



AUDIT REPORT

Internal Controls Over Stamp Stock Shipments - Woodbury, MN, Post Office

August 29, 2017



Report Number FT-FM-17-026



August 29, 2017

**Internal Controls Over Stamp Stock Shipments
– Woodbury, MN, Post Office**
Report Number FT-FM-17-026

BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) used data analytics to identify offices with lost or stolen stamp stock shipments. We identified \$29,000 of net expenses related to lost or stolen stamp stock shipments at the Woodbury, MN, Post Office between May 1, 2016, and April 30 2017.

Stamp Fulfillment Services, Kansas City, MO, fulfills stamp orders from postal retail units. Retail units are responsible for identifying and locating missing stamp stock shipments. When retail units do not resolve discrepancies timely, Accounting Services records an expense to the units for the difference.

Management advised they are strengthening overall stamp accountability and upgrading financial controls, including:

- Daily financial accountability reconciliations and semi-annual stamp counts at Stamp Fulfillment Services.
- Enhancements to tracking stamp movement and in-transits at Stamp Fulfillment Services; and stamp shipments to individual post offices.
- New tracking process and centralized review of all missing stamp stock shipments, including orders sent to the wrong unit.
- New stamp destruction process that better aligns and tracks inventory discrepancies.

The objective of this audit was to determine whether internal controls over stamp stock shipments were in place and effective at the Woodbury Post Office.

WHAT THE OIG FOUND:

Internal controls over stamp stock shipments at the Woodbury Post Office were generally in place and effective. However, security over stamp stock shipments needed improvement. The unit did not always adequately secure stamp stock shipments. Specifically, after arrival into the unit, personnel place the stamp stock shipment in an unlocked Stamp Room where it is left unattended for about 3.5 hours until the stamp stock custodian arrives and verifies the shipment.

The unit manager stated placing the stamp stock shipments in the Stamp Room has been an ongoing practice at the station. When stamp stock is not properly secured, the Postal Service is at increased risk for theft.

As a result of our audit, management began properly securing all incoming stamp stock shipments.

WHAT THE OIG RECOMMENDED:

Because management took corrective actions, we are not making a recommendation at this time. However,

we may follow up in the future as part of our ongoing financial control audits.

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



August 29, 2017

MEMORANDUM FOR: ANTHONY C. WILLIAMS
MANAGER, NORTHLAND DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Stamp Stock
Shipments – Woodbury, MN, Post Office
(Report Number FT-FM-17-026)

This report presents the results of our audit of the Internal Controls Over Stamp Stock Shipments - Woodbury, MN, Post Office (Project Number 17BFM024FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna Smith, Acting 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 Stamp Stock Shipments at the Woodbury, MN, Post Office (Project Number 17BFM024FT000). The Woodbury Post Office is in the Northland 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 May 1, 2016, through April 30, 2017. To determine whether internal controls over stamp stock shipments were in place and effective, we 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 We did not test the validity of controls over this system; however, we reviewed related documentation and internal controls, traced selected information to source documentation, and confirmed the results with the Woodbury, MN, Post Office management. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from June through August 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 audit objective. 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 June 30, 2017, and included their comments where appropriate.

Stamp Stock Security

Personnel at the Woodbury Post Office did not always adequately secure stamp stock shipments after arrival into the unit. Stamp stock shipments originating from the Stamp Fulfillment Services² arrive before 7:00 a.m., addressed to the unit. A Customer Service Supervisor (CSS) receives the stamp stock shipment from a sales services and distribution associate³ and places the stamp stock shipment in the Stamp Room. The Stamp Room door is open during the day and the stamp stock shipment is left

¹ EDW is a collection of data from many sources which is stored in a single place for reporting and analysis. The vision of EDW is to provide a single repository for managing all of the Postal Service's data assets.

² Located in Kansas City, MO, Stamp Fulfillment Services is the sole order fulfillment center for the Postal Service's stamps and products.

³ A sales services and distribution associate scans the shipment's barcode with an Intelligent Mail Acquisition System (a hand held scanner) to capture the barcode and record the signature confirmation. On the work floor, the associate also uses the Passive Adaptive Scanning System (an overhead camera and scanner) to capture Arrival-at Unit scan events.

unattended until the stamp stock custodian arrives, usually about 10:30 a.m., and verifies the stamp stock shipment with a witness. The stamp stock custodian records the stamp stock shipment into the unit reserve stock⁴ and locks the stock into the safe.

The unit manager stated placing the stamp stock shipments into the Stamp Room has been an ongoing practice at the station. However, Postal Service policy states the postmaster or unit manager is responsible for ensuring that controls are in place for providing adequate security for all accountable items.⁵ Stamp stock shipments must not be left in the open. During the day, stamp stock may be stored in a locked drawer or cabinet. At all other times, it must be in the main vault, safe, or security container providing the best available protection.⁶ When stamp stock is not properly secured, the Postal Service is at increased risk for theft.

As a result of our audit, the CSS began securing stamp stock shipments in a locked cage after arrival and acceptance at the Woodbury Post Office.

Because management took corrective actions, we are not making a recommendation at this time. However, we may follow up in the future as part of our ongoing financial control audits.

Management's Comments

Management agreed with the findings in this report and implemented controls to secure stamp stock on June 30, 2017, immediately following our site visit. The clerk will immediately scan the incoming stamp stock shipment as "arrival at unit," present the shipment to an Executive and Administrative Schedule (EAS) employee, and obtain a delivery signature. The EAS employee will immediately bring the stamp stock to the registered cage and secure it in the designated locked location.

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 report and corrective actions taken resolved the issues identified in the report.

⁴ All postage stamps, postal stationery, nonpostal stamps (for example, migratory bird hunting and conservation stamps), and philatelic products received by the window unit of a main post office, station, or branch but not yet consigned to a clerk.

⁵ Handbook F-101, *Field Accounting Procedures*, August 2015, Section 11-3.1a. Accountable items include stamp stock.

⁶ Handbook F-101, Section 3-3.2.

Appendix A: Management's Comments

Anthony C. Williams
Northland District Manager



August 23, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls over Stamp Stock Shipments
Woodbury, MN, Post Office
FT-FM-17-DRAFT

Management agrees with the OIG finding that internal controls over stamp stock shipments at the Woodbury Post Office were generally in place and effective. However, security over stamp stock shipments needs improvement.

Recommendation:

Because management took corrective actions, we are not making a recommendation at this time. However, we may follow up in the future as part of our ongoing financial control audits.

Management Response/Action Plan:

Management agrees with the OIG recommendation. Improvements implemented to secure stamp stock are outlined below:

- Upon receipt of the incoming stamp stock shipment, the clerk will *immediately* scan as "arrival at unit" and present the shipment to an EAS employee and obtain a delivery signature.*
- The EAS employee will immediately bring the stamp stock to the registered cage and secure it in the designated locked location.

** In the event that an EAS employee is not available to initially accept the shipment, all AM/morning clerk staff have been instructed to follow the process of safeguarding the shipment in the registry cage and documenting the tracking number until an EAS employee arrives. EAS employee will verbally notify staff upon their arrival.*

Target Implementation Date:

June 30, 2017 - Immediate implementation following the OIG onsite audit conclusion.

Responsible Official:

A/Manager, Customer Service, Woodbury Post Office



Anthony C. Williams
District Manager
Customer Service and Sales – Northland District

cc: A/Controller, Western Area
Manager, Accounting, Western Area
A/Manager, Delivery Programs Support, Western Area
A/Postmaster, St Paul, MN
Manager, Finance, Northland District
A/Manager, Customer Service Operations (West), St Paul, MN
A/Manager, Customer Service, Woodbury Post Office
Manager, Corporate Audit and Response Management