



Internal Controls Over Segmented Inventory – Jacksonville Main Office, Jacksonville, NC

November 22, 2016





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**Internal Controls Over Segmented Inventory –
Jacksonville Main Office, Jacksonville, NC**
Report Number FT-FM-17-003

BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) uses tripwires to identify financial anomalies. Tripwires are analytic tools combining specific behaviors that provide strong indicators of improper activity. The OIG's Perfect Count Tripwire identified that the Jacksonville Main Office in Jacksonville, NC, had perfect inventory counts for four quarters in a row from April 1, 2015, to March 31, 2016. Perfect count means the unit did not report any overages or shortages of retail floor stock.

Segmented inventory consists of retail floor stock (stamps sold on the retail floor), unit reserve stamp stock (stamps used to replenish those sold on the retail floor), cash, money orders, and stamps assigned to retail associates (RA). Inventory can be transferred between segments; therefore, we counted each accountability segment. Postal Service managers are responsible for timely and accurate counts of all segmented inventory.

An office with at least \$100,000 in annual revenue and three employees overseeing segmented inventory is unlikely to go 12 consecutive months with no overage or shortage of retail floor stock.

The objectives of this audit were to determine whether accounting records for segmented inventory at the Jacksonville Main Office were

accurately presented and whether internal controls were in place and effective.

WHAT THE OIG FOUND:

The accounting records for segmented inventory at the Jacksonville Main Office were not always accurately presented, and internal controls needed improvement.

We verified the office reported four perfect counts of retail floor stock from April 1, 2015, to March 31, 2016. Subsequent counts, posted on May 1, 2016, and July 15, 2016, reported minor shortages. On August 16, 2016, we conducted an independent count and identified the retail floor stock had an overage valued at \$4,089. We also identified:

- A mobile Point of Sale stock shortage of \$75.
- A unit reserve stock overage of \$7,587, including \$4,384 of unassigned stock and 112 money orders.
- A unit cash reserve overage of \$287.
- Two RAs' cash drawer shortages of \$12.94 and \$18.35, respectively, and one cash drawer overage of \$57.62.
- A locked cash drawer assigned to an RA no longer at the unit containing

\$106 in cash, three international money orders, and 36 domestic money orders.

- The unit did not establish and maintain a file to record counts for any of the segmented inventory.
- The unit did not have the required bait money orders for [REDACTED]. Bait money orders, when stolen and cashed, help law enforcement identify and apprehend criminals.
- The postmaster, supervisor, and four of five RAs were missing required duplicate key and password envelopes used to open the cash drawer of an employee who is not present.
- The safe used to store the stock was unlocked, open, and accessible to all employees and the public. Also, the door between the customer lobby and the retail unit was open, providing public access to the retail floor stock and mobile Point of Sale inventory.
- A former supervisor no longer assigned to the office still had active roles in the retail sales system.
- The unit did not promptly record stock shipped by the Stamp Distribution Center.

The postmaster stated he was unaware of his financial responsibilities. If controls over inventory and cash are not followed, there is an increased risk of undetected theft and losses. We referred these issues to the OIG's Office of Investigations for further review.

As a result of our audit, management established all required accountability files; assigned bait money orders; created envelopes to secure the key and password; instructed unit personnel to secure the retail counter and store mobile Point of Sale inventory in the vault each night; and deactivated inactive employee roles in the retail system. Management also informed us that the Capital Metro Area Remediation Team was on site to ensure all identified deficiencies will be addressed.

Further, as a result of our overall work regarding segmented inventory accountability, management advised us they will issue an expectations letter to the field. They will also reissue the Financial Accountability Standard Operating Procedures and conduct a webinar to review them with applicable area and district managers. Finally, they will conduct unannounced random field financial audits using the Sarbanes-Oxley Remediation Tool to measure improvement.

WHAT THE OIG RECOMMENDED:

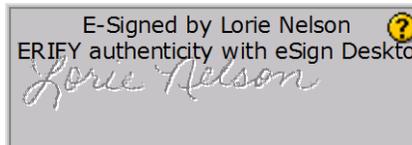
We recommended management establish a process to ensure postmasters are aware of their financial responsibilities for retail floor stock, including stamp stock shipments, and other accountability segments; implement procedures to maintain security over accountable items stored in the Post Office's vault, and ensure RAs accept credit or debit card payments only for mobile Point of Sale transactions.

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



November 22, 2016

MEMORANDUM FOR: SANDY WYRICK
MANAGER, MID-CAROLINAS DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Segmented Inventory
– Jacksonville Main Office, Jacksonville, NC
(Report Number FT-FM-17-003)

This report presents the results of our audit of Internal Controls Over Segmented Inventory – Jacksonville Main Office, Jacksonville, NC (Project Number 16BFM005FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Asha Mede, 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 audit of Internal Controls Over Segmented Inventory – Jacksonville Main Office, Jacksonville, NC (Project Number 16BFM005FT000). The Jacksonville Main Office is in the Mid-Carolinas District of the Capital Metro Area. This self-initiated audit is one of several audits of segmented inventory designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

Segmented inventory consists of retail floor stock (stamps sold on the retail floor), unit reserve stamp stock (stamps used to replenish those sold on the retail floor), cash, money orders, and stamps assigned to retail associates (RA). Inventory can be transferred between segments; therefore, we counted each accountability segment. Postal Service managers are responsible for timely and proper counts of all segmented inventory.

We reviewed accounting records for segmented inventory at the Jacksonville Main Office from April 1, 2015, through August 18, 2016. To determine the validity of the reported inventory counts, we conducted unannounced counts of the inventory segments,¹ evaluated the segmented inventory process, and interviewed the postmaster and other personnel responsible for overseeing the process.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW),² Time and Attendance Collection System (TACS),³ and Retail Systems Software (RSS).⁴ We did not test the validity of controls over these systems; 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 August through November 2016, 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 discussed our observations and conclusions with management on August 24, 2016, and included their comments where appropriate.

¹ Inventory segments consist of retail floor stock, unit reserve stamp stock, unit cash reserve, cash drawers, and other segments such as stamps by mail.

² 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.

³ A system used by all installations that automates the collection of employee time and attendance information.

⁴ The 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.

Segmented Inventory

Our tripwire⁵ showed the Jacksonville Main Office reported four perfect counts⁶ of the retail floor stock⁷ between April 1, 2015, and March 31, 2016. Counts posted on May 1, 2016, and July 15, 2016, identified minor shortages of \$0.08 and \$44.98, respectively. In addition, we verified the office reported six perfect counts each for the unit reserve stock and unit cash reserve from April 2015 through July 2016.

During our site visit in August 2016, we conducted an independent count of the retail floor stock and identified an overage of \$4,088.73. There is no tolerance⁸ applied to retail floor stock counts.

We also conducted independent counts of all the other segmented inventory at the office. Specifically, we counted the mobile Point of Sale (mPOS) stamp inventory,⁹ unit reserve stamp stock,¹⁰ unit cash reserve,¹¹ and five RA cash drawers.¹² We found:

- The mPOS had a shortage of \$75.20. The mPOS information guide does not address tolerance levels. However, the tolerance level for any accountabilities with stamp stock up to \$30,000 is \$50.¹³ The postmaster stated stamps from the retail floor stock were used to fulfill mPOS transactions.
- The unit reserve stamp stock had an overage of \$7,586.87. The tolerance level for unit reserve stamp stock at the Jacksonville Main Office was \$150.¹⁴ The overage included \$4,383.57 of stamp stock stored in several boxes and loose stock laying on a table that was not listed in the unit reserve stamp stock inventory. In addition, 112 money orders (97 domestic and 15 international) were not included in the unit reserve stamp stock inventory, and one money order was missing.
- The unit cash reserve had an overage of \$287. There is no tolerance for unit cash reserve.¹⁵ The office was authorized a unit cash reserve maximum of \$600. The unit recorded six consecutive unit cash reserve counts from April 2015 through July 2016

⁵ Tripwires are analytic tools combining specific behaviors that provide strong indicators of improper activity.

⁶ Perfect count means the Postal Service did not report any overages or shortages of retail floor stock.

⁷ Retail floor stock is shared stock from which RAs sell stamps and stamped products. Each RA selling items from this stock is responsible for ensuring that sales are reported accurately but is not individually accountable for the items.

⁸ Tolerance is the allowed difference for individually accountable inventory segments. If a count is within tolerance, no one is accountable for the difference. If a count is outside of tolerance, the responsible employee is issued a letter of demand for the difference.

⁹ The mPOS device is an innovative and practical solution to speed simple transactions in retail lobbies.

¹⁰ Stamp stock inventory; the unit reserve custodian is accountable for the value of all items in the unit reserve stock.

¹¹ Authorized funds on hand for making change. These are separate funds, not to be confused with the cash portion of a stamp credit. A stamp credit is the value of the stamp stock and money orders consigned to an RA from the unit reserve stock at a postal retail unit.

¹² RAs that are only assigned a cash credit are authorized a cash retained amount of up to \$100.99, for which they are individually accountable.

¹³ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 13-9.2.

¹⁴ The tolerance level for stamp stock above \$60,000 is \$150.

¹⁵ Handbook F-101, Section 13-9.1.

with no reported variances. The unit cash reserve custodian acknowledged keeping more money in the unit reserve but recording the unit cash reserve amount of \$600 for the six counts. The postmaster could not explain the overage.

- Two cash drawers had shortages of \$12.94 and \$18.35, respectively, and one cash drawer had an overage of \$57.62. Each RA is authorized a tolerance of plus or minus \$10 for cash drawers. In addition, a locked cash drawer that was assigned to an RA who last worked at the station on June 13, 2015, contained \$106.07, three international money orders, and 36 domestic money orders.

See Table 1 for the results of the inventory counts.

Table 1. Segmented Inventory Count Results

Segmented Inventory Accountability Segment	RSS System Total	Actual Count	Difference
Retail Floor Stock	\$16,482.15	\$20,570.88	\$4,088.73
mPOS	1,269.00	1,193.80	(75.20)
Unit Reserve Stock	59,618.23	67,205.10	7,586.87
Unit Cash Reserve	600.00	887.00	287.00
Retail Associate Cash Drawers	\$525.85	\$558.78	\$32.93

Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

According to Postal Service policy, management is responsible for all stamp stock and cash credits. The mPOS inventory must be kept in a locked security container separate from all other accountable inventory. In addition, management must follow proper count procedures and remove inactive cash credits.¹⁶ Further, management must maintain an accurate inventory for all accountable paper,¹⁷ ensure that two employees conduct independent, concurrent counts of cash retained credits, and document count results.¹⁸ The postmaster stated he was unaware of his financial responsibilities.

If controls over stamp stock, unit cash reserve, and cash are not followed, there is an increased risk of undetected theft and losses.

As a result of our audit, the Mid-Carolinas District finance manager approved the unit's request to increase the unit cash reserve above the allowable maximum amount to enable the office to have two unit cash reserve custodians.

¹⁶ Handbook F-101, Sections 13-1.2 & 1.3; 13-3.5; 13-7.6; and 14-1.2; and *Mobile Point of Sale Information Guide*, page 10.

¹⁷ Handbook F-1, *Account and Reporting Policy*, January 2015, Section 4-11.1.1.

¹⁸ Handbook F-101, Sections 14-1.2, 14-3, 13-3.5, and 13-1.3.

Inventory Count Records

The unit did not maintain a file for any of the stamp and cash segments. Specifically, the unit did not:

- File or maintain Postal Service (PS) Forms 3294, Cash and Stamp Stock Count and Summary, to record the current inventory count for the retail floor stock, unit reserve stamp stock, unit cash reserve, and all RA cash drawers.
- Record the cash and stamp stock count results on PS Form 3368-P, Accountability Examination Record, to summarize the results for all inventory counts.
- Complete and maintain PS Form 3369, Consigned Credit Receipt, for the unit reserve stamp stock, unit cash reserve, and all RA cash drawers.

The postmaster stated he was unaware of the requirements to document and maintain count results. Postal Service policy states the postmaster, manager, or supervisor is responsible for establishing and maintaining a file for each credit (stamp or cash) assigned to an employee. PS Forms must be retained for 2 years beyond the life of the credit.¹⁹

If inventory files are not maintained and updated, management cannot promptly address inventory count shortages or overages.

As a result of our audit, the postmaster completed accountability files for each stamp and cash credit.

Bait Money Orders

The unit did not have the required bait money orders for [REDACTED]. Bait money orders, if stolen and cashed, help law enforcement identify and apprehend criminals. The postmaster stated he did not know the bait money order requirements.

Postal Service policy states field units that provide retail services must strictly adhere to bait money order procedures.²⁰ [REDACTED].²¹ When bait money order procedures are not followed, there is an increased risk investigative leads could be lost or delayed.

As a result of our audit, on September 19, 2016, the postmaster provided all RAs with the required three bait money orders.

¹⁹ Handbook F-101, Section 13-1.3

²⁰ Handbook F-1, Section 2-5.2.4.1.

²¹ [REDACTED]

Duplicate Key Envelopes

The unit did not have the required PS Form 3977, Duplicate Key Combination and Password Envelope, for the postmaster, supervisor, and four of the five RAs. The duplicate key is used to open the employee's cash drawer, and the password is used to access the employee's RSS login. The postmaster stated he was unaware of the requirement for maintaining duplicate keys and passwords.

Postal Service policy states field units must complete a PS Form 3977 to protect each duplicate key, combination, and password.²² If an employee is absent and management cannot access the employee's duplicate key and updated password from the PS Forms 3977, management will not be able to conduct cash counts timely. Untimely counts decrease management's ability to mitigate risks of theft of cash or money orders.

As a result of our audit, on September 12, 2016, the office completed the duplicate key envelopes.

Safeguarding of Assets

The unit did not properly safeguard its assets. We found:

- The door to the vault containing \$20,570.88 of retail floor stock was unlocked, open, and accessible to all employees within the Post Office (see Figure 1). The vault was located adjacent to the workroom floor. The postmaster stated he was unaware the unsecured vault was accessible to all employees.

Figure 1. Accountable Items Vault



Source: OIG picture taken on August 16, 2016.

²² Handbook F-101, Section 3-8.2.1.

- The unit's retail counter was not secure. There was an open door between the customer lobby and the retail unit, providing public access to the retail floor stock and mPOS accountabilities. The postmaster stated it was an oversight on his part to ensure the door was locked at all times.
- The unit did not secure \$1,193.80 of mPOS stamps and \$11.35 of cash. The items were stored in an unlocked desk drawer near the retail counter (see Figure 2). Personnel stated they forgot to secure the mPOS segment at the end of the night. Also, although Postal Service policy states mPOS purchases can only be paid for with credit and debit cards,²³ the postmaster stated unit personnel would override the mPOS requirement to accept cash payments.

Figure 2. Unsecure mPOS Accountability



Source: OIG picture taken on August 16, 2016.

Postal Service policy states management must provide adequate security for all accountable items, and the items should not be kept in places accessible to the public.²⁴ In addition, all safes used to store stamp stock and money must remain closed and locked during business hours.²⁵

Cash, money orders, and stamps are easy to steal and, if they are not adequately secured, there is an increased risk of undetected theft.

²³ *Mobile Point of Sale Information Guide*, page 18.

²⁴ Handbook F-101, Section 3-1.1 and 3-3.2.c.

²⁵ Handbook PO-209, *Retail Operations Handbook*, October 1, 2011, Section 6-11.3.1.

We estimated that 3.7735 percent, or \$6,485, of the following segmented items totaling \$171,865.67 are at risk of undetected theft and loss:

- Retail floor stock and mPOS stock valued at \$21,764.68.
- Unassigned unit reserve stamp stock valued at \$4,383.57.
- Unassigned money orders in the unit reserve and an unassigned cash drawer valued at \$145,600.²⁶
- Cash of \$106.07 in a cash drawer assigned to an employee no longer at the unit.
- Cash of \$11.35 from mPOS transactions.

On August 18, 2016, the postmaster instructed unit personnel to keep the door between the customer lobby and the retail unit locked at all times and store mPOS inventory in the vault at the end of the night.

Retail Systems Software Roles

Unit management did not monitor and update RSS roles to remove authorizations for employees no longer working at the unit. A former supervisor who no longer worked at the unit had active Administrator, Supervisor, and retail floor roles in RSS. The postmaster stated he was unaware of the procedures for removing the former supervisor from RSS.

Postal Service policy states RAs must be removed (terminated) from the RSS no later than the employee's last day of work when the employee is separated from the Postal Service or bids on another position.²⁷

If controls over employee roles in the RSS are not promptly updated, there is an increased risk of undetected theft or loss of cash, money orders, or stamp stock. As a result of our audit, on August 24, 2016, the postmaster deactivated the former supervisor's three roles.

Stamp Stock Shipments

The unit did not correctly or promptly receive stock shipped by the Stamp Distribution Office into the unit reserve. The postmaster stated the RAs sometimes received stamp stock and entered it directly into the retail floor stock, bypassing the unit reserve stamp stock. In addition, personnel did not always count, verify, and maintain documentation for each shipment.

This occurred because the postmaster was unaware of his financial responsibilities for stamp stock shipments.

²⁶ Includes 133 domestic money orders valued at \$1,000 each and 18 international money orders valued at \$700 each.

²⁷ Handbook F-101, Section 2-4.8.2.

Postal Service policy requires management to ensure controls are in place for accurate and timely entries of all financial transactions, including counting and verifying each shipment of stamp stock and money orders. In addition, Postal Service policy requires that postal retail unit personnel sign and date each PS Form 17 when Postal Service retail units examine and verify stock shipment with a witness. All stamp stock shipments received must be entered into the unit reserve by item number.²⁸

When employees do not follow stamp stock shipment procedures, there is an increased risk of theft of the stamps or other accountable items.

Recommendations

We recommend the manager, Mid-Carolinas District:

1. Establish a process to ensure postmasters are aware of their financial responsibilities for retail floor stock, including stamp stock shipments, and other accountability segments.

We recommend the manager, Mid-Carolinas District, instruct the postmaster, Jacksonville Main Office, to:

2. Implement procedures to maintain security over accountable items in the Post Office's vault.
3. Ensure retail associates accept credit or debit card payments only for mobile Point of Sale transactions.

Management's Comments

Management agreed with the findings and recommendations but disagreed with the way the unit reserve stamp stock count was conducted. They stated the OIG instructed the postmaster to assist with the audit of the retail floor stock while another employee conducted the unit reserve stock audit. They stated this did not align with the policy and did not allow the custodian to have an opportunity to personally verify the count so the custodian could later question any discrepancies.

Regarding recommendation 1, district management will require unit management to review the Quarterly Financial Review, a spreadsheet containing questions related to items such as financial reporting and reconciliation, money orders and stock and cash management. Upon completion, unit management must record their response on the Capital Metro area website and district management will use the review data each quarter to determine areas of risk and will provide training as necessary. The target implementation date is January 15, 2017.

²⁸ Handbook F-101, Sections 11-3.1 & .2; 11-5.1 & .2; and 11-5.4.2.

Regarding recommendation 2, district management will require unit management to review Chapter 3 of the Field Accounting Procedures and provide written documentation that the review was conducted. In addition, the postmaster must review applicable security instructions with bargaining unit employees and document that review in writing. The target implementation date is December 1, 2016.

Regarding recommendation 3, district management will require unit management to review Mobile Point of Sale information and provide documentation that the review was conducted. In addition, the postmaster must review applicable instructions with bargaining unit employees and document that review in writing. The target implementation date is December 1, 2016.

Regarding the calculated dollar value of risk associated with various assets at the unit, management disagreed with the assumption that 3.7735 percent of the value of the assets in the unit would be at risk simply because the vault door was unlocked. In addition, management stated that blank money orders do not have a \$1,000 value of risk to the Postal Service, as the financial risk is assumed by the person who cashed the money order. See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. Regarding the unit reserve stamp stock count, we acknowledge the requirements of the segmented inventory counts. However, we conducted our counts for audit purposes only and coordinated with the postmaster who arranged for an employee to assist us with the unit reserve stock count while he assisted with the retail floor stock count. Our counts did not replace the required quarterly count.

Regarding the calculated value of risk associated with various assets at the unit, we used a mathematically accepted statistical tool to estimate the average impact of uncertain at risk events. It considers six simultaneous sources of uncertainty for any given event. The purpose of the calculation is to provide a reasonable assessment of the value of items at risk when exact assessment of impact is not possible. It does not represent actual loss and, therefore, we only presented it as items at risk, not monetary impact as management stated.

Regarding money orders, we acknowledge the majority of money orders are not cashed at post offices and that the financial risk is generally assumed by the institution that cashes it. However, we continue to believe some risk exists and provide the calculated value for perspective and context.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A. Management's Comments



November 14, 2016

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

Subject: Response to Draft Audit Report – Internal Controls Over Segmented Inventory Jacksonville Main Office, Jacksonville, NC Report Number FT-FM-17-DRAFT

Thank you for the opportunity to respond to the OIG audit of Internal Controls over Segmented Inventory Jacksonville Main Office, Jacksonville, NC. The Mid-Carolinas District agrees with the findings and recommendations made during this audit except for the way the stamp stock audit of the unit reserve was conducted. During this audit the OIG instructed the unit reserve stock custodian, the postmaster, to assist with the audit of the retail floor stock while another EAS employee was utilized by the OIG to conduct the unit reserve stock audit. This does not align with procedures as outlined in Field Accounting Procedures, F-101, Chapter 13-3.1 which states “stamp credits maintained by nonbargaining unit employees must be counted by the nonbargaining employee and another employee no less frequently than once every fiscal year (October–September).” By not allowing the custodian to have an opportunity to personally verify the count, any discrepancies could later be questioned by the custodian.

Management agrees that processes need to be established to ensure postmasters are aware of their financial responsibilities for retail floor stock, including stamp stock shipments, and other accountability segments; implement procedures to maintain security over accountable items stored in the Post Office's vault, and ensure RAs accept credit or debit card payments only for mobile point-of-sale transactions.

Many of the issues discovered during this audit were remediated quickly after the exit conference. A review was conducted by the Capital Metro Area accounting team to assess the issues identified by the OIG in addition to other issues and provide remediation. The review included the following and documentation was submitted to the OIG by September 15th to support many of these items:

- Completed self-audit checklist
- Updated the PS Form 3369 to \$600.00 to unit cash reserve 1
- Updated the PS Form 3369 to \$300.00 to unit cash reserve 2
- Verified all PS Form 3977's are correctly secured
- Verified PS Form 3902, Log and Lock Examination, is complete and current
- Verified the office has a folder for each clerk/cash segment
- Verified the folders have an accurate PS Forms 3294, 3368, 3369, and 571

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- Verified the bait money order list
- Verified security and unit control of money orders
- Recommended postmaster issue new bait money order to the counter (was addressed by the postmaster)
- Observed window closeout to ensure all processes were followed
- Verified SOP followed for all register mail processes
- Observed procedures for daily 1412 clerk closeout
- Observed the process for the daily bank deposit
- Remediated proper procedures for processing PS Form 3533
- Remediated proper filing of 1412 and all documentation
- Remediated the process for destroying voided money orders
- Verified all stamp stock has been accepted timely
- Provided a 247/647 log to be maintained, explained
- Observed vault door was closed at all times
- Verified all new locks installed on cash drawers
- Observed customer lobby door was secured at all times
- Observed MPOS accountability was secured
- Reviewed WEBATS and caller service to ensure procedures were followed
- Reviewed BRM processes. The clerk was knowledgeable of process but BRM LMS training course #10020029 had not been completed. Training for the postmaster, supervisor, and both clerks that process BRM mail will be completed no later than November 15, 2016.
- Verified purchase card processes were being followed correctly
- Voyager records were reviewed. A new supervisor was assigned to administer the program. Training materials and access to online pin management was given to supervisor. Best practices were shared to get their program to the best possible degree.
- Reviewed timekeeping procedures and leave slips
- Observed adjustpay training by responsible EAS completed while onsite
- Verified rural timekeeping records, found exceptionally well organized filing and recordkeeping
- Submitted request for online forms program for all EAS in facility, explained scanning and imaging is closed
- Assisted the unit clearing employee items while on-site
- Assisted in clearing employee receivables while on-site

Regarding monetary impacts - Undetected Theft and Loss, the Mid-Carolinas District disagrees with the assumption that 3.7735 percent of the value of the assets in the unit, including unassigned money orders would be at risk simply because a door remained unlocked. In addition, blank money orders do not have a value of \$1,000 risk to the Postal Service. The majority of Postal Service money orders are not cashed by the Postal Service. The financial risk is assumed by the person who cashed the money order. While it is ideal to always maintain security by having access restricted, other means of monitoring security including vigilant employees and surveillance or potential for hidden surveillance in a federal facility does have a positive impact to security. In the case of this particular audit, we agree that many issues existed prior to the OIG visit, however, the end result showed a net overage and does not support the risk associated in this report.

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Recommendation #1

We recommend the manager, Mid-Carolinas District, establish a process to ensure postmasters are aware of their financial responsibilities for retail floor stock, including stamp stock shipments, and other accountability segments.

Management Response/ Action Plan

The Mid-Carolinas District agrees with this recommendation and will implement by requiring all EAS Level 18 and above postmasters to review the Quarterly Financial Review, a spreadsheet containing 71 questions related to financial reporting and reconciliation, money orders/BSA, stock and cash management, passports, payroll/ TACS, P.O. Boxes, purchase cards, Voyager, master trust, CPU's, administrative duties and security. The spreadsheet is hyperlinked to policy and procedure for each question to provide guidance as needed.

Once the review has been completed, each EAS Level 18 and above postmaster will be required to record his or her response via the survey link established on the Capital Metro Area accounting website by the end of Quarter 1. Postmasters with oversight of other post offices, CPUs, DMUs, etc. will complete one survey with answers that apply to all sites under his or her purview.

The review data will be used each quarter to determine areas of risk and training will be provided as necessary.

Target Implementation Date

1/15/2017

Responsible Official

Annette Thompson, Mid-Carolinas District Finance Manager

Recommendation #2

We recommend the manager, Mid-Carolinas District, instruct the postmaster, Jacksonville Main Office to implement procedures to maintain security over accountable items in the Post Office's vault.

Management Response/ Action Plan

The Mid-Carolinas District agrees with this recommendation and will implement by requiring the postmaster and all members of management at the Jacksonville Post Office to review Chapter 3 of the Field Accounting Procedures (F-101) and provide written documentation that this review was conducted. The postmaster will also be required to review applicable security instructions with bargaining unit employees as outlined in Chapter 3 and document in writing.

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Target Implementation Date

12/1/2016

Responsible Official

Jamie Thompson, Postmaster

Recommendation #3

We recommend the manager, Mid-Carolinas District, instruct the postmaster, Jacksonville Main Office to ensure retail associates accept credit or debit card payments only for mobile Point of Sale transactions.

Management Response/ Action Plan

The Mid-Carolinas District agrees with this recommendation and will implement by requiring the postmaster and all members of management at the Jacksonville Post Office to review the mPOS Information Guide, mPOS User Guide and job aids found on the mPOS toolkit website located on the headquarters accounting webpage and provide written documentation that this review was conducted. The postmaster will also be required to review applicable instructions with bargaining unit employees and document in writing.

Target Implementation Date

12/1/2016

Responsible Official

Jamie Thompson, Postmaster



Sandy Wyrick
Mid-Carolinas District Manager

cc: Corporate Audit and Response Management