



AUDIT REPORT

Internal Controls Over Single Drawer Accountability – [REDACTED] [REDACTED] Post Office

March 24, 2017



Report Number FT-FM-17-014



March 24, 2017

**Internal Controls Over Single Drawer
Accountability – [REDACTED] Post Office**
Report Number FT-FM-17-014

BACKGROUND:

U.S. Postal Service management reported stock shortages at a remotely managed post office in [REDACTED], in June 2016 and November 2016. The reported shortages were \$1,706, or 34 percent, and \$1,051, or 21 percent, respectively, of the office's total authorized limit of \$5,000 for cash and stamp stock.

A remotely managed post office offers part-time window service hours and is staffed by Postal Service employees who operate from a Single Drawer Accountability. Stamp stock, cash, and money orders specifically assigned to the office comprise Single Drawer Accountability.

A postmaster who oversees the office is responsible for setting and managing the stamp stock limits. Employees are responsible for accurately reporting daily financial transactions.

The objective for this audit was to review internal controls to reduce the risk of stamp stock and cash shortages at the [REDACTED] Post Office.

WHAT THE OIG FOUND:

Internal controls to reduce stamp stock and cash shortages at the [REDACTED] Post Office needed improvement.

The sales and services associate did not always record financial transactions such as cash retained, refunds, and

postage stamps sales. The associate was unable to explain why she did not always record all financial transactions. Further, she requested guidance from the postmaster, but the postmaster was not aware of the requirements.

In addition, prior to our arrival on January 18, 2017, the postmaster conducted a stamp stock and cash count on January 12, 2017, that identified an overage of \$0.32. However, our review of the count records showed 10 books of stamps valued at \$47 were not included in the count. On January 19, 2017, we conducted an independent count and identified an overage of stamps and cash valued at \$100.

If controls over cash and stamp stock are not followed, there is an increased risk that financial records could be misstated and theft could occur without detection.

WHAT THE OIG RECOMMENDED:

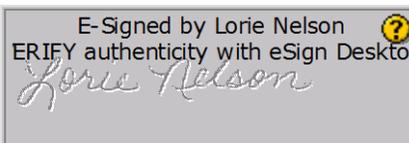
We recommended management provide refresher training on financial reporting to employees at the office and require the postmaster to review and verify all financial reports from this office.

[Link to review the entire report](#)



March 24, 2017

MEMORANDUM FOR: WENDY L. ENGLISH
MANAGER, APPALACHIAN DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Single Drawer
Accountability – [REDACTED], Post Office
(Report Number FT-FM-17-014)

This report presents the results of our audit of Internal Controls Over Single Drawer Accountability at the [REDACTED], Post Office (Project Number 17BFM007FT000).

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 self-initiated audit of Internal Controls Over Single Drawer Accountability at the ██████████ Post Office (Project Number 17BFM007FT000). The ██████████ Post Office is in the Appalachian District of the Eastern Area. This audit is designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

We reviewed financial transactions and supporting documentation from June 1 through December 31, 2016. We conducted a count of stamp stock and cash, extracted and analyzed financial data, 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),¹ National Meter Accounting and Tracking System,² and Web Box Activity Tracking System.³ 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 January 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. We discussed our observations and conclusions with management on February 1, 2017, and included their comments where appropriate.

Internal Controls Over Stamp Stock and Cash

Internal controls to reduce the risk of stamp stock and cash shortages at the ██████████ Post Office needed improvement. From June 1 through December 31, 2016, the sales and service associate (SSA) did not always properly record financial transactions such as cash retained, refunds, and stamp sales; or report a stamp and cash count. If controls over cash and stamp stock are not followed, there is an increased risk the financial records could be misstated and theft could occur without detection.

¹ 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.

² Tracks postage meters, customers, settings and usage. Data reported in this application is transmitted to Postal Service by the postage meter providers.

³ A web-based application that allows post offices to manage their Post Office Box, Caller, and Revenue Services. This system can be used to post payments and refunds and to assign special designations for a facility.

Cash Retained

The SSA did not record daily cash retained at the office as required for 8 of the 179 working days during our scope of review. The SSA could not provide an explanation for why she did not record the cash retained. Postal Service policy states that employees must record cash retained on the daily financial report⁴ (see Table 1).

Table 1. Daily Cash Retained Not Recorded by the Office

Transaction Date	Cash Sales Not Recorded on Daily Financial Report
7/12/2016	\$19.86
8/31/2016	4.50
9/1/2016	85.75
10/1/2016	28.67
10/13/2016	31.27
10/20/2016	38.54
11/5/2016	63.77
12/24/2016	28.20
Total	\$300.56

Source: Unit's internal support documentation.

Post Office Box Refunds

The SSA did not complete the required forms to report 11 Post Office Box refunds valued at \$68. The SSA stated that she received financial reporting training but was not aware of the requirements for recording Post Office Box refunds. Postal Service policy states that employees must record refunds issued on a Postal Service (PS) Form 3533, Application for Refunds of Fees Products and Withdrawal of Customer Accounts, and the daily financial report.⁵

Postage Meter Machine Refunds

The SSA did not always complete the required forms to record errors when the postage meter machine printed blank meter strips. The SSA reported the meter issues to her postmaster; however, the postmaster stated that she could not provide guidance because she was not aware of the requirements. Postal Service policy states that employees must complete and attach the erroneously printed postage meter strips on a PS Form 3533, record the postage amount on the daily financial report, and file the form as supporting documentation.⁶

⁴ Handbook F-101, *Field Accounting Procedures*, Chapter 24-19, June 2016.

⁵ Handbook F-101, Section 24-21.1.2.

⁶ Handbook F-101, Section 24-21.2.

Stamp Stock Sales

The SSA did not record postage stamp sales on the daily financial report for 5 of the 179 working days during our scope period (see Table 2). The SSA could not provide an explanation for why she did not record the stamp sales. Postal Service policy states that employees are responsible for accurately reporting financial transactions on the daily financial report.⁷

Table 2. Stamp Sales Not Recorded Into Daily Financial Report

Transaction Date	Stamp Sales not Recorded on Daily Financial Report
8/8/2016	\$28.68
9/24/2016	38.19
10/8/2016	80.84
11/30/2016	46.93
12/10/2016	75.75
Total	\$270.35

Source: Unit's internal support documentation.

Lobby Services Revenue Sales

The SSA did not record over \$16 in financial transactions for postage stock sales and money order inquiries in the appropriate account identification code (AIC).⁸ For 5 of the 179 working days during our period of review, the SSA incorrectly recorded those transaction types into the lobby services revenue⁹ AIC because she was not always certain which AIC code to use. Postal Service policy states that employees are responsible for accurately reporting financial transactions into the appropriate AICs on the daily financial report.¹⁰

Stamp Stock and Cash Count

Prior to our arrival on January 18, 2017, the postmaster conducted a stamp and cash count on January 12, 2017, and reported an overage of \$0.32. However, our review of the count records showed the postmaster and SSA documented 20 books of stamps valued at \$94 on the count sheets, but only entered 10 books, valued at \$47, into the daily financial report. The postmaster stated that she entered the incorrect information on the daily financial report.

On January 19, 2017, we conducted an independent count and identified an overage of \$100.20. The postmaster completed PS Form 571, Discrepancies of \$100 or More in

⁷ Handbook F-101, Sections 24-13.2 and 24-20.

⁸ Consists of three digits used to classify financial transactions to the proper general ledger account.

⁹ Funds collected from Post Office Box keys, Post Office Box lock replacement fees, unresolved overages from employee stamp credits, and unresolved overages from cash credits.

¹⁰ Handbook F-101, Sections 24-13.2 and 24-20.

Financial Responsibility, and submitted it to the U.S. Postal Service Office of Inspector General (OIG) Hotline as required by policy.

According to Postal Service policy, employees are responsible for accurately reporting financial transactions. In addition, the postmaster and the employee must each perform an independent count. The supervisor must enter all counts, and the employee must review and acknowledge the count.¹¹

Recommendations

We recommend the manager, Appalachian District:

1. Provide refresher training on financial reporting for single drawer accountability to all employees responsible for financial reporting at the ██████████ Post Office.
2. Require the postmaster to review and verify all financial reports at the ██████████ Post Office.

Management's Comments

Management agreed with the findings and recommendations.

Regarding recommendation 1, management stated that they provided remedial window training to the ██████████ Post Office clerk from March 6-9, 2017. Subsequent to receipt of management's comments, management advised us that the postmaster will also complete this training by March 31, 2017.

Regarding recommendation 2, management stated that they advised the postmaster to begin daily reviews of ██████████ Post Office financial reports after the clerk completes refresher training. The postmaster will also conduct a full count at ██████████ Post Office on a monthly basis. The target implementation date is March 27, 2017.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 2 and corrective actions should resolve the issues identified in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are 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 recommendations can be closed.

¹¹ Handbook F-101, Sections 24-13.2, 24-18.5, and 13-3.8.

Appendix A: Management's Comments

WENDY L. ENGLISH
Manager, Appalachian District



March 17, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over Single Drawer Accountability – [REDACTED] WV PO
Report # FT-FM-17-DRAFT

Management agrees with the OIG findings and observations.

Recommendation 1:

Provide refresher training on financial reporting for single drawer accountability to all employees responsible for financial reporting at the [REDACTED] Post Office.

Management Response/Action Plan:

Management agrees.

Management advised the APO Postmaster (Wardensville, WV) on 2/6/2017 to schedule the [REDACTED] clerk for remedial (repeat) window training.

Target Implementation Date:

Training was given on 3/6/2017 – 3/9/2017.

Responsible Official:

Wardensville Postmaster

Recommendation 2:

Require the postmaster to review and verify all financial reports at the [REDACTED] Post Office.

Management Response/Action Plan:

Management agrees.

Management advised the APO Postmaster (Wardensville, WV) to begin daily 1412 reviews of [REDACTED] once the clerk has completed refresher training. The Postmaster will also conduct a full count in [REDACTED] on a monthly basis.

- 2 -

Target Implementation Date:
3/27/2017

Responsible Official:
Wardensville Postmaster


For Wendy English
District Manager, Appalachian

cc: *Faber, Eric R - Pittsburgh, PA*
Germer, Douglas G - Washington, DC
Haring, Sally K - Washington, DC
Manager, Corporate Audit Response Management
Moton, Carolyn L - Wardensville, WV
Tappe, Mark F - Eastern Area Office
Taylor, Nora - Washington, DC
Warren, Jeffrey A - Charleston, WV