



# Internal Controls Over Contract Postal Unit – Gold Tree Contract Postal Unit, Sarasota, FL

January 31, 2018





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**Internal Controls Over Contract Postal Unit –  
Gold Tree CPU, Sarasota, FL**  
Report Number FCS-FM-18-006

***BACKGROUND:***

The objective of this audit was to determine whether internal controls were in place and effective over the management of the Gold Tree Contract Postal Unit (CPU) by the Sarasota, FL, Main Post Office.

The U.S. Postal Service Office of Inspector General (OIG) uses data analytics to evaluate the Postal Service's financial information. Host Administrative Offices (HAO) are required to conduct counts of the CPU stamp stock at least once a year. The data analytics identified that the HAO for the Gold Tree CPU (the Sarasota Main Post Office) did not record a stamp stock count for fiscal year (FY) 2017. The last recorded stamp count was completed in October 2015. We confirmed a stamp stock count had not been conducted in two years. The OIG conducted a count with CPU personnel during our site visit.

***WHAT THE OIG FOUND:***

Internal controls were in place but were not effective. Specifically, the HAO did not:

- Monitor the CPU's stamp stock and unused postage meter balance.
- Ensure all CPU personnel completed the required training.
- Verify money order and postage meter receipts.

- Conduct a financial audit or surety bond review during FY 2017.
- Timely input the daily financial reports.

In addition, the CPU incorrectly dated the daily financial reports ahead by one business day, resulting in transactions not being recorded on the date they occurred.

HAO personnel were unaware of how to calculate the CPU's accountability limit; therefore, did not monitor stamp stock or meter levels. In addition, the CPU's procedure for dating the daily financial reports was based on advice from previous Post Office management. Further, HAO personnel had competing priorities and did not timely transmit the daily financial reports or monitor CPU operations, nor were they fully aware of policies and procedures related to monitoring the CPU operations.

Inadequate oversight of the CPU and excessive stamp stock on-site increases the risk of loss and could render the CPU no longer financially viable to the Postal Service. In addition, if transactions are not recorded on the date they occur and timely entered into the system, the Postal Service will have to make adjusting entries that may cause unresolved financial differences, creating additional work for HAO personnel.

***WHAT THE OIG RECOMMENDED:***

We recommended district management:

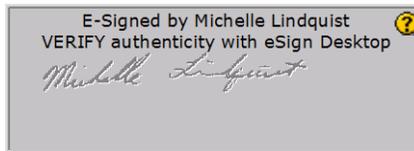
1. Reiterate to Host Administrative Office personnel the policies for properly monitoring Contract Postal Unit operations, to include training, conducting financial audits, and periodically reviewing stamp stock, money order, and meter activity.
2. Coordinate with appropriate Host Administrative Office personnel to reiterate to Contract Postal Unit personnel the policy regarding properly recording revenue and expenses.
3. Instruct Host Administrative Office personnel to train additional clerks on data entry to ensure daily financial reports are input into the electronic 1412 system the day they are received.

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



January 31, 2018

**MEMORANDUM FOR:** ERIC D. CHAVEZ  
DISTRICT MANAGER, SUNCOAST DISTRICT



**FROM:** Michelle Lindquist  
Director, Financial Controls

**SUBJECT:** Audit Report – Internal Controls Over Contract Postal Unit –  
Gold Tree CPU, Sarasota, FL  
(Report Number FCS-FM-18-006)

This report presents the results of our audit of the Internal Controls Over Contract Postal Unit – Gold Tree CPU, Sarasota, FL (Project Number 18BFM003FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna Smith, Operational Manager, 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 the Internal Controls Over Contract Postal Unit – Gold Tree Contract Postal Unit (CPU), Sarasota, FL (Project Number 18BFM003FCS000). The Gold Tree CPU is located in the Suncoast District of the Southern Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

CPUs are a supplier-owned or supplier-leased facility operated by the supplier, under contract of the Postal Service, to provide postal services to the public at Postal Service prices. The Sarasota, FL, Main Post Office is the Host Administrative Office (HAO) for the Gold Tree CPU. HAOs are required to conduct counts of the CPU's accountabilities<sup>1</sup> at least once a year. However, our data analytics identified the last recorded stamp stock count was completed in October 2015; the HAO for the Gold Tree CPU did not record a count for fiscal year (FY) 2017.

To determine whether internal controls were in place and effective over the management of the Gold Tree CPU by the Sarasota, FL, Main Post Office, we reviewed daily financial records and attached supporting documentation maintained by the Sarasota, FL, Main Post Office for FY 2017.<sup>2</sup> Additionally, we reviewed the Gold Tree CPU contract administration file, training records of CPU personnel, and the Gold Tree CPU surety bond. We also observed the closing procedures at the CPU, the daily financial report data entry at the HAO, and conducted interviews of HAO and CPU personnel and Postal Service management.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW),<sup>3</sup> and electronic 1412 (e1412).<sup>4</sup> We did not test the validity of controls over these systems; however, we verified the accuracy of the data by reviewing related documentation, tracing selected information to supporting source records, and interviewing knowledgeable Postal Service employees. We determined that the data was sufficiently reliable for the purposes of this report.

We conducted this audit from November 2017 through January 2018 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 objective. We

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<sup>1</sup> Accountable paper in a postal facility that holds monetary value and must be accounted for, including postage stock and blank postal money order forms. For the CPU annual review, this also includes unused meter postage.

<sup>2</sup> October 1, 2016 through September 30, 2017.

<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.

<sup>4</sup> e1412 is a web based system used to process the Postal Service (PS) Form 1412 *Daily Financial Report*, account identifier codes (AIC) entries, and money orders.

discussed our observations and conclusions with management on December 7, 2017, and included their comments where appropriate.

### Finding #1: CPU Operations

The HAO did not adequately oversee CPU operations. Specifically, it did not:

- Monitor the CPU's stamp stock and unused postage meter balance. We determined the CPU received eight stamp stock shipments even though they already exceeded or would exceed the daily maximum stock limit<sup>5</sup> of \$13,537.55 with the additional shipments. The office's daily financial reports showed the CPU exceeded the limit during FY 2017 by a total of \$42,559<sup>6</sup> (see Table 1). Postal Service policy<sup>7</sup> states CPUs must not at any time exceed the maximum stock limit, even if the authorized bond amount is higher.

**Table 1. Stock Balance Exceeding Stock Limit**

Stock Shipment Date	Stock Shipment Value	Closing Stamp Stock Balance	Closing Postage Unused Meter Balance	Total Closing Accountability Balance (Stock and Meter) After Shipment	Stock Balance Exceeding Stock Limit <sup>8</sup>
10/13/2016	\$3,760.00	\$18,134.24	\$2,788.34	\$20,922.58	\$7,395.03
11/18/2016	\$3,760.00	\$17,108.34	\$512.89	\$17,621.23	4,093.68
12/20/2016	\$12,325.00	\$19,693.60	\$4,642.91	\$24,336.51	10,808.96
3/4/2017	\$11,744.50	\$19,444.52	\$2,434.27	\$21,878.79	8,351.24
5/15/2017	\$2,940.00	\$13,844.10	\$1,512.20	\$15,356.30	1,828.75
6/30/2017	\$6,999.00	\$15,087.20	\$3,116.08	\$18,203.28	4,675.73
8/18/2017	\$2,450.00	\$12,570.34	\$2,565.74	\$15,136.08	1,608.53
8/25/2017	\$3,430.00	\$15,552.63	\$1,772.47	\$17,325.10	3,797.55
<b>TOTAL</b>					<b>\$42,559.47</b>

Source: EDW, e1412 and U.S. Postal Service Office of Inspector General analysis.

- Ensure all CPU personnel completed the required training prior to selling money orders. The HAO could not provide documentation that a CPU employee, hired as a backup for the CPU clerk, completed the *Bank Secrecy Act/Anti-Money Laundering* and Dangerous Goods and Export Compliance training courses. Postal Service

<sup>5</sup> Handbook F-101, *Field Accounting Procedures*, June 2016, Section 11-3.4 calculates the stamp stock limit by dividing the prior fiscal year sales reported in AIC 852 by four. No items are excluded.

<sup>6</sup> Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

<sup>7</sup> Handbook F-101 Section 11-3.4.

<sup>8</sup> The stock balance exceeding the stock limit was calculated by subtracting the daily maximum stock limit (\$13,537.55) from the CPU's total closing accountability balance (column in Table 1).

policy<sup>9</sup> states suppliers are responsible for delivering and documenting training for all new employees that are hired to work in the CPU, and the HAO must ensure all mandatory training for CPU personnel is completed, documented, and retained in the official file. If the CPU sells Postal Service money orders, they must also receive the *Bank Secrecy Act/Anti-Money Laundering* compliance training prior to selling any money orders and annually thereafter.

- Periodically verify money order and postage meter receipts with actual money orders and meter registers at the Gold Tree CPU. Policy states<sup>10</sup> the HAO should periodically verify money order vouchers sent with the daily PS Form 1412 against the available money orders at the CPU and the 3602-PO "Postage collected through Post Office Meter" receipt against the actual ascending and descending registers<sup>11</sup> on the meter at the CPU. The HAO did not complete any verifications during the scope of our project, October 1, 2016 through September 30, 2017.
- Conduct a financial audit or review the surety bond to ensure it reflects the current accountability during FY 2017. Financial examinations are to be conducted once a year and the HAO should review the bond amount during the annual financial examination.<sup>12</sup>

This occurred because the HAO personnel were unaware of how to calculate the CPU's accountability limit and, thus, did not monitor stamp stock or meter levels. Further, the system<sup>13</sup> has a control that alerted personnel placing the orders that the CPU was exceeding its limit; however, the HAO supervisor clicked on "Continue" and the orders were placed. The responsible HAO supervisor noted she has competing priorities, to include responsibility for the human resources activities for the Sarasota, FL, Main Post Office. Therefore, she did not complete the financial audit, review the surety bond, or periodically verify money orders and postage meter receipts. In addition, she was not aware of the policies and procedures relative to monitoring the CPU operations.

When there is inadequate oversight of the CPU and the CPU maintains excess stamp stock on site, it increases the risk of loss to Postal Service assets and could render the CPU no longer financially viable to the Postal Service.

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<sup>9</sup> *Managing Contract Postal Units (CPUs) Host Administrative Offices (HAO) Operations Guide*, August 2017, Chapter 4.

<sup>10</sup> *Managing Contract Postal Units (CPUs) Host Administrative Offices (HAO) Operations Guide*, Chapter 11.

<sup>11</sup> The ascending register is the total of all postage ever used in the meter. The descending register is the amount of postage left in the meter.

<sup>12</sup> Publication 156, *Guide to Contract Postal Units for Postal Service Employees*, January 2014, Section 10-3.

<sup>13</sup> Stamp Fulfillment Services web application for postal retail units to submit and manage stamp orders.

**Recommendation #1:** We recommend the Manager, Suncoast District, reiterate to Host Administrative Office personnel the policies for properly monitoring Contract Postal Unit operations, to include training, conducting financial audits, and periodically reviewing stamp stock, money order, and meter activity.

### Finding #2: Daily Financial Report

CPU personnel incorrectly dated the daily financial reports<sup>14</sup> ahead by one business day, resulting in transactions not being recorded on the date they occurred. During the CPU's daily closeout process on November 29, 2017, we identified that day's transactions were dated November 30, 2017.

Postal Service policy<sup>15</sup> states the accrual basis of accounting requires revenues be recorded when earned and expenses when incurred. Personnel at the CPU and HAO stated this occurs since the CPU closes at 4:30 pm, but the carrier picks up mail and closing documentation each day at approximately 4 pm. Prior post office management advised the CPU to date the PS Form 1412, *Daily Financial Report*, according to the date on which the registered mail bag is dispatched.

If transactions are not recorded on the date they occur, the Postal Service will have to make adjusting entries that may cause unresolved financial differences, creating additional work for HAO personnel.

**Recommendation #2:** We recommend the Manager, Suncoast District, coordinate with the appropriate Host Administrative Office personnel to reiterate to Contract Postal Unit personnel the policy regarding properly recording revenue and expenses.

### Finding #3: Timely Input of Daily Financial Reports

HAO personnel did not timely input the Gold Tree CPU daily financial reports into the e1412. We randomly selected 10 percent (30 of 303) of the FY 2017 PS Forms 1412 and found they were late on 29 of 30 forms by one to four business days:

- Nineteen were late by one day.
- Nine were late by two days.
- One was late by four days.

<sup>14</sup> PS Form 1412, *Daily Financial Report*.

<sup>15</sup> Handbook F-1, *Accounting and Reporting Policy*, January 2015, Section 2-1.2.

Postal Service policy<sup>16</sup> states the CPU must provide its daily financial activity to the HAO at the close of business on the same business day, and the HAO is responsible for transmitting daily financial activities for their CPUs on the day of receipt. HAO personnel stated this occurred due to competing priorities and could not timely transmit the daily financial reports. In the instance where four business days lapsed between the marked business date and the data entry into e1412, the HAO personnel stated a holiday, leave, and vacancies contributed to the oversight. In addition, the clerk who primarily enters the data works four hours each day and works at a different facility on Mondays.

If daily financial reports are not input into the system timely, money orders may be cashed before they have been recorded, leading to an increase in adjusting entries that may cause unresolved financial differences, creating additional work for HAO personnel.

**Recommendation #3: We recommend the Manager, Suncoast District**, instruct Host Administrative Office personnel to train additional clerks on data entry to ensure daily financial reports are input into the electronic 1412 system the day they are received.

## Management's Comments

Management agreed with the findings and recommendations. Regarding recommendation 1, management stated it communicated with all HAOs to certify the policies for monitoring CPU operations are followed. This corrective action will be implemented by February 16, 2018. In addition, management stated the Sarasota Post Office provided additional training to Gold Tree CPU personnel on December 1, 2017.

Regarding recommendation 2, management noted additional training was provided to CPU personnel on December 1, 2017, regarding using PS Forms 17, *Stamp Requisition/Stamp Return*, and proper handling of postal funds and inventory.

Regarding recommendation 3, management stated that financial operations were corrected at the CPU on December 1, 2017, so transactions for a business day would be recorded on PS Form 1412, timely.

On January 30, 2017, during subsequent communications, management provided additional documentation for recommendations 2 and 3.

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

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<sup>16</sup> Publication 156, Section 9-8.1.

## Evaluation of Management's Comments

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

Recommendation 1 requires OIG concurrence before closure. The OIG requests written confirmation when corrective actions are 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. We consider recommendations 2 and 3 closed with the issuance of this report.

## Appendix A: Management's Comments

DISTRICT MANAGER  
SUNCOAST DISTRICT



January 25, 2018

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS  
OFFICE OF INSPECTOR GENERAL

SUBJECT: Internal Controls over Contract Postal Unit – Gold Tree CPU, Sarasota, FL  
Report Number **FCS-FM-18-DRAFT**

Thank you for your time in reviewing the operations of our Contract Postal Unit at Gold Tree in Sarasota. We agree with your finding that there is opportunity to improve with the items noted in your report.

The following steps have been taken to address the items discovered during the audit.

**Recommendation #1:** Suncoast District Manager should reiterate to Host Administrative Office (HAO) personnel the policies for properly monitoring Contract Postal Unit operations, to include training, conducting financial audits, and periodically reviewing stamp stock, money order, and meter activity.

- Suncoast District Manager agrees and instructed the Suncoast Retail Department to communicate with all Host Administrative Offices (HAO) that the policies for properly monitoring Contract Postal Unit operations, to include training, conducting financial audits, and periodically reviewing stamp stock, money order, and meter activities are certified.
  - **Implementation Date:** 2/16/18
  - **Responsible:** Carol Shirley, Retail Manager
- Additional training was provided to Gold Tree personnel involving proper handling of money orders and meter activity. A copy of this training documentation was provided to Emily Weigert, OIG immediately following the audit and is included as attachment A.
  - **Implementation Date:** 12/1/17.
  - **Responsible:** Stephanie Zimmerman, CPU Coordinator, Sarasota

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**Recommendation #2:** Suncoast District Manager should coordinate with the appropriate Host Administrative Office personnel to reiterate to Contract Postal Unit personnel the policy regarding properly recording revenue and expenses.

- Suncoast District Manager agrees and has taken steps to correct this situation. Additional training was provided to CPU personnel at the Gold Tree CPU involving the use of PS Form 17s and proper handling of postal funds and inventory.

- **Implementation Date:** 12/1/2017

- **Responsible:** Stephanie Zimmerman, CPU Coordinator, Sarasota

**Recommendation #3:** Suncoast District Manager should instruct Host Administrative Office personnel to train additional clerks on data entry to ensure daily financial reports are input into the electronic 1412 system the day they are received.

- Suncoast District Manager has taken steps to correct this situation. Financial operations were corrected at the Gold Tree CPU - specifically the accounting procedures were aligned so that the transactions for a business day would be recorded on the 1412 timely.

- **Implementation Date:** 12/1/2017

- **Responsible:** Stephanie Zimmerman, CPU Coordinator, Sarasota

In addition, it is noted that the owner of the Gold Tree CPU has submitted written notification he intends to cease operations on February 28, 2018. The Suncoast District will continue working with our retail partners to provide a high level of customer service for the Sarasota area. The Suncoast District Manager will continue to actively monitor retail operations to ensure SOX compliance is achieved.

  
Eric D. Chavez

Cc: file