January 31, 2000

HENRY A. PANKEY
VICE PRESIDENT, MID-ALTANTIC AREA OPERATIONS

SUBJECT: Handling of Stamp Stock at the Greensboro Processing and Distribution Center (Report Number TR-MA-00-002)

This management advisory report presents our observations regarding actions necessary to correct problems we identified during an ongoing audit of highway extra trips (Project Number 00PR003TR000). During the audit, we visited the Greensboro Processing and Distribution Center (Greensboro Center) and identified unsecured pallets of stamp stock. We are providing this interim report so immediate action can be taken to correct the problems identified. These issues may also be included in our report on highway extra trips.

Results In Brief

During two site visits to the Greensboro Center, we observed 10 to 15 pallets of stamp stock, valued in excess of $6 million, staged at the outbound dock. Although stamp stock is registered mail and should be secured and accounted for in accordance with postal policy,[1] the Greensboro Center did not properly secure stamp stock or comply with custody procedures. Stamp stock was not properly secured because the registered mail cage could not accommodate weekly stamp volumes delivered to the center. Consequently, the registered mail clerk did not take custody or accept accountability for the stamp stock. Because stamps can easily be converted to cash, and are therefore highly susceptible to theft, they should be afforded maximum security. We offered management three suggestions to correct the problems identified in the report.

[1] Section 126.24 of the Postal Operations Manual (July 16, 1998) and Section 4 of the Post Office Accounting Procedures, Handbook F-1 (November 18, 1999).

Management agreed with the suggestions and their actions taken and planned should correct the conditions identified in this report. Management's comments are included in entirety in the appendix.

Background

The Greensboro Center serves as a stamp distribution office for the Postal Service's Washington Accountable Paper Depository. In this role, the Greensboro Center is responsible for the receipt and disbursement of stamps, stamped paper, philatelic products, and non-postal items.

Objective, Scope, and Methodology

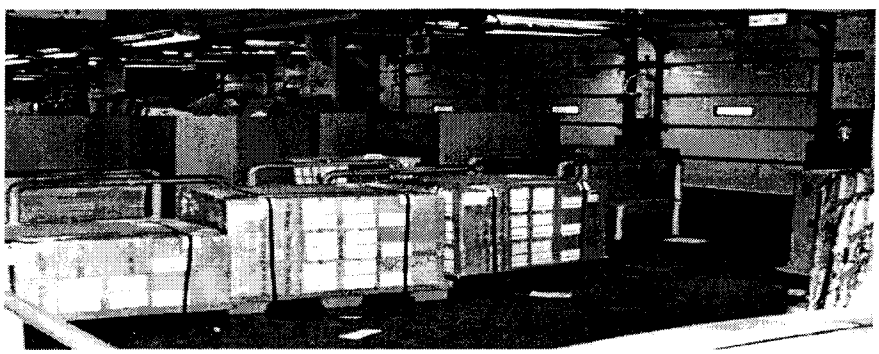
Our objective was to determine whether stamp stock received by the Greensboro Center was properly secured and controlled. To complete this objective we reviewed Postal Service standard operating procedures and registered mail training manuals. We also observed dock and registry operations, interviewed plant personnel, and reviewed transportation logs and registry turnover sheets at the Greensboro Center.

Security of Stamp Stock

During the weeks of November 15, and December 20, 1999, we observed 10 to 15 pallets of stamp stock valued in excess of $6 million staged in an unsecured area on the loading dock of the Greensboro Center. As shown below, the loading dock, which is accessible to highway contractors and visitors, does not provide the security needed to safeguard this type of mail. For example, the Office of Inspector General staff entered the dock area without identification and handled the stamp stock without being challenged by postal employees.

According to the Postal Service's Operations Manual and Guidelines for Stamp Distribution Operations, postage stamps are shipped as registered mail and require protective storage at all times. As shown below, stickers on the palletized stamp stock clearly identified the stamps as registered mail:

By storing stamp stock on its loading dock, the Greensboro Center did not comply with postal guidelines for the protection of registered mail. In addition to being in an open area, six to eight pallets of stamp stock were obstructed from the expeditor's view by mail transport equipment as shown below:



According to the plant manager, stamp stock was not properly secured because the registry cage was not large enough to accommodate it. Furthermore, because the Greensboro Center was an intermediate stop for the stamp stock, it was staged at the dock to facilitate dispatch to its final destination. While this practice may expedite dispatch operations, stamp stock has cash value and should be afforded the maximum security possible to reduce the risk of theft.

Physical Control and Accountability

To establish accountability for registered mail, postal guidelines require that a registry mail clerk take custody of arriving registered mail. The registry clerk is also required to convoy all outbound registered mail, and should remain with the mail until it is loaded onto trucks and trucks are sealed.[2] Both the arrival and dispatch of registered mail should also be documented through the use of turnover reports. Employees can be held personally accountable for any loss of registered mail unless evidence establishes they followed postal procedures when performing their duties.[3]

Contrary to postal guidelines, the Greensboro Center did not maintain a clear chain of custody for the stamp stock. Dock personnel unloaded incoming pallets of stamps, without reconciling delivery listings to amounts received. Also, the registry clerk never took custody of incoming stamp stock as required by postal guidelines. Regarding dispatch operations, the registry clerk did not convoy stamp stock to the loading dock to ensure it was correctly loaded onto trucks, trucks were properly sealed, and custody was appropriately transferred. Finally, neither the arrival nor dispatch of stamp stock was recorded on turnover reports.

Plant personnel did not comply with postal guidelines for custody of the stamp stock because space constraints prevented proper security of the mail. Without the ability to secure the mail, plant personnel were apprehensive about establishing custody and accepting personal accountability

[2] In emergency situations an employee may be authorized to deliver registered mail to a designated employee on the platform. The employee must then record the name of the responsible employee assuming custody of the dispatch.

[3] To further ensure the integrity of the system, postmasters and other postal employees are made fully aware they may be held personally responsible for the wrong delivery, depredation or loss of any registered mail due to negligence or disregard of instructions.

for the stamp stock. A new facility is under construction and is expected to be completed in 2001, which provides the opportunity to remedy this issue.

By not establishing accountability for custody of the stamp stock, the Greensboro Center did not exercise proper internal controls over postal assets. Because stamp stock has cash value, is portable, and easily exchangeable, it is highly susceptible to theft.

Suggestions

Because the conditions we observed, at the Greensboro Center, place postal assets at risk of theft, we suggest the vice president, Mid Atlantic Area Operations:

1. Redirect stamp stock to another facility that can provide the required security until the new Greensboro facility is completed.

Management's Comments

The vice president, Mid-Atlantic Area Operations, agreed and indicated that he had explored our suggestion to relocate stamp operations, but found no facility within a reasonable distance that has available space and/or staffing to adequately address the issues. However, he is investigating other options to secure the stamps at the current location, until a long-term solution is available at the new facility.

2. Ensure adequate space is available at the new facility to secure weekly volumes of stamp stock.

The vice president agreed and indicated that the Mid-Atlantic Area and Greensboro staff would work to ensure that adequate space is available in the new facility, which is scheduled for completion in 2001.

3. Once the new facility is completed, require Greensboro staff to comply with postal custody procedures for registered mail.

The vice president agreed and indicated that the accountability process for stamp stock was in place and met postal guidelines, but was not adhered to during our observations. The requirement to adhere to these procedures has been reinforced and will be complied with in the future.

Evaluation of Management's Comments

We view management's comments as responsive, and their actions taken and planned should correct the conditions identified in this report.

We appreciated the cooperation and courtesies provided by your staff during the review. If you have any questions, please contact Debra Ritt, director, Transportation, or me at (703) 248-2300.

//Signed//
Richard F. Chambers
Assistant Inspector General
for Performance

Attachment

cc: Clarence E. Lewis Jr.
Sylvester S. Black
John E. Potter
John A. Rapp
Tony M. Pajunas
John R. Gunnels

APPENDIX. MANAGEMENT'S COMMENTS

HENRY A PANKEY
VICE PRESIDENT MID ATLANTIC AREA OPERATIONS

UNITED STATES POSTAL SERVICE

January 27, 2000

RICHARD F CHAMBERS
ASSISTANT INSPECTOR GENERAL FOR PERFORMANCE
OFFICE OF INSPECTOR GENERAL
1735 N LYNN ST
ARLINGTON, VA 22209-2020

SUBJECT: Draft Management Advisory – Handling of Stamp Stock at the Greensboro Processing and Distribution Center (Report Number TR-MA-00-DRAFT)

Per your subject correspondence of December 30, 1999, this memorandum addresses the observations and suggested remedies for properly handling stamp stock at the Greensboro Processing and Distribution Center.

As you correctly point out in your Findings, custody of the stamp stock in question was not properly maintained, nor was it physically secured. Large quantities of stamp stock are received twice weekly from a Postal Service vendor, American Bank Note, who prints bulk quantities of stamps for distribution to Stamp Distribution Centers around the country. This stock is in cartons, individually registered, and then shrink-wrapped onto pallets made up for direct shipment to final destinations. These direct pallets, or unit loads, are then individually assigned a bulk billing with each carton on the pallet accounted for, for expedited transfer through the Greensboro facility. American Bank Note notifies the Greensboro P&DC in advance of the number of pallets and their destinations so that accountability forms can be prepared in advance. We believe that the accountability process in place, but not adhered to during your observations, meets postal guidelines regarding accountability. The requirement to adhere to these procedures has been reinforced and will be complied with in the future.

The issues of custody and physical security of this stamp stock present bigger challenges. As you correctly point out in your Findings, the Greensboro P&DC is an extremely crowded and space deficient facility. The key to ensuring proper custody and physical security in the existing facility is to devise a method for physical security. Because of the lack of a secure space to store the stamp stock, the registry clerks cannot remain with the mail at all times and perform their other required duties. Several options are being reviewed to secure this mail: (1) construct a secure cage utilizing vertical pallet storage to minimize space requirements; (2) utilize lockable containers that could be secured on the platform; (3) utilize a secure trailer as auxiliary storage space; and (4) work with American Bank Note to dispatch stamp stock daily and thereby negate the need for a large storage area. We will resolve the physical security issue in the near future.

2800 SHIRLINGTON BLVD
ARLINGTON, VA 22206-7000
703-824-7000
FAX 703-824-7064

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Regarding your suggestion of relocating this operation to another facility, we have reviewed that option and found no facility within a reasonable distance that has available space and/or staffing to adequately address the issues. Our conclusion is that the options described above provide a better solution until the new Greensboro P&DC is complete.

Construction of the new Greensboro P&DC, scheduled for completion in February 2001, will provide a long-term solution to these issues. The Mid-Atlantic Area and the Greensboro P&DC staff will work to ensure adequate space is provided.

I appreciate the opportunity to provide a response to your observations and suggestions. If clarification on any of the above, or additional input is needed, please contact Nicholas Rinaldi, Greensboro P&DC Plant Manager, (336-271-5598), Jay Holmes, Marketing Manager, Mid-Atlantic Area (703-824-5111), or me directly.

Henry G. Pankey

Henry G. Pankey

Major Contributors to the Report

[redacted]