



AUDIT REPORT

No Sale Transactions - Dallas, TX, Mockingbird Finance Station

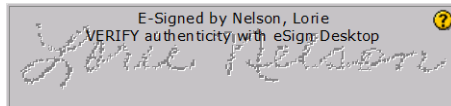
November 21, 2018





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MEMORANDUM FOR: MILFORD S. HOOPER
DISTRICT MANAGER, DALLAS



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – No Sale Transactions - Dallas, TX,
Mockingbird Finance Station
(Report Number FCS-FM-19-001)

This report presents the results of our audit of the No Sale Transactions - Dallas, TX, Mockingbird Finance Station (Project Number 18BFM030FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna PruDe, Operational Manager, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of No Sale Transactions – Dallas, TX, Mockingbird Finance Station (Project Number 18BFM030FCS000). The Mockingbird Finance Station is in the Dallas 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.

Postal Service retail associates (RA) can use the Retail Systems Software's (RSS) "No Sale" administrative function to open the cash drawer, typically to exchange higher value currency for lower value currency dominations. The RA must make the following three selections in RSS¹ to choose the No Sale option:

- Select the Administration Functions>More button then
- Select the Systems Administration button, and then
- Select the No Sale button for the drawer to open.

Selection of the No Sale option is not accidental and gathers suspicion when done with any kind of frequency. Extremely high No Sale usage may indicate dubious trends or behaviors.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified the Dallas, TX, Mockingbird Finance Station with 2,107 No Sale Transactions from July 1, 2017, to June 30, 2018. This represented 4.3 percent of the unit's total retail transactions for this period. During this same period, eight counts of the unit's retail floor stock resulted in a net financial shortage of \$10,949, of which 85 percent of the missing stamps were rolls of coil stamps (see [Table 1](#)).² Excessive No Sale Transactions allows unnecessary exposure to the contents of the RSS terminal drawer, which contains cash, checks, credit card information, stamps, and money orders.

¹ The primary hardware and software system used to conduct retail sales transactions at post offices.

² 189 coils, or rolls, valued at \$9,257 of the stamp Forever U.S. Flag 2017 Coil/100 were missing.

Table 1. Retail Floor Stock Counts

| Date | Net Result |
|--------------|-------------------|
| 07/28/2017 | (\$11,661) |
| 08/24/2017 | (278) |
| 09/18/2017 | (1) |
| 10/16/2017 | (396) |
| 01/30/2018 | (329) |
| 04/20/2018 | 1,110 |
| 05/19/2018 | (139) |
| 06/14/2018 | 745 |
| TOTAL | (\$10,949) |

Source: Postal Service Enterprise Data Warehouse (EDW)³ and OIG Analysis.

Objective, Scope and Methodology

The objective of this audit was to determine whether No Sale Transactions are monitored and managed effectively at the Dallas, TX, Mockingbird Finance Station.

To determine whether No Sale Transactions were monitored and managed effectively, we extracted and analyzed EDW system data for the 2,107 No Sale Transactions recorded at the Mockingbird Finance Station between July 1, 2017, and June 30, 2018. We reviewed the unit's records and conducted interviews of personnel and Postal Service management.

We relied on computer-generated data from the EDW system. We did not test the validity of controls over this system; however, we verified the accuracy of the data by reviewing related documentation, tracing selected information to supporting source records, and interviewing knowledgeable Postal Service personnel. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from September through November 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 discussed our observations and conclusions with management on October 31, 2018, and included their comments where appropriate.

³ 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.

Finding #1: No Sale Transactions

Unit management did not monitor and manage the 2,107 No Sale Transactions recorded at the unit. The unit manager stated he was not aware of the number of times the RAs selected the No Sale option on the RSS terminal because he was not instructed to monitor and manage this category of transactions. The Southern Area Accounting office conducted a Postal Retail Unit review⁴ at the Mockingbird Finance Station on July 19, 2017. That review also concluded that unit management did not monitor No Sale Transactions; however, the review team did not develop guidance or present an action plan to the unit to address this finding since there was no policy.

The Postal Service currently has the RSS *Line Item Void and No Sales Report* which provides information such as the employee identification number and the number of times each employee selected the No Sale option by date which can be used as a tool to monitor No Sale Transactions. However, the Postal Service does not have a policy that requires unit management to generate or review this report. The Committee of Sponsoring Organizations of the Treadway Committee⁵ framework requires risk to be controlled to provide assurance that financial transactions are reviewed and occurring as planned to mitigate risk. In addition, the Postal Service's *Segmented Inventory Accountability (SIA) Best Practice*⁶ states retail unit supervisors and postmasters can take investigative action in case of dubious trends and behaviors, such as extremely high No Sale or void usage. These actions can also be used in the RAs' performance evaluations.

Cash is an easily negotiated liquid asset. Credit and debit card information is vulnerable to exploitation and misuse. Without proper monitoring of No Sale Transactions, the Postal Service has increased risk of theft of funds, credit or debit card information and retail floor stamp stock. A relationship between No Sale Transactions and retail floor stock (RFS)⁷ losses can be evidence of potential misconduct.

On September 20, 2018, during fieldwork at the unit, the supervisor took corrective action by implementing a process that requires RAs provide an explanation on the No Sale log, each time this option is selected in RSS. This log is maintained near the retail counter and is scheduled to be reviewed by the supervisor daily.

The OIG is currently performing audit work on No Sale Transactions in several locations. We are evaluating whether an organization-wide policy to monitor and manage No Sale Transactions would be appropriate to reduce the risk of intentional or

⁴ Review of controls that covers the management of cash and stamps, daily reporting, and documenting activities at Postal Retail Units. They are designed to monitor the use of accountable paper and to assist Postal Service management in tracking costs and revenue.

⁵ The model that has been adopted as the generally accepted framework for internal control and is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.

⁶ EDW, Retail Data Mart, SIA Best Practices - Retail Unit Report Information Page.

⁷ RFS is a common inventory for use by retail employees who are not directly accountable for that inventory. It is the sum of display stock plus loose stock at a point of sale unit.

unintentional improper activity. Therefore, we are not making a recommendation in this report.

Finding #2: Retail Floor Stock Counts

Unit management did not always properly document counts of the RFS and retain support documentation. In addition, the unit did not notify the OIG about financial discrepancies greater than \$100. Unit employees conducted eight RFS counts between July 1, 2017, and June 30, 2018, which resulted in a net stamp stock shortage of 23,641 items valued at \$10,949 (see [Table 2](#)). Further, Postal Service (PS) Form 3294, *Cash and Stamp Stock Count and Summary*, PS Form 3368-P, *Accountability Examination Record*, and the counter's count sheets used to document the count results were missing from the unit's files. Additionally, unit management could not provide support documentation to show they completed and submitted the PS Form 571, *Discrepancy of \$100 or More in Financial Responsibility*, to the OIG as notice of RFS count financial discrepancies of \$100 or more (see [Table 3](#)).

Table 2: Retail Floor Stock Counts - Net Items and Value Results

| Product Name | Sum of Quantity Variance | Sum of Value Variance (Rounded) |
|---|---------------------------------|--|
| (Forever) US Flag 2017 Coil/100 | (189) | (\$9,257) |
| (Forever) Love: Skywriting Stamp | (4,140) | (2,030) |
| (Forever) US Flag 2017 Booklet (Bklt)/20 | (122) | (1,220) |
| \$6.45 La Cueva del Indio Priority Mail Pressure Sensitive Adhesive (PSA) | (68) | (439) |
| (Forever) Holiday Windows Bklt/20 | (36) | (360) |
| (Forever) Florentine Madonna & Child Bklt/20 | (24) | (234) |
| 70c Yes, I Do PSA | (290) | (203) |
| 1c Redeemed Postage Stock (339000) | (19,441) | (194) |
| \$6.65 Lili'uokalani Gardens Priority Mail | (14) | (93) |
| (Forever) Bank Swallow PSA #10 Envelope | (118) | (72) |
| (2oz) Wedding Cake PSA Non-Denominated (NDN) | (80) | (56) |
| (Forever) US Flag 2017 Bklt/10 | (11) | (55) |
| \$19.99 USS Arizona Memorial Priority Mail Express PSA | (2) | (40) |
| (Forever) Nativity Bklt/20 | (4) | (39) |
| (3oz) Flannery O'Connor PSA NDN | (42) | (39) |
| 4c Chippendale Chair PSA | (725) | (29) |
| (Forever) Celebration Boutonniere | (51) | (26) |
| (Forever) Mississippi Statehood Stamp | (40) | (20) |
| (NonMach) Eastern Tailed-Blue (Butterfly) | (25) | (18) |
| (Forever) Folk Art Eagle PSA #6-3/4 Envelope | (23) | (15) |
| \$2 Patriotic Wave PSA | (6) | (12) |
| (Forever) African American History & Culture | (20) | (10) |
| (Forever) Delicioso Bklt/20 | (1) | (10) |
| (Forever) Patriotic Spiral Bklt/10 | (2) | (10) |
| (Forever) United States Air Mail-Blue Stamp | (19) | (10) |
| 10c Pears Stamp | (50) | (5) |
| (AddOz) Uncle Sam's Hat NDN stamp | (14) | (3) |
| (Forever) Folk Art Eagle PSA #10 Envelope | 15 | 1 |
| (Forever) Eid Greetings Stamp | 3 | 2 |
| (Forever) Barn Swallow WAG #10 Window Envelope | 3 | 2 |
| 70c Great Spangled Fritillary (Butterfly) PSA | 4 | 3 |
| (2oz) Celebration Corsage Nondenominated | 5 | 4 |
| (Forever) Love Flourishes | 8 | 4 |

| Product Name | Sum of Quantity Variance | Sum of Value Variance (Rounded) |
|--|--------------------------|---------------------------------|
| (Forever) Andrew Wyeth Full Pane/12 | 1 | 6 |
| (Forever) John F. Kennedy Stamp | 12 | 6 |
| (Forever) Sarah Vaughan PSA Pane of 16 | 1 | 8 |
| (Forever) Neon Celebrate! PSA | 17 | 8 |
| (Forever) Barn Swallow PSA #10 Envelope | 1 | 8 |
| (Forever) Work Projects Administration Posters Bklt/20 | 1 | 10 |
| (Forever) Dorothy Height Stamp | 20 | 10 |
| (Forever) Colorful Celebrations Bklt/20 | 1 | 10 |
| (Forever) Pickup Trucks Bklt/20 | 1 | 10 |
| (Forever) Songbirds in Snow DSBK20 | 1 | 10 |
| (Forever) Love: Forever Hearts PSA | 20 | 10 |
| (Forever) Sally Ride Stamp | 20 | 10 |
| (Semipostal) Breast Cancer Research | 20 | 12 |
| (Forever) Quilled Paper Heart PSA | 29 | 15 |
| (Global Forever) Green Succulent | 13 | 15 |
| (Forever) Purple Heart PSA 2012 | 36 | 18 |
| (Forever) Star Trek Full Pane/20 | 2 | 20 |
| (Forever) Jack-o'-lanterns Bklt/20 | 2 | 20 |
| (Forever) Have a Ball! Full Pane/16 | 3 | 24 |
| (Forever) Wonder Woman Full Pane/20 | 4 | 39 |
| (Forever) Harvey Milk PSA | 98 | 49 |
| (Forever) US Flag 2018 Coil/100 | 1 | 50 |
| (Global Forever) The Moon PSA | 173 | 199 |
| (2oz) Yes, I Do PSA NDN | 298 | 209 |
| (Forever) Christmas Carols Bklt/20 | 26 | 260 |
| \$6.70 Byodo-In Temple Priority Mail | 99 | 663 |
| \$1 Patriotic Wave PSA | 883 | 883 |
| (Forever) 2018 US Flag Bklt/20 | 95 | 950 |
| Grand Total | (23,641) | (\$10,949) |

Source: Postal Service EDW reports and OIG analysis.

Table 3. Retail Floor Stock Count Support Documentation

| Retail Floor Stock Count | | Documentation Missing | | | | |
|--------------------------|-------------------|-----------------------|----------------|------------------------|------------------------|-------------|
| Date | Result | PS Form 3294 | PS Form 3368-P | Counter #1 Count Sheet | Counter #2 Count Sheet | PS Form 571 |
| 07/28/2017 | (\$11,661) | | X | | | X |
| 08/24/2017 | (\$278) | | X | | X | X |
| 09/18/2017 | (\$1) | X | X | X | X | |
| 10/16/2017 | (\$396) | | X | | | X |
| 01/30/2018 | (\$329) | | X | | | X |
| 04/20/2018 | \$1,110 | | | X | X | X |
| 05/19/2018 | (\$139) | X | X | X | X | X |
| 06/14/2018 | \$745 | | | | X | X |
| TOTAL | (\$10,949) | | | | | |

Source: Postal Service EDW reports, OIG analysis, and unit records.

The current unit manager stated he was assigned to the unit on June 25, 2018. He stated the issues we noted occurred before his appointment to the unit. The former manager stated the RFS count support documents were removed from the safe after his departure from the unit. The former manager also stated he participated on two of the eight RFS counts, but he could not explain why any of the financial discrepancies occurred. He believed the supervisor that backfilled his position at the unit completed and submitted PS Form 571 to the OIG, and that no further action was required. Further, the former manager stated he completed financial related training in May 2015, but there are still some requirements, such as who should complete and send PS Form 571 to the OIG, that he does not fully understand.

According to Postal Service policy,⁸ although no individual RA is accountable for RFS, each RA making sales from this stock is responsible for ensuring accurate reporting of sales. The postmaster, manager or supervisor is responsible for the required count of RFS and documenting count results as follows:

- a. Use the system-generated PS Form 3294 and count sheets to document counts of the RFS.
- b. Record the RFS count results on PS Form 3368-P.
- c. For discrepancies of \$100 or more, complete and submit PS Form 571 to the appropriate OIG office.
- d. File documents locally as supporting documentation for the RFS count and retain for two years.⁹

⁸ Handbook F-101, *Field Accounting Procedures (FAP)*, Chapter 14-2.7, dated June 2016.

⁹ Handbook F-101, FAP, Chapter 13-1.3.

When RFS counts are not properly documented and supported, the Postal Service risks making managerial decisions using inaccurate, unsupported or incomplete facts. Further, when applicable financial discrepancies are not reported, the risk of improper activity by postal personnel increases.

Recommendation #1: We recommend the Manager, Dallas District, reiterate to unit management the requirements to report financial discrepancies greater than \$100 to the U.S. Postal Service Office of Inspector General, document count results, and file retail floor stock count documents locally.

Management's Comments

Management agreed with the findings and the recommendation. In a letter dated November 19, 2018, district management instructed the manager, Dallas Mockingbird Finance Station, to establish controls to prioritize and timely execute the unit's financial count examination records, retail system roles, and duplicate keys and passwords; and to implement procedures to ensure that the unit is properly reporting any financial discrepancy over \$100 to the OIG. A copy of the letter was included in the district's response to the OIG.

In separate correspondence, district management stated unit management should retain all financial count examination records and other financial records for a minimum of two years locally. Unit management plans to certify these actions by December 16, 2018.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the findings and recommendation. The corrective actions taken 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. Recommendation 1 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendix A: Management's Comments

DISTRICT MANAGER
DALLAS CUSTOMER SERVICE & SALES



November 19, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: No Sale Transactions - Dallas, TX, Mockingbird Finance Station
(Report Number FCS-FM-19-DRAFT)

Management agrees with all the findings of this audit conducted by U.S. Postal Service Office of Inspector General.

Recommendation 1:

We recommend the Manager, Dallas District, reiterate to unit management the requirements to report financial discrepancies greater than \$100 to the U.S. Postal Service Office of Inspector General, document count results, and file retail floor stock count documents locally.

Management Response/Action Plan:

District Manager initiated a letter to unit management in Mockingbird Finance Station about the importance of timely completions of all financial counts each quarter and file them for two years locally and to report any financial discrepancies greater than \$100 to the U.S. Postal Service Office of Inspector General via PS form 571.

Target Implementation Date:

Unit management will certify via email by December 16, 2018.

Responsible Official:

Unit manager and District Finance Manager are the responsible officials.

A handwritten signature in blue ink, appearing to read "Milford S. Hooper".

Milford S. Hooper
Dallas District Manager (A)

cc: Corporate Audit and Response Management

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