



## AUDIT REPORT

# District's Stamp Stock Shipments' Claims for Losses

September 3, 2020



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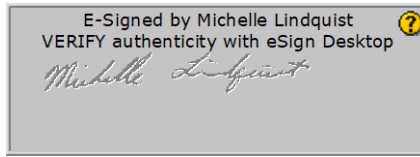
Report Number 20-249-R20



September 3, 2020

**MEMORANDUM FOR:** CARA GREENE  
VICE PRESIDENT, CONTROLLER

[REDACTED]  
MANAGER, [REDACTED] DISTRICT



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

**SUBJECT:** Audit Report – District’s Stamp Stock Shipments’ Claims for Losses (Report Number 20-249-R20)

This report presents the results of our audit of Stamp Stock Shipments’ Claims for Losses in the [REDACTED] District.

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

**Background**

This report presents the results of our self-initiated audit of Stamp Stock Shipments’ Claims for Losses in the [REDACTED] District (Project Number 20-249). The [REDACTED] District is in the Capital Metro Area.

The U.S. Postal Service Office of Inspector General’s (OIG) data analytics identified \$294,031 for net stamp stock shipment losses<sup>1</sup> was expensed by U.S. Postal Service [REDACTED] District units for fiscal year (FY) 2019. Net stamp losses for most districts nationwide were less than \$40,000 for FY 2019. [REDACTED] District losses rose substantially in the last two years, increasing 1,012 percent from FY 2018 to FY 2019. Losses at the end of the third quarter<sup>2</sup> for FY 2020 are already higher compared to FY 2019 (see Table 1).

**Table 1. Stamp Stock Shipment Claims for Loss**

Fiscal Year	Net Claims for Loss: [REDACTED] District	Net Claims for Loss: Nationwide
2018	\$26,449	\$517,992
2019	294,031	1,121,056
2020 <sup>3</sup>	465,940	1,043,455
Total	\$786,420	\$2,682,503

Source: Enterprise Data Warehouse (EDW).<sup>4</sup>

[REDACTED] District stamp net losses were 26 percent of the nationwide total for FY 2019 and 45 percent for FY 2020, as of June 30, 2020.

Stamp Fulfillment Services (SFS) manages the fulfillment of stamps and other retail merchandise orders to customers worldwide. Their operation is separated into the commercial side, where orders are received and fulfilled for businesses and individuals, including philatelic sales, and order fulfillment for postal retail units (PRU). The SFS processes orders through an automated system. The SFS can also process orders manually. In August 2018, SFS switched to new, stronger cardboard boxes for their stamp shipments.

<sup>1</sup> Stamp stock losses are recorded to account identifier code (AIC) 633, *Claims for Loss*, and shipments found are recorded to AIC 180, *Recovered Claims for Loss*.

<sup>2</sup> Quarters 1 through 3 ran from October 1, 2019, through June 30, 2020.

<sup>3</sup> Quarters 1 through 3.

<sup>4</sup> A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

We completed our fieldwork after the President of the U.S. issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect operational changes and/or service impacts that may have occurred at this facility as a result of the pandemic.

### Objective, Scope and Methodology

Our objective was to determine opportunities for the [REDACTED] District to mitigate stamp stock shipment losses. To accomplish our objective and determine the number of lost stamp shipments from October 1, 2018, to June 30, 2020, we reviewed 222 PRU claim for loss and recovery records, and seven lost stamp shipments for commercial customers.<sup>5</sup> To determine the number of [REDACTED] District claims for loss sent to the OIG, we analyzed records both in the OIG Hotline database and those provided by the [REDACTED] District Finance management from the claims for loss database. We also interviewed management at the [REDACTED] District, SFS, and Postal Service Headquarters.

We relied on computer-generated data from the EDW. 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 employees. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from May through September 2020 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 finding and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective. We discussed our observations and conclusions with management on August 27, 2020 and included their comments where appropriate.

### Finding #1: Opportunities to Reduce Claims for Loss

Opportunities exist for [REDACTED] District management to mitigate stamp stock shipment losses. Specifically:

- PRU claims for loss are not always sent to the OIG Hotline as required. Only 14 percent of the PRU complete<sup>6</sup> lost stamp shipment claims from October 1, 2018, to June 30, 2020, (in dollars) were reported to the OIG Hotline. The [REDACTED] District finance management was unaware of the requirement to notify the OIG for complete lost stamp stock shipment claims. Management thought Capital Metro Area Field personnel might be responsible for ensuring these records were sent to the OIG.

Postal Service policy states the PRUs must contact the OIG via email for any lost or stolen stock shipments. This requirement is for a complete lost or stolen stamp stock

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<sup>5</sup> Retail businesses and grocery stores.

<sup>6</sup> We only reviewed total stamp shipment losses.

shipment (not partial shipment discrepancies). The email must include the unit finance number, shipment number, and item number(s) for each lost item and the total dollar amount of the lost shipment, including the Postal Service (PS) Form 2130, *Claim for Loss*, and supporting documentation.<sup>7</sup>

- Commercial customers’ lost stamp shipments are not sent to the OIG Hotline. The Postal Service did not have a policy established to notify the OIG Hotline for commercial customers stamp shipment losses. Reporting these losses to the OIG Hotline allows the OIG to determine the total amount of lost stamp shipments for any given time period (see [Table 2](#)).

**Table 2. Stamp Shipment Losses in the [REDACTED] District**

Source	Total Dollar Value	Dollar Value of Records Sent	Percent of Records Sent to OIG	Dollar Value Difference
Postal Retail Units	\$773,883	\$111,131	14%	\$662,752
Commercial Customers	33,000	0	0%	33,000
<b>Total</b>	<b>\$806,883</b>	<b>\$111,131</b>	<b>14%</b>	<b>\$695,752</b>

Source: [REDACTED] District PS Form 2130 data and OIG Hotline.

When stamp stock shipments are lost, the PRU is required to complete PS Form 2130 and submit the form to the district finance manager for approval. Once the form is approved, the lost stamp shipment is removed from the PRU finance number and is recorded as a nationwide loss. The PRU is no longer held accountable for that lost stamp stock shipment.

We benchmarked with another district, who had the fewest stamp stock shipment losses in the nation during FY 2019, to understand how they handled their lost stamp stock shipment process. This district was proactive in their communication with PRU management regarding lost stamp stock shipments. The district finance manager sends PRU management the policy regarding notifying the OIG Hotline, as part of the process, to remind units of the requirement.

We also discussed the notification issue with headquarters’ management, and they stated automation of the notification to the OIG Hotline might be possible. Currently, Postal Service personnel complete PS Form 2130 online and email the form with other information and supporting documentation. If notification to the OIG was automated when the online PS Form 2130 was completed, PRU unit managers would not have to email each claim for loss to the OIG Hotline.

When the OIG is not notified timely, investigations of lost stamp stock shipments can be impeded. Further, there is an increased risk of undetected theft and losses. We

<sup>7</sup> Handbook F-101, *Field Accounting Procedures* (DRAFT), May 2017, Section 8-6.2.1.1, and Standard Operating Procedures, *Stamp Stock Discrepancies and Lost/Stolen Shipments*, December 2019.

consider the stamp loss records that were not sent to the OIG from October 1, 2018, to June 30, 2020, valued at \$695,752, as questioned costs.<sup>8</sup>

**Recommendation #1: We recommend the Manager, [REDACTED] District,** reiterate policy to all Postal Service retail unit management the requirement to notify the U.S. Postal Service Office of Inspector General Hotline of stamp stock shipment losses.

**Recommendation #2: We recommend the Controller, Vice President in coordination with Stamp Fulfillment Services,** require notification be sent to the U.S. Postal Service Office of Inspector General for any lost stamp shipments for commercial customers.

**Recommendation #3: We recommend the Controller, Vice President,** evaluate whether the claim for loss notification to the U.S. Postal Service Office of Inspector General can be automated and implement, as appropriate.

## Management's Comments

Management agreed with the findings, recommendations, and monetary impact. Regarding recommendation 1, the District Manager will issue a memorandum to all Postal Service retail unit management, reiterating the policy to notify the OIG Hotline of stamp stock shipment losses. This will be completed by October 31, 2020.

Regarding recommendation 2, Stamp Fulfillment Services will update procedures to include the notification to the OIG for any lost stamp shipments for commercial customers. The target implementation date is December 31, 2020.

Regarding recommendation 3, the Controller Group is actively working on the development of an online tool (Lost/Stolen Stock Shipment Online Tool) to standardize the email notification to the OIG Hotline. The tool contains a template with designated fields for accurate and standardized reporting of required information by Postal Service retail unit management. The tool will send an automated email notification to the OIG Hotline email and will be located in the Stamp Fulfillment Services Toolkit with added verbiage to reinforce Postal Service policy. This will be completed by January 31, 2021.

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

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<sup>8</sup> Unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, etc. May be recoverable or unrecoverable. Usually a result of historical events.

### **Evaluation of Management's Comments**

The OIG considers management's comments responsive to the findings, recommendations, and monetary impact in the report. 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. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.



## Appendix A: Management's Comments

CARA M. GREENE  
VICE PRESIDENT, CONTROLLER



August 28, 2020

LAZERICK POLAND  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Stamp Stock Shipments' Claims for Losses – [REDACTED] District  
Project Number 20-249

I appreciate your team reviewing the stamp stock shipments and claim for losses. Management agrees with the OIG finding and recommendations. Included in this response are the comments and actions taken on the recommendations in this audit.

Management also agrees with the monetary impact as stated in the audit report.

**Recommendation #1:**

We recommend the Manager, [REDACTED] District, reiterate policy to all Postal Service retail unit management the requirement to notify the U.S. Postal Service Office of Inspector General Hotline of stamp stock shipment losses.

**Management Response/Action Plan:**

Management agrees with the recommendation. The District Manager will issue a memorandum reiterating the policy of notifying the Office of Inspector General Hotline of stamp stock shipment losses.

**Target Implementation Date:**

October 2020

**Responsible Official:**

Manager, [REDACTED] District

**Recommendation #2:**

We recommend the Controller, Vice President in coordination with Stamp Fulfillment Services require notification to the U.S. Postal Service Office of Inspector General for any lost stamp shipments for commercial customers.

**Management Response/Action Plan:**

Management agrees with the recommendation. Stamp Fulfillment Services will update the Stamps-to-Go program's procedures to include the notification to the



U.S. Postal Service Office of Inspector General for any lost stamp shipments for commercial customers.

**Target Implementation Date:**

December 2020

**Responsible Official:**

Manager, Revenue and Field Accounting

**Recommendation #3:**

We recommend the Controller, Vice President, evaluate whether the claim for loss notification to the U.S. Postal Service Office of Inspector General can be automated and implement, as appropriate.

**Management Response/Action Plan:**

Management agrees with the recommendation. The VP Controller Group is actively working on the development of an online tool to standardize the email notification to the OIG Hotline. The online tool contains a template with designated fields for accurate and standardized reporting of required information by Postal Service Retail Unit management. The online tool will send an automated email notification to the OIG Hotline email. The Lost/Stolen Stock Shipment Online Tool will be located in the Stamp Fulfillment Services Toolkit with added verbiage to reinforce Postal policy.

**Target Implementation Date:**

January 2021

**Responsible Official:**

Manager, Revenue and Field Accounting

Ryan Samaroo

Digitally signed by Ryan Samaroo  
Date: 2020.09.01 12:59:46 -04'00'

For Cara Greene  
VP, Controller

[Redacted signature]

Manager, [Redacted] District

cc: Manager, Revenue and Field Accounting  
Manager, Corporate Audit Response Management  
Area Retail & Delivery Operations [Redacted] V.P.