



AUDIT REPORT

Internal Controls Over Stamp Stock Shipments – Bensalem, PA, Post Office

September 19, 2017



Report Number FT-FM-17-029



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– Bensalem, PA, Post Office**
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BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) used data analytics to identify offices with lost or stolen stamp stock shipments. We identified three expenses totaling \$27,429 related to stamp stock shipments for the Bensalem, PA, Post Office, and Croydon Post Office, a small post office whose stamp stock is shipped to the Bensalem Post Office, between May 1, 2016, and April 30, 2017.

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 the Bensalem Post Office.

WHAT THE OIG FOUND:

Internal controls over stamp stock shipments at the Bensalem Post Office needed improvement. The customer service supervisor (supervisor) did not adequately manage stamp stock limits. To avoid exceeding the office stamp stock limit, the supervisor transferred excess stock to another post office, rather than returning it to the SFS. The supervisor stated that she did not have enough time to return saleable stamp stock to the SFS to avoid exceeding the stamp stock limit.

In addition, although the supervisor maintained detailed records supporting the \$27,429 expense at the Bensalem Post Office, the supervisor did not always maintain required stamp stock documentation, including a log with detailed records of expenses at the Croydon Post Office. This occurred because the Postmaster stated he was not aware that he needed to maintain files when the area clears the discrepancy. As a result of our audit, the Postmaster developed a log to track financial differences.

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.

WHAT THE OIG RECOMMENDED:

We recommended management reiterate and periodically monitor the processes for managing stamp stock limits for the Bensalem Post Office.

[Link to review the entire report](#)



September 19, 2017

MEMORANDUM FOR: CHU FALLING STAR
MANAGER, PHILADELPHIA METROPOLITAN DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Stamp Stock
Shipments – Bensalem, PA, Post Office
(Report Number FT-FM-17-029)

This report presents the results of our audit of the Internal Controls Over Stamp Stock Shipments – Bensalem, PA, Post Office (Project Number 17BFM023FT000).

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 at the Bensalem, PA, Post Office (Project Number 17BFM023FT000). The Bensalem Post Office is in the Philadelphia Metropolitan 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.

The Bensalem and Croydon¹ Post Offices share a finance number² for processing financial data. Stamp stock for the Bensalem and Croydon Post Offices are shipped to the Bensalem Post Office. To determine whether internal controls over stamp stock shipments were in place and effective, we reviewed financial transactions and supporting documentation from May 1, 2016, through April 30, 2017 for the Bensalem and Croydon Post Offices. 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 managers. We determined that the data were 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 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 June 29, 2017 and included their comments where appropriate.

Internal Controls Over Stamp Stock Shipment

Internal controls over stamp stock shipments at the Bensalem Post Office needed improvement. The customer service supervisor (supervisor) did not properly manage stamp stock limits at the Bensalem Post Office. In addition, although the supervisor maintained detailed records supporting the \$27,429 expense at the Bensalem Post

¹ The Croydon Post Office is in the Philadelphia Metropolitan District of the Eastern Area.

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

³ EDW is a collection of data from many sources which is stored in a single place for reporting and analysis. The vision of EDW is to provide a single repository for managing all of the Postal Service's data assets.

Office, the supervisor did not always maintain required stamp stock documentation, including a log with detailed records of expenses.

Stamp Stock Limits

The supervisor at the Bensalem Post Office did not properly manage stamp stock limits. To avoid exceeding the office stamp stock limit, the supervisor transferred excess stock from the Bensalem Post Office to the Bristol Post Office⁴ on Friday, September 30, 2016, after receiving a stamp stock shipment from Stamp Fulfillment Services (SFS). The supervisor was aware that the stock would be sent back to her unit because the Bristol Post Office did not request the stamp stock. The Bristol Post Office returned the stamp stock to the Bensalem Post Office on Monday, October 3, 2016, and the supervisor received the stamp stock back into the Bensalem Post Office unit stamp stock reserve on Wednesday, October 5, 2016. The Bristol Post Office lead sales and services associate entered the wrong receiving unit finance number when he sent the stamp stock back to Bensalem Post Office, causing a \$27,429 expense for the Bristol and Bensalem Post Offices.

Postal Service policy states that it is the responsibility of the Postmaster, manager, or supervisor to monitor the stamp stock limits for excess and make the necessary adjustments to bring the unit back to their maximum limits. The postal retail unit (PRU) must be at or below the stamp stock maximum limit within seven business days after receipt of stamp stock in the office.⁵ In addition, Postal Service standard operating procedures state that offices may reduce their stock on hand by:

- Contacting another PRU to see if they can use the extra stock and ship the stock.
- Contacting SFS and requesting a return authorization.
- Modifying future automatic shipments on the SFS website.⁶

The Bensalem Post Office supervisor stated that she did not have enough time to return saleable stamp stock to SFS to avoid exceeding its stamp stock limit. The supervisor stated that it would take about two weeks to complete the return with the SFS as opposed to one day to transfer the stamp stock to another PRU.

If controls for stamp stock limits are not followed, this increases the risk for lost stamp stock shipments and loss in productivity as result of researching stamp stock shipment discrepancies.

⁴ The Bensalem and Bristol Post Offices do not share the same finance number for processing financial data. However, they are in close proximity to one another and the Bristol Post Office could accommodate the extra stamp volume and not exceed its maximum stock limit.

⁵ Handbook F-101, *Field Accounting Procedures*, Section 11-3.4, August 2015.

⁶ *Field Sales Branch Excess Stock Process Standard Operating Procedures*, updated October 31, 2016.

Financial Differences

The supervisor did not always maintain required stamp stock documentation, including a log with detailed records of expenses. Specifically, we could not determine whether management properly researched a \$2,850 stamp stock shipment discrepancy because complete files did not exist at the Croydon Post Office. The retail associate stated the expense resulted from incorrectly entering the stamp stock shipment into Retail Systems Software (RSS).⁷ As a result, we contacted an area field financial specialist (specialist) and determined that he offset the discrepancy. The specialist stated that he reversed the entry based on the account identifier codes (AIC)⁸ associated with the expense and discussions with PRU management. However, the specialist did not maintain detailed records. The Postmaster stated that he was not aware that he needed to maintain files when the area clears the discrepancy.

Further, we determined the supervisor maintained detailed records to support the \$27,429 expense at the Bensalem Post Office. The supervisor maintained Postal Service (PS) Form 17, Stamp Requisition/Stamp Return; expense notification from the St. Louis Accounting Service Center; help desk worksheet with summary of problem and remedy case number; and notification that reported the incident was resolved.

Postal Service policy states that retail units create or offset previously issued expenses by researching discrepancies and entering adjustments on the daily financial report (PS Form 1412). Retail units must maintain a file with detailed records for all expenses issued to the PRU, monitor expenses, and ensure timely clearance of those expenses.⁹

As a result of our audit, management developed a log to track financial differences. Therefore, we are not making a recommendation for this issue. However, the stamp stock shipment discrepancy, valued at \$2,850, could affect the integrity of the Postal Service's financial records.¹⁰

Recommendation

We recommend the manager, Philadelphia Metropolitan District:

1. Reiterate and periodically monitor the processes for managing stamp stock limits for the Bensalem Post Office.

⁷ RSS was deployed in February 2016 and replaced the Point of Service system, which is the primary hardware and software system used to conduct retail sales transactions in post offices.

⁸ AICs consist of three digits, used to classify financial transactions to the proper general ledger account.

⁹ Handbook F-101, Section 8-6.1.

¹⁰ Validation of the consistency, accuracy, and completeness of data used by the Postal Service. Data used to support management decisions that are not fully supported or completely accurate. This can be the result of flawed methodology; procedural errors; or missing or unsupported facts, assumptions, or conclusions.

Management's Comments

Management agreed that stock controls and recordkeeping within the Bensalem Post Office needed improvement. The district finance manager and Postmaster separately reviewed the proper procedures with the supervisor dealing with financial issues within the office. The financial and stamp files will be merged so the paperwork is retained and properly recorded. By December 30, 2017, a financial specialist will conduct an audit at the unit to ensure the processes are continuing to be followed.

See [Appendix A](#) 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 recommendation in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. Recommendation 1 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



9-15-2017

Lori Lau Dillard
Director, Audit Operations

SUBJECT: Internal Controls Over Stamp Stock Shipments – Bensalem, PA Post Office. Report #FT-FM-17-DRAFT

I have reviewed the above mentioned report and agree with the OIG that stamp stock controls and recordkeeping within the Bensalem Post Office need improvement.

Recommendation:

"Management reiterate and periodically monitor the processes for managing stamp stock limits for the Bensalem Post Office."

Management Response/Action Plan:

The District Finance Manager and Postmaster separately reviewed the proper procedures with the Supervisor that deals with the financial issues within the office.

The Postmaster later found the paperwork in a separate file. The financial and stamp files will be merged so the paperwork is retained/recorded properly.

Additionally a Financial Specialist will conduct an audit in this office in 60-90 days to ensure the processes are continuing to be followed.

Implementation Date:

December 30, 2017

Responsible Official:

Postmaster, Bensalem Post Office

A handwritten signature in black ink, appearing to read "Chu Falling Star".

Chu Falling Star
District Manager
Philadelphia Metropolitan District

cc: Susan Banks, Acting Manager; Audit Policy, Quality, and Tracking
Susan Ridgway, District Finance Manager
Victoria Russell, MPOO
Corporate Audit Response Management
File