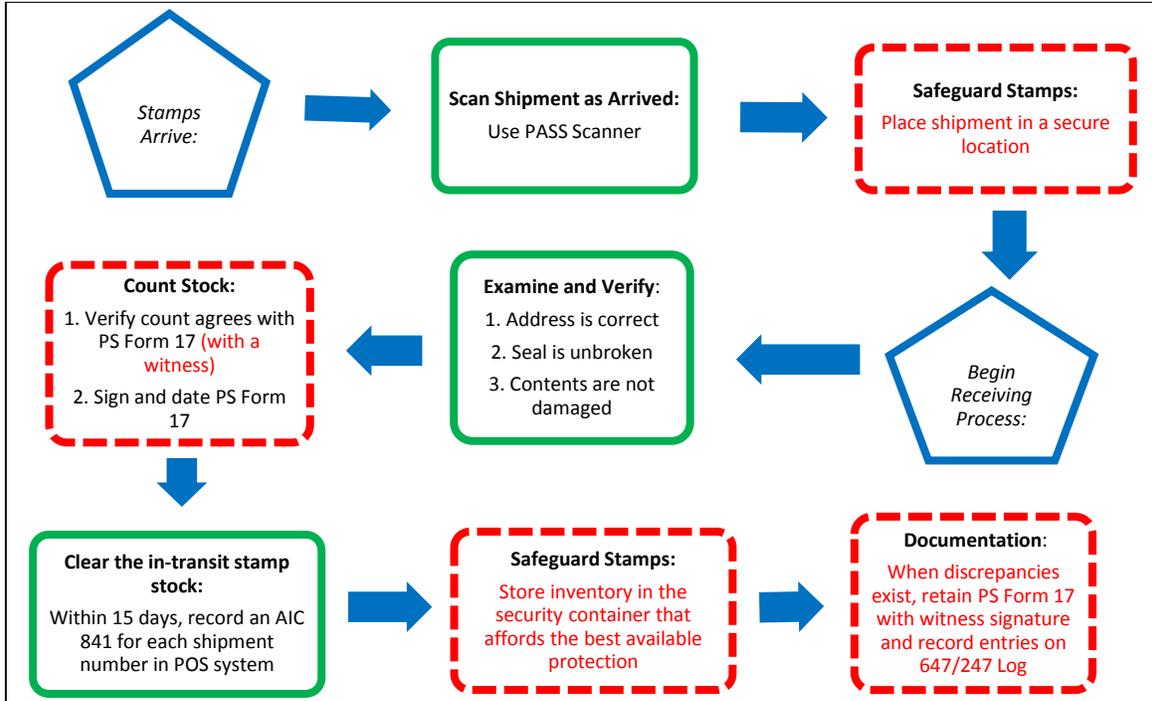
The U.S. Postal Service Office of Inspector General (OIG) considers management’s comments responsive to the report and corrective actions taken resolved the issues identified in the report.

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<sup>15</sup> Handbook F-101, Section 11-5.1.c and d.

Appendix A: Stamp Stock Receipt Process and Internal Controls Issues

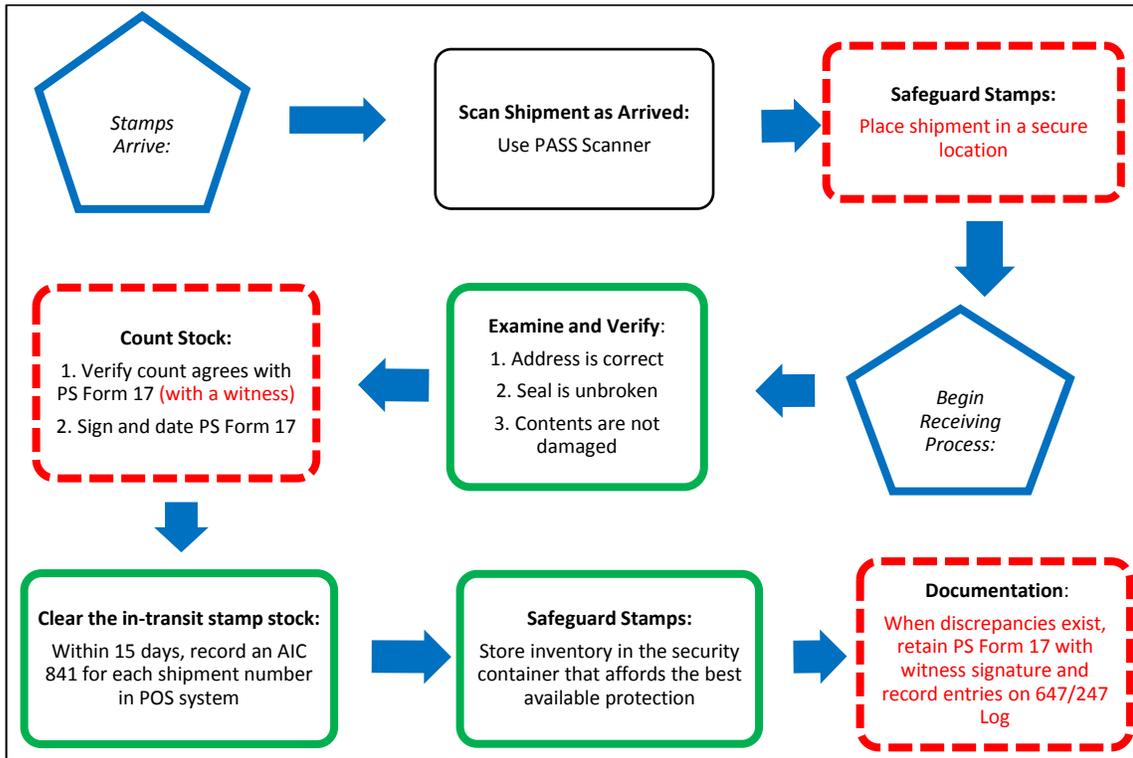
Genito Station<sup>16</sup>



Source: OIG Analysis.

<sup>16</sup> The table flow is based on stamp stock receiving criteria in Handbook F-101, *Field Accounting Procedures*, August 2015 and updated June 2016, The boxes that are outlined in a red dashed border represent the steps in the process where there was a breakdown in internal controls. The red text represents the specific areas of noncompliance.

### Brandermill Finance Station<sup>17</sup>



Source: OIG Analysis.

<sup>17</sup> The boxes that are outlined in a red dashed border represent the steps in the process where there was a breakdown in internal controls. The red text represents the specific areas of noncompliance.

## Appendix B: Management's Comments



September 5, 2017

Lori Lau Dillard  
Director Audit Operations  
Office of Inspector General  
United States Postal Service

**Subject:** Response to Draft Audit Report – Internal Controls Over Stamp Stock Shipments – Genito Station, Midlothian, VA (Report Number FT-FM-17-DRAFT)

Thank you for the opportunity to respond to the OIG Audit of Internal Controls Over Stamp Stock Shipments- Genito Station, Midlothian, VA. Management agrees with the findings noted in the audit report and this station has addressed each noted finding as listed below. Follow up has been conducted with this unit to ensure continued compliance.

**Findings:**

- *Personnel at the Genito Station did not always secure stamp stock shipments or include a witness when receiving new stamp stock shipments into unit reserve. Specifically, after arrival into the unit, personnel placed the stamp stock shipment in the manager's office where it is left unattended and open to the workroom floor until the manager arrives and verifies the shipment.*  
**Abatement:** Stamps will now be scanned attempted and placed into Register safe with PS Form 3849 placed in the Manager's office.
  
- *The Genito Station did not always maintain required stamp stock documentation, including a log with detailed records of expenses and required stamp stock shipping or transfer forms.*  
**Abatement:** Stock custodian will have a supervisor verify and sign PS Form 17 after stamp verification has been conducted.

Unit now has the 247/647 log on site and available for review.

  
Sandy S. Wyrick  
A/Richmond District Manager