



AUDIT REPORT

Internal Controls Over Retail Sales Transactions – Norman, OK, Main Office

February 23, 2017



Report Number FT-FM-17-009



February 23, 2017

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Norman, OK, Main Office**

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BACKGROUND:

The U.S. Postal Service Office of Inspector General uses tripwires to identify financial anomalies. Tripwires are analytic tools that look at specific behaviors and patterns that are strong indicators of improper activity. From August 1, 2016, to August 31, 2016, our tripwire showed the Norman, OK, Main Office reported fewer stamp sales than other post offices nationwide.

Retail transactions, such as stamp sales, returns, and voids, are recorded in the Retail Systems Software (RSS). Other transactions, such as mail and delivery services performed at the retail window, are also recorded in the system; however, these types of transactions are recorded as non-revenue customer visits. Retail associates (RA) are responsible for accurately entering all retail transactions in the RSS, which is used to track unit productivity, revenue, and customer service.

The objective of this audit was to review the internal controls over retail sales transactions at the Norman Main Office.

WHAT THE OIG FOUND:

We found no issues with stamp sales during the period we reviewed. We determined the reduced number of stamp sales identified by our tripwire was due to an RA dividing time between passport acceptance and retail sales. However, internal controls over the retail sales transactions needed improvement.

We identified 43 stamp sales valued at \$1,747 that were voided then incorrectly categorized as non-revenue visits in the RSS due to an RSS (system) error. Also, no payments were received for the transactions but revenue was reported for four of them. Unit management could not determine why this occurred.

Also, an RA maintained stamp inventory in her cash drawer instead of the unit's vault as required for those types of stamps. Also, the RA did not document the transfer of the stamps in her drawer from the unit reserve stamp stock inventory. Further, she purchased stamps from her cash drawer for personal use. The RA stated she was not aware of the requirements for maintaining stamp inventory, stamp stock transfers, and purchasing stamps from the cash drawer.

If controls over retail sales transactions are not in place or followed, there is increased risk of inaccurate productivity measurements, incomplete financial reporting, and undetected theft or loss of stamps and cash.

WHAT THE OIG RECOMMENDED:

We recommended management coordinate with Information Technology to resolve the RSS system error and monitor the accuracy of future transactions. We also recommended management implement controls to

ensure RAs properly complete inventory transfers and stamp sales.

[Link to review the entire report](#)

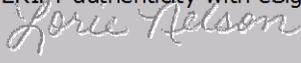


February 23, 2017

MEMORANDUM FOR: JULIE A. GOSDIN
MANAGER, OKLAHOMA DISTRICT

MICHAEL AMATO
VICE PRESIDENT, ENGINEERING SYSTEMS

E-Signed by Lorie Nelson 
VERIFY authenticity with eSign Desktop



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Retail Sales
Transactions – Norman, OK, Main Office
(Report Number FT-FM-17-009)

This report presents the results of our audit of Internal Controls Over Retail Sales Transactions – Norman, OK, Main Office (Project Number 17BFM003FT000).

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 Retail Sales Transactions – Norman, OK, Main Office (Project Number 17BFM003FT000). The Norman Main Office is in the Oklahoma District of the Southern Area. This self-initiated audit is designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

We reviewed retail sales transactions at the Norman Main Office from August 1, 2016, to August 31, 2016. To determine the completeness and accuracy of the reported stamps sales, we reviewed daily financial reports and supporting documentation, performed a system walkthrough of the Retail Systems Software (RSS)¹ stamp and non-revenue transactions, conducted limited counts of cash drawers, and evaluated the sales transaction process. We also interviewed retail associates (RA) and unit management to better understand the control environment over retail transactions.

We relied on computer-generated data maintained in the Enterprise Data Warehouse (EDW),² Time and Attendance Collection System,³ and the RSS. We tested the validity of controls over these systems and verified the accuracy of the data by confirming our analysis and results with Postal Service management. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from November 2016 through January 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 November 22, 2016, and included their comments where appropriate.

Stamp Sales

We found no issues with stamp sales during our scope period. We determined the reduced number of stamp sales identified by our tripwire at the Norman Main Office was because one of the two RAs at the unit worked part-time in the passport acceptance office; therefore, total stamp sales were less than other RAs nationwide.

¹ 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.

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.

Non-Revenue Transactions

We identified that all of the voided⁴ stamp sale transactions from August 1, 2016, to August 31, 2016, valued at \$1,747 were incorrectly categorized as non-revenue visits⁵ in RSS. The unit also reported that no customer payments were received for the transactions. However, the unit reported revenue for four of the 43 stamp transactions (see Table 1).

We conducted a system walkthrough of retail transactions and verified the voided stamps sales were incorrectly categorized due to an RSS error. Specifically, when a customer decides not to purchase stamps before paying for his or her total purchases, the RA deletes the stamps in the RSS and the RSS automatically reports this deletion as a non-revenue transaction when the customer visit has ended. Unit management could not determine why revenue was reported when no customer payments were received.

According to Postal Service policy, a non-revenue visit is used only for non-retail service transactions, such as mail pickups and hold requests.⁶ Therefore, the 43 stamp transactions should have been classified as line-item voids. Further, the reported stamp revenues should match a customer payment amount.

RAs' productivity is measured by the number of transactions performed and revenue collected per workhour. If transactions are not properly reported in the RSS, then the Postal Service cannot accurately monitor RA productivity and measure whether units meet organizational goals.

Table 1. Non-Revenue Transactions

Date	Product Description	Reported Revenue ⁷	Amount Voided	Cash Received From Customer
8/1/2016	(Forever) US Flag PSA Booklet/20	\$0.00	\$9.40	\$0.00
8/1/2016	(Forever) Neon Celebrate! PSA	0.47	0.00	0.00
8/1/2016	(Forever) Service Cross Medals SS/12	11.28	11.28	0.00
8/1/2016	(Forever) US Flag PSA Booklet/20	28.20	0.00	0.00
8/1/2016	5c Amer Toleware PSA	0.05	0.00	0.00
8/2/2016	(3oz) Flannery O'Connor PSA NDN	0.00	0.89	0.00
8/2/2016	(Forever) Soda Fountain Favorites CB/20	0.00	9.40	0.00

⁴ As shown on the EDW Transaction and Tender report.

⁵ A non-revenue visit is a customer Post Office visit consisting of one or more transactions where no revenue is collected from the customer. This visit type is for mailing or delivery services, such as a package pickup.

⁶ Postal Regulatory Commission, Docket Number. N2011-1.

⁷ Revenue is reported in the Forever Stamp Sales – Retail Window general ledger account.

Date	Product Description	Reported Revenue ⁷	Amount Voided	Cash Received From Customer
8/3/2016	(Forever) Indiana Statehood PSA	0.00	0.47	0.00
8/3/2016	(Forever) Neon Celebrate! PSA	0.00	2.35	0.00
8/4/2016	(Forever) Pets Booklet/20	0.00	18.80	0.00
8/5/2016	(Forever) US Flag PSA Booklet/20	0.00	9.40	0.00
8/5/2016	(Forever) Love: Forever Hearts PSA	0.00	0.94	0.00
8/6/2016	(Forever) Purple Heart PSA	0.00	0.94	0.00
8/8/2016	(Forever) US Flag Coil/100 PSA	0.00	141.00	0.00
8/8/2016	(Post Card) Coastal Birds PSA NDN PSA Coil of 100	0.00	34.00	0.00
8/9/2016	(Forever) Folk Art Eagle PSA #10 Envelope	0.00	0.59	0.00
8/9/2016	(Forever) US Flag PSA Booklet/20	0.00	9.40	0.00
8/9/2016	(Forever) Pluto - Explored! SS/4	0.00	3.76	0.00
8/10/2016	(Forever) US Flag Coil/100 PSA	0.00	47.00	0.00
8/10/2016	(Forever) Soda Fountain Favorites CB/20	0.00	9.40	0.00
8/10/2016	(Forever) US Flag Coil/100 PSA	0.00	470.00	0.00
8/11/2016	(Forever) US Flag Coil/100 PSA	0.00	47.00	0.00
8/12/2016	(Forever) Soda Fountain Favorites CB/20	0.00	9.40	0.00
8/12/2016	(Forever) Purple Heart PSA	0.00	6.58	0.00
8/15/2016	(Forever) Purple Heart PSA	0.00	0.47	0.00
8/16/2016	(Forever) Pets Booklet/20	0.00	714.40	0.00
8/17/2016	(Forever) Neon Celebrate! PSA	0.00	4.70	0.00
8/17/2016	(Forever) US Flag Coil/100 PSA	0.00	47.00	0.00
8/17/2016	(NonMach) Eastern Tiger Swallowtail (Butterfly)PSA	0.00	13.60	0.00
8/20/2016	(Forever) Folk Art Eagle PSA #10 Envelope	0.00	0.59	0.00
8/24/2016	(Forever) Soda Fountain Favorites CB/20	0.00	9.40	0.00
8/25/2016	(Forever) Neon Celebrate! PSA	0.00	0.47	0.00
8/26/2016	(Forever) Pets Booklet/20	0.00	9.40	0.00
8/27/2016	(Forever) US Flag Coil/100 PSA	0.00	47.00	0.00
8/29/2016	(Forever) Folk Art Eagle PSA #10 Envelope	0.00	0.59	0.00
8/29/2016	(Forever) Quilled Paper Heart PSA	0.00	0.47	0.00
8/30/2016	(2oz) Vintage Tulip PSA NDN	0.00	27.20	0.00
8/30/2016	(Global Forever) The Moon PSA	0.00	8.05	0.00
8/30/2016	(Forever) Folk Art Eagle PSA #10 Envelope	0.00	0.59	0.00
8/31/2016	(Forever) US Flag PSA Booklet/20	0.00	9.40	0.00

Date	Product Description	Reported Revenue ⁷	Amount Voided	Cash Received From Customer
8/31/2016	(Forever) US Flag PSA Booklet/20	0.00	9.40	0.00
8/31/2016	(Forever) Quilled Paper Heart PSA	0.00	0.94	0.00
8/31/2016	(Forever) Quilled Paper Heart PSA	0.00	0.94	0.00
TOTAL		\$40.00	\$1,747.00	\$0.00

Source: EDW and U.S. Postal Service Office of Inspector General analysis.

Stamps by Mail

An RA maintained Stamps by Mail (SBM)⁸ inventory valued at \$1,933 in her cash drawer instead of the unit's vault as required. Also, the RA did not document the transfer of the SBM in her drawer from the unit reserve stamp stock inventory. Further, she purchased stamps for her personal use from her cash drawer.

According to Postal Service policy, SBM orders must be filled directly from the vault.⁹ Also, SBM must be transferred from the unit reserve stock to the SBM inventory segment using Postal Service Form 17, Stamp Requisition/Stamp Return.¹⁰ Further, retail employees must keep postal funds separate from personal funds.¹¹ The RA stated she was not aware of requirements for maintaining SBM, stamp stock transfers, and purchasing stamps from cash drawers.

If controls over retail sales transactions are not followed, there is increased risk of undetected theft or loss of stamps and cash.

On November 16, 2016, the supervisor of customer services secured the stamps from the RA cash drawer in the vault.

Recommendations

We recommend the vice president, Engineering Systems:

1. Coordinate with Information Technology to resolve the Retail Systems Software error and monitor future transactions in the Retail Systems Software for accuracy.

⁸ An inventory used for filling stamp orders received from customers by mail.

⁹ USPS, Learning Management System, Stamps By Mail Training, Course Number 5120133.

¹⁰ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 11-3.4.

¹¹ Handbook F-101, Section 3-2.2.

We recommend the manager, Oklahoma District, instruct the postmaster, Norman Main Office, to:

2. Implement controls to ensure retail associates properly complete inventory transfers and stamp sales.

Management's Comments

Management disagreed with recommendation 1, and generally agreed with recommendation 2.

In response to recommendation 1, management stated RSS is working as designed. The 43 stamp transactions identified in the audit report were investigated further and found to be categorized properly and, in the event of revenue, the funds were accounted for correctly.

In response to recommendation 2, district management will instruct the postmaster to implement controls outlined in Handbook F-101 and will perform a follow-up review to ensure compliance by February 28, 2017. They also stated that policy allows them to fill SBM orders directly from retail floor stock. Unit management decided to fulfill orders that way.

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

Evaluation of Management's Comments

The OIG considers management's comments partially responsive to the recommendations in the report.

Regarding recommendation 1, the Postal Service provided a list of 18 transaction types categorized as non-revenue transactions to the Postal Regulatory Commission (PRC). The list included customer inquiries and mail or delivery services, such as inquiries for voter registration, address changes, employment applications, mail pickup, and hold mail requests. The list did not include stamp sales or voided transactions. In discussions subsequent to the receipt of management's comments, management stated the list of non revenue transactions provided to the PRC was not all inclusive and that they considered voided transactions to be non-revenue. They also reiterated that in the event of revenue, the funds were accounted for correctly. Management advised they will review policy to clarify the definition of non-revenue transactions. We agree with management's plan to clarify policy but continue to believe a reporting issue may still exist. However, since we only identified this issue at one unit, we do not intend to pursue audit resolution at this time but may follow up as part of our ongoing oversight.

Regarding recommendation 2, we disagree with management's interpretation of the current policy. Handbook F-101, June 2016, Section 14-1.1 states SBM is used where volume prohibits filling requisitions from the retail floor stock. Further, Section 11-3.4(b)

states SBM is one of the stamp stock segments transferred from the unit reserve stock. In discussions subsequent to receipt of management's comments, management stated the field units currently fulfill SBM orders from retail floor stock and that they support that practice and are phasing out SBM inventory. Management acknowledged that the current practice by the field units does not match the policy and is in the process of revising the policy. Since the Postal Service is in the process of revising the current policy, we do not intend to pursue audit resolution at this time.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. Recommendations 1 and 2 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

MICHAEL J. AMATO
VICE PRESIDENT
ENGINEERING SYSTEMS



February 2, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls over Retail Sales Transactions – Norman, OK, Main Office
Report Number FT-FM-17-DRAFT

Recommendation 1:

We recommend the vice president, Engineering Systems:

1. Coordinate with Information Technology to resolve the Retail Systems Software error and monitor future transactions in the Retail Systems Software of accuracy.

Management Response/Action Plan:

Management disagrees with the recommendation. After further review with Retail Operations and RDM subject matter experts, it has been determined that the RSS is working as designed in regards to voided transactions. Revenue versus non-revenue visits are determined by the Tender Type passed by RSS to RDM. If there is a Tender Type indicating payment, RDM sets the transaction as a revenue visit. If there is not a Tender Type passed by RSS indicating payment, RDM sets the transaction as a non-revenue visit. Investigating these transactions further, it was determine that they were categorized properly and in the event of revenue, the funds were accounted for correctly. This is consistent with the processes established under POS, our previous retail system.

Target Implement Date:

Responsible Official:

Marc McCrery,
Manager, Delivery and Retail Technology

A handwritten signature in blue ink, appearing to read "Michael J. Amato", written over a horizontal line.

Michael J. Amato
Vice President, Engineering Systems

cc: Kelly Sigmon, VP, Retail and Customer Service Operations
Marc McCrery, Manager, Delivery and Retail Technology
Regina G. Cleofe, Corporate Audit and Response Management
Manager, Corporate Audit Response Management

Julie A. Gosdin, Manager, Oklahoma District

MANAGER, OKLAHOMA DISTRICT
US POSTAL SERVICE – OKLAHOMA DISTRICT



February 2, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

**SUBJECT: Internal Controls Over Retail Sales Transactions – Norman, OK,
Main Office Report Number FT-FM-17-DRAFT**

Recommendation 2 :

We recommend the Manager, Oklahoma District, instruct the Postmaster, Norman Main Office, to:

1. Implement controls to ensure retail associates properly complete inventory transfers and stamp sales.

Management Response/Action Plan:

The Manager, Oklahoma District, will instruct the Postmaster, Norman Main Office, to implement the Financial Controls as outlined in Handbook F-101, *Field Accounting Procedures*, June 2016. The Financial Controls must be implemented no later than February 28, 2017.

Handbook F-101, *Field Accounting Procedures*, June 2016 Section 14-1.1 does outline how to utilize a Stamps By Mail (SBM) segment. However, it also notes that Stamps By Mail can be filled from the Retail Floor Stock, so its use is not mandatory. Norman Postmaster has made a business decision to fulfill Stamps By Mail from the Retail Floor Stock and will input the SBM transactions in AIC 094 - Stamp By Mail, Internet and Phone.

Southern Area Accounting personnel will perform a follow up review to ensure compliance by February 28, 2017.

Target Implementation Date:

February 28, 2017

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FAX: 405-815-2010

- 2 -

Responsible Official:

Postmaster, Norman Main Office, Kenny C. Smith


Julie A. Gosdin
Manager, Oklahoma District
Oklahoma District

cc: Michael J. Amato, Engineering Systems VP
Maura A. Mc Nerney, Controller VP
Kelly M. Sigmon, Retail and Customer Service Operations VP
Shaun E. Mossman, Southern AVP
Tammy J. Rose, Controller, Southern Area
Ray L. Vincent, Manager Accounting, Southern Area
Paul Eller, Manager Finance, Oklahoma District
Sally Haring, Manager, Corporate Audit and Response Management
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