



## AUDIT REPORT

# Internal Controls Over Single Drawer Accountability – Lacona, IA, Post Office

March 27, 2017



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Report Number FT-FM-17-015



March 27, 2017

**Internal Controls Over Single Drawer  
Accountability – Lacona, IA, Post Office**  
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**BACKGROUND:**

U.S. Postal Service management reported a shortage at a remotely managed post office (RMPO) located in Lacona, IA, on August 17, 2016. The reported shortage was \$4,658 or 93 percent of the office's total authorized limit for cash and stamp stock.

An RMPO offers part-time window service hours and is staffed by Postal Service employees who operate from a single drawer accountability (SDA). An SDA is comprised of stamp stock, cash, and money orders specifically assigned to the office.

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

The objective of this audit was to review internal controls to reduce the risk of cash and stamp stock shortages at the Lacona, IA, Post Office.

**WHAT THE OIG FOUND:**

Internal controls to reduce the risk of cash and stamp stock shortages at the Lacona, IA, Post Office needed improvement, specifically:

- From July 2015 to August 2016, the unit maintained cash and stamp stock in excess of its \$5,000 maximum allowed limit.

- Sales and service associates (SSA) did not always record the cash retained by the unit on the daily financial reports and maintain financial documents as required.

The acting administrative postmaster was not aware of the office's stock limit and did not monitor its balance to verify whether dispensing stock shipments would result in exceeding the maximum allowed stock limit. Further, SSAs were instructed, during training, not to record cash retained. Lastly, the administrative postmaster stated document maintenance was not always the primary focus of SSAs who were constantly rotated in and out of the office.

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.

**WHAT THE OIG RECOMMENDED:**

We recommended management monitor this office's cash and stamp stock limit. We also recommended management reiterate the policy for financial reporting and documentation maintenance to all employees and verify the requirements are followed.

[Link to review the entire report](#)



March 27, 2017

**MEMORANDUM FOR:** Shawneen L. Betha  
Manager, Hawkeye District

E-Signed by Lorie Nelson   
VERIFY authenticity with eSign Desktop  
*Lorie Nelson*

**FROM:** Lorie Nelson  
Director, Finance

**SUBJECT:** Audit Report – Internal Controls Over Single Drawer  
Accountability – Lacona, IA, Post Office  
(Report Number FT-FM-17-015)

This report presents the results of our audit of the Internal Controls Over Single Drawer Accountability – Lacona, IA, Post Office (Project Number 17BFM008FT000).

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

## TABLE OF CONTENTS

Introduction .....	1
Controls Over Stamp Stock and Cash.....	1
Recommendations .....	3
Management’s Comments .....	4
Evaluation of Management’s Comments.....	4
Appendix A. Management’s Comments .....	5

## Introduction

This report presents the results of our self-initiated audit of the Internal Controls Over Single Drawer Accountability at Lacona, IA, Post Office (Project Number 17BFM008FT000). The Lacona, IA, Post Office is in the Hawkeye District of the Western 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 July 21, 2015, through August 17, 2016. We conducted a count of the 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)<sup>1</sup> and National Meter Accounting and Tracking System (NMATS).<sup>2</sup> 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 3, 2017, and included their comments where appropriate.

## Controls Over Stamp Stock and Cash

We determined that internal controls to reduce the risk of stamp stock and cash shortages at the Lacona, IA, Post Office needed improvement. The unit routinely exceeded its authorized cash and stamp stock limit. Further, sales and service associates (SSA) did not always record cash retained on the daily financial reports and maintain required financial documents. Specifically, from July 21, 2015, to August 17, 2016:

- The office maintained cash and stamp stock in excess of its \$5,000 maximum allowed limit but did not obtain approval from the district finance manager to exceed its limit. The office's daily financial reports showed the office's stock exceeded the limit by a total of \$59,436.05 during that period (see [Table 1](#)).

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<sup>1</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>2</sup> NMATS tracks postage meters, customers, settings and usage. Data reported in this application is transmitted to the Postal Service by the postage meter providers.

**Table 1. Stock Shipments Exceeding the Authorized Stamp Stock Limit**

Shipment Date	Shipment Value	Office Stock Balance After Shipment	Stock Balance Exceeding \$5,000 Maximum <sup>3</sup>
9/8/2015	\$2,752.04	\$6,207.65	\$1,207.65
9/14/2015	\$675.00	\$6,797.82	\$1,797.82
10/1/2015	\$210.00	\$6,096.05	\$1,096.05
10/27/2015	\$3,418.00	\$8,130.22	\$3,130.22
12/2/2015	\$1,624.00	\$7,895.89	\$2,895.89
12/8/2015	\$1,042.00	\$7,972.45	\$2,972.45
12/17/2015	\$477.00	\$7,712.87	\$2,712.87
1/8/2016	\$1,715.00	\$8,737.57	\$3,737.57
1/22/2016	\$1,785.00	\$9,245.62	\$4,245.62
2/22/2016	\$1,233.80	\$8,538.04	\$3,538.04
3/28/2016	\$735.00	\$7,729.71	\$2,729.71
4/18/2016	\$836.45	\$7,675.12	\$2,675.12
4/19/2016	\$1,768.00	\$8,389.67	\$3,389.67
5/4/2016	\$1,110.00	\$8,492.15	\$3,492.15
5/17/2016	\$924.80	\$9,084.81	\$4,084.81
5/24/2016	\$30.00	\$7,984.83	\$2,984.83
6/6/2016	\$1,613.20	\$9,037.29	\$4,037.29
6/24/2016	\$1,410.00	\$8,631.69	\$3,631.69
7/15/2016	\$654.00	\$8,115.43	\$3,115.43
8/16/2016	\$574.00	\$6,961.17	\$1,961.17
<b>TOTAL</b>			<b>\$59,436.05</b>

Source: EDW 1412 By Site by Day report.

The acting administrative Post Office (APO) postmaster<sup>4</sup> responsible for stock management stated the APO had not established controls to manage the office's cash and stamp stock limit, and he and his predecessors were not aware of the unit's stock limit. When they dispensed stamp stock to the unit, they did not review its balance to determine whether shipments would result in exceeding the maximum inventory allowed.

<sup>3</sup> Column values equal the Office Stock Balance After Shipment minus \$5,000.

<sup>4</sup> Has administrative responsibilities for a cluster of up to approximately ten post offices, which are referred to as remotely managed post offices (RMPO). Each RMPO is staffed by a career evaluated postmaster or a non-career, postmaster relief who reports directly to the APO postmaster.

Postal Service policy states the APO manages the cash and stamp stock limits of SDA offices, which must not exceed \$5,000. The APO must obtain approval from the district finance manager to exceed the limit.<sup>5</sup>

- The SSAs did not always record the cash retained by the unit on the daily financial reports as required. We reviewed daily financial reports and found 194 of 328 (59 percent) transmitted reports did not record a bank deposit or cash retained. The acting APO postmaster stated during training SSAs were instructed not to record cash retained.

Postal Service policy requires office employees at SDA offices to count cash, checks and money orders daily. If the funds exceed \$100, they must be deposited into the bank. Funds less than \$100 must be recorded as cash retained on the daily financial report.<sup>6</sup>

- The SSAs did not always maintain financial documents as required. They were unable to provide copies of individual count sheets, accountability examination records, and stamp shipment receipts. The acting APO postmaster stated this was due to the constant rotation of the office personnel who were focused on operations rather than documentation maintenance.

Postal Service policy states SDA offices must maintain the cash and stamp stock count sheets, accountability examination records, and stamp requisition forms.<sup>7</sup> These forms must be retained for 2 years plus the current fiscal year.<sup>8</sup>

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.

## Recommendations

We recommend the manager, Hawkeye District:

1. Monitor the authorized cash and stamp stock limit at the Lacona, IA, Post Office.
2. Reiterate the financial reporting and documentation maintenance policy to all employees at the Lacona, IA, office and verify the requirements are followed.

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<sup>5</sup> Handbook F-101, *Field Accounting Procedures*, Section 24-1 and 24-5.1.1.

<sup>6</sup> Handbook F-101, Section 24-9.g.

<sup>7</sup> Handbook F-101, Section 24-7.

<sup>8</sup> Handbook F-101, Appendix D.

## Management's Comments

Management agreed with the findings and recommendations.

Regarding recommendation 1, district management will monitor the authorized cash and stamp stock limit at the Lacona, IA, Post Office. In separate correspondence, they provided documentation to show that from September 1, 2016, to March 15, 2017, the office has not exceeded its authorized cash and stamp stock limit.

Regarding recommendation 2, district management met with the acting officer-in-charge and the postmaster on March 3, 2017, to reiterate the financial reporting and documentation maintenance policies and will verify the requirements are followed.

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

## Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. We consider both recommendations closed with the issuance of this report.

## Appendix A. Management's Comments

DISTRICT MANAGER  
HAWKEYE DISTRICT



March 22, 2017

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over Single Drawer Accountability – Lacona, IA Post Office  
(Report Number [FT-FM-17-DRAFT])

I agree with the OIG finding/s and/or observation/s.

Recommendation:

1. The Manager, Hawkeye District will monitor the authorized cash and stamp stock limit at the Lacona, IA Post Office so as not to exceed established limits.
2. The Manager, Hawkeye District will reiterate the financial reporting and documentation maintenance policy to all employees at the Lacona, IA office and verify the requirements are followed.

Management Response/Action Plan:

MPOO Area 2, who oversees the operation at the Lacona, IA Post Office, met with both the Acting OIC and Postmaster on March 3, 2017.

Target Implementation Date:

March 3, 2017

Responsible Official:

Wendy Berg, Manager Post Office Operations, Area 2

A handwritten signature in black ink, appearing to read "Shawneen L. Betha".

Shawneen L. Betha  
District Manager, Hawkeye District (A)

cc: Lori Lau Dillard, Director, Audit Operations  
Sally Haring, Manager, Corporate Audit and Response Management  
Nora Taylor, Manager, Field Accounting  
Marilyn Ross, Manager, Accounting (Area)  
Sam Bilsing, Manager, District Finance  
Christopher Elsberry, Postmaster

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