



Office of Inspector General | United States Postal Service

## Audit Report

# Stamps, Money Orders, and Cash – High Shoals, NC, Post Office

Report Number 20-280-R21 | October 7, 2020





# Table of Contents

Cover .....	1
Table of Contents .....	2
Transmittal Letter .....	1
Results.....	2
Background.....	2
Objective, Scope and Methodology.....	2
Finding #1: Stamps, Money Orders, and Cash.....	3
Recommendation #1.....	4
Finding #2: Stamp Count Documentation .....	5
Recommendation #2.....	5
Finding #3: Management Oversight.....	5
Recommendation #3.....	7
Management's Comments.....	7
Evaluation of Management's Comments .....	7
Appendix: Management's Comments .....	8
Contact Information .....	10

# Transmittal Letter

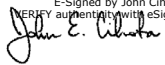


OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

October 7, 2020

**MEMORANDUM FOR:** LESLIE JOHNSON-FRICK  
MANAGER, MID-CAROLINAS DISTRICT

E-Signed by John Cihota  
VERIFY authenticity with eSign Desktop



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

**SUBJECT:** Audit Report – Stamps, Money Orders, and Cash – High  
Shoals, NC, Post Office (Report Number 20-280-R21)

This report presents the results of our audit of the Stamps, Money Orders, and Cash – High Shoals, NC, Post Office.

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: Postmaster General  
Corporate Audit Response Management

# Results

## Background

This report presents the results of our audit assessing stamp, money orders, and cash at the High Shoals, NC, Post Office (Project Number 20-280). We conducted this audit in response to an inquiry we received from The White House, Office of Presidential Correspondence, on March 25, 2020, on behalf of a constituent who raised concerns of alleged theft by a postal employee. The inquiry was initially referred to the U.S. Postal Service Office of Inspector General (OIG), Office of Investigations (OI). OI did not find evidence of misconduct by the employee. However, OI suggested that the High Shoals Post Office restrict stamp inventory and conduct surprise counts. This audit was designed to provide Postal Service management with additional information on financial control risks at the High Shoals Post Office.

The High Shoals Post Office is a 6-hour remotely managed post office (RMPO) located in the Mid-Carolina District of the Capital Metro Area. It offers part-time window service hours and is staffed by U.S. Postal Service employees who operate from a single drawer accountability (SDA).<sup>1</sup> The RMPO uses the e1412<sup>2</sup> reporting technology. The Iron Station, NC, Post Office is the administrative post office (APO) which oversees the operations at the High Shoals Post Office. The APO postmaster<sup>3</sup> is responsible for reviewing financial and operational data, including accountable items.<sup>4</sup>

Our data analytics identified High Shoals Post Office as having conducted SDA counts<sup>5</sup> in calendar years (CY) 2018, 2019, and 2020 (January 1 to June 30, 2020) which is in accordance with policy. These counts identified shortages that increased from CY 2018 to CY 2019 but decreased for the first six months of CY 2020. Conversely, our data analytics identified a significant drop in stamp sales from CY 2018 to CY 2019, but showed an increase for the first six months of CY 2020 (see Table 1).

1 Comprised of stamp stock, cash, postage meters, and money orders (no unit reserve stock or individual accountabilities). The RMPO employees operate from a shared SDA.

2 A web-based system used to process the Postal Service (PS) Form 1412, *Daily Financial Report*, accounting entries, money orders and stamp inventory.

3 Has administrative responsibilities for a cluster of up to 10 post offices, which are referred to as RMPOs.

4 Accountable items include postal funds, stamp stock, blank money order stock, philatelic products, retail products, accountable receipts, postage meters, money order imprinters, keys, and round date stamp.

5 Conducted twice every fiscal year to provide an independent review of the SDA.

6 January 1 through June 30, 2020.

7 The permanent clerk was out on extended medical leave.

8 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.

**Table 1. Total Stamp Accountability Sales and Shortages**

Calendar Year	SDA Shortages	Total Stamp Accountability Sales
2018	\$3,388	\$9,806
2019	10,746	6,201
2020 <sup>6</sup>	299	6,915
<b>Total</b>	<b>\$14,433</b>	<b>\$22,922</b>

We started 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. However, 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

The objective was to determine whether the internal controls over stamps, money orders, and cash at the High Shoals, NC, Post Office were managed effectively.

To accomplish our objective, we observed a count of the stamp stock, money orders, and cash; extracted and analyzed financial data between January 1, 2019, and June 30, 2020; reviewed applicable policies and procedures; and interviewed personnel responsible for overseeing the daily operational activities at the unit. However, we were unable to interview the permanent clerk who was assigned to the High Shoals Post Office.<sup>7</sup> We relied on computer-generated data from the Enterprise Data Warehouse (EDW)<sup>8</sup> and the e1412 system. We did not test the validity of controls over these systems; 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 July through October 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 findings and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective. We discussed our observations and conclusions with management on September 28, 2020, and included their comments where appropriate.

## Finding #1: Stamps, Money Orders, and Cash

Internal controls over stamps, money orders, cash, and other accountable items were not always managed effectively at the High Shoals Post Office. Specifically,

- The unit routinely exceeded its authorized stamp stock and cash retained limit. We found that of the 377 business days,<sup>9</sup> the unit maintained stamp stock and cash in excess of its daily accountability limit<sup>10</sup> on 306 days. We calculated the excesses for each day and determined the unit exceeded its accountability limit by a total of \$485,617.<sup>11</sup> Within the 306 days, we found that on 28 days, the unit exceeded the cash retained limit of \$150, for a cumulative total of \$2,038. We consider the exceeded accountability limit of \$487,655 as assets at risk.<sup>12</sup>

Postal Service policy states the total unit accountability, which includes stamp stock and cash, for 6-hour RMPOs is calculated by dividing the prior fiscal year sales reported in account identifier code (AIC) 852<sup>13</sup> by four, or a maximum of \$10,000, whichever is less.<sup>14</sup> Policy also states the maximum authorized retained cash is \$150, which is included in the maximum unit accountability limit.<sup>15</sup> Policy further states the APO manages the unit accountability of the SDA office.<sup>16</sup>

The APO postmaster stated that he did not know the maximum unit accountability limit for the office, including not knowing how to calculate it. However, he said when ordering stamp stock, the Stamp Fulfillment Services (SFS)<sup>17</sup> website showed a \$10,000 limit for the unit. Our review of the website did, in fact, show the unit's accountability limit as \$10,000, which was incorrect and caused the unit to exceed its stock accountability limit. Headquarters management stated that for 6-hour RMPOs, the system defaults to a \$10,000 limit and impacts about 900 offices. They also stated that they are willing to take a risk of loss since, ultimately, it is the responsibility of the APO postmaster and the area office to monitor appropriate unit accountability levels. We will continue to monitor this issue and may perform additional work in the future.

- The unit did not always maintain its money order stock as required. Specifically, we found the unit had 3,900 blank money orders on-hand, issued three blocks of money orders out of serial number sequence, and retained 41 of 45 money orders that were stamped as "void" instead of destroying them. See [Figures 1](#) and [2](#) below.

<sup>9</sup> January 1, 2019, through June 30, 2020.

<sup>10</sup> For our scope period, we calculated the daily accountability limit as \$2,755 for fiscal year (FY) 2019 (October 1, 2018, through September 30, 2019) and \$1,220 for FY 2020, in accordance with Handbook F-101, *Field Accounting Procedures* (DRAFT), May 2017, Section 24-1.

<sup>11</sup> Cumulative total of the daily unit accountability limit exceeded for the scope period.

<sup>12</sup> Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

<sup>13</sup> A three-digit code used to classify financial transactions to the proper general ledger account. AIC 852 refers to Total Stamp Accountability Sales.

<sup>14</sup> Handbook F-101, (DRAFT), Section 24-1.

<sup>15</sup> Handbook F-101, (DRAFT), Section 24-5.1.

<sup>16</sup> Handbook F-101, (DRAFT), Section 24-1.

<sup>17</sup> SFS handles the internal distribution of stock throughout the Postal Service network.

**Figure 1. Money Orders On-Hand**



Source: OIG photograph of excess money orders taken during fieldwork at High Shoals Post Office on July 21, 2020.

**Figure 2. Voided Money Orders**



Source: OIG photographs of voided money orders that were not destroyed, taken during fieldwork at High Shoals Post Office on July 22, 2020.

To replenish money orders, Postal Service policy states:

- RMPOs<sup>18</sup> order money orders in increments of 100, with a maximum quantity of 300 money orders on hand at a given time, unless approved by the APO postmaster.

<sup>18</sup> Specifically, 6-hour RMPOs.

<sup>19</sup> Handbook F-101 (DRAFT), Section 24-4.1 (c) and (e).

<sup>20</sup> Handbook F-101 (DRAFT), Section 5-2.2 (h)(5).

<sup>21</sup> Handbook F-101 (DRAFT), Section 24-3.

<sup>22</sup> Handbook F-101 (DRAFT), Section 3-6.1.

- RMPOs issue money orders in the correct sequence.<sup>19</sup>
- RMPOs submit spoiled and voided money orders to the APO postmaster for destruction.<sup>20</sup>

The APO postmaster stated that he did not know why the unit greatly exceeded the money order limit, since it was approved by the prior manager in charge of the unit. He added that the clerk should be pulling the packs out in sequential order and he did not see anything out of order during his last count in May 2020. In addition, the APO postmaster was unsure why the voided money orders were not destroyed.

- The unit did not secure the round date stamp or postage meter in the safe at the end of the day. Postal Service policy states the RMPO employee is responsible and must provide adequate security for all accountable items, including postage meters.<sup>21</sup> Policy also states field unit employees must safeguard the round date stamp at all times by not leaving it out on the counter where unauthorized individuals can handle it and locking it up at night with other accountable items.<sup>22</sup> The clerk temporarily assigned to the High Shoals Post Office stated he was told by the APO postmaster that the postage meter could stay on the retail counter overnight and the round stamp could stay out. He chose to put the round stamp on a shelf under the retail counter so it was not visible.

If internal controls over accountable items are not followed, there is an increased risk to the Postal Service of undetected theft, lost revenue, and increased fraudulent activity.

### **Recommendation #1**

We recommend the **Manager, Mid-Carolinas District**, reiterate the policies and procedures to the Administrative Post Office postmaster to monitor the authorized stamp stock limit, cash, and other accountable items at the High Shoals Post Office.



## Finding #2: Stamp Count Documentation

The unit did not properly complete and maintain stamp count documentation. Specifically, between January 24, 2019, and May 29, 2020, we identified the following issues in five of the seven counts performed:

- Two counts were not recorded on Postal Service (PS) Form 3368, *Accountability Examination Record*. This form provides detailed documentation of the counts performed at the RMPO, to include any identified shortages or overages of stamps, money orders, and cash.
- Four of the PS Form 571, *Discrepancy of \$100 or More in Financial Responsibility*, counts were not completed as required. If applicable, the post office completes and submits PS Form 571 to the appropriate OIG field office for potential review of improper activities.

Postal Service policy states SDA offices must maintain accountability examination records.<sup>23</sup> In addition, policy states that SDA offices must complete and maintain PS Forms 571.<sup>24</sup> While we were on-site, the APO postmaster took corrective action by completing and submitting PS Forms 571. The APO postmaster stated that he relied on the clerk at the High Shoals Post Office to properly complete receipts and documentation.

In addition, while on-site, we observed the counts of the unit's stamp stock, money orders, and cash.<sup>25</sup> During the count, we noticed the APO postmaster and a clerk did not complete individual count sheets. Policy states the APO postmaster and RMPO employee or designee must each perform an independent count and complete a separate PS Form 3294, *Cash and Stamp Count Summary*.<sup>26</sup> The APO postmaster explained that the previous manager showed him the process using one count sheet instead of individual count sheets as required by policy.

When stamp stock items are not properly recorded in the stamp stock inventory, there is an increased risk of undetected theft and losses. If inventory files are not maintained and updated at the unit, it may be difficult to identify and timely address shortages or overages of Postal Service stamp stock inventory. Further, when applicable financial discrepancies are not reported, the risk of improper activity by Postal Service personnel increases.

### Recommendation #2

We recommend the **Manager, Mid-Carolinas District**, provide training to the Administrative Post Office postmaster and staff at the High Shoals Post Office on conducting and recording accountability examinations.

## Finding #3: Management Oversight

The APO postmaster did not always perform appropriate oversight of the High Shoals Post Office. Specifically, we found the APO postmaster:

- Did not review the daily financial report (from the e1412) to ensure accuracy and timeliness of financial reporting. Postal Service policy states that the APO is responsible for oversight of the SDA offices. This oversight includes ensuring the accuracy and timeliness of financial reporting. Policy also states that field unit managers must review supporting documentation for all entries included on PS Form 1412 and concur with the overall presentation of the report each day.<sup>27</sup>

The APO postmaster stated High Shoals Post Office and the Alexis, NC, Post Office are the first RMPOs he has managed, and he was not aware of the requirements on how to review the daily financial report. He stated that he has not received any training and that the district office has not performed any accountability reviews since he started in February 2019.

<sup>23</sup> Handbook F-101 (DRAFT), Section 24-7.

<sup>24</sup> Handbook F-101 (DRAFT), Section 24-7.1(e).

<sup>25</sup> The count was conducted on July 22, 2020, and identified an overage of \$234.

<sup>26</sup> Handbook F-101 (DRAFT), Section 24-7.5.

<sup>27</sup> Handbook F-101 (DRAFT), Section 2-4.1.

- Shared his logon credentials with an employee at Iron Station Post Office. Postal Service policy states passwords used to connect to Postal Service information resources must be treated as sensitive information and must not be disclosed to anyone other than the authorized user, including system administrators and technical support staff.<sup>28</sup>

The APO postmaster stated he allowed another clerk assigned to the APO to use his credentials because there was no acting supervisor to enter the information into the system while he was away from the office. As a result of our audit, the APO postmaster took corrective action by changing his password and instructing his staff to stop using his login credentials immediately and to use their own login credentials.

- Did not obtain e1412 access for the clerk currently detailed to the High Shoals Post Office. The clerk could not complete daily reporting functions as required; he prepared PS Form 1412 manually and provided it to the APO postmaster daily.

Postal Service policy states the SDA role must be requested and approved/processed prior to logging into e1412. This role is mandatory for the employee responsible for the daily PS Form 1412 reporting for an SDA Office.<sup>29</sup> The APO postmaster could not provide a reason why he had not required the detailed clerk to get access to the e1412 system. Because the APO postmaster took corrective action by requesting and obtaining access for the detailed employee, we are not making a recommendation related to this issue.

- Did not always keep keys in a secure location or update the safe combination. In addition, we found that password envelopes were not maintained and the APO postmaster did not conduct the semi-annual or annual key exams. Postal Service policy states that the APO postmaster must ensure the RMPO keeps the SDA drawer keys and PS Forms 3977, *Duplicate Key Combination and Password*, secured.<sup>30</sup> SDA office controls are as follows:

- The duplicate SDA drawer key must be maintained in a completed PS Form 3977; the APO postmaster signs the PS Form 3977 and writes “No Witness Available” (NWA) on the envelope if applicable.
- The safe combination and all individual login IDs and passwords must be contained in a completed PS Form 3977 in a secure location.
- PS Form 3902, *Log and Lock Examination*, must be completed for the semi-annual exams of PS Form 3977.

While onsite, we found the key of a padlock was not kept secured but was kept in the padlock itself. The padlock was on the door between the retail lobby and workroom floor. The APO postmaster stated that the safe combination had not been changed since he had been there. He confirmed his awareness of the policy about locks and combinations, but did not believe there was a need to change them. Further, he did not conduct semiannual or annual key exams because there were no duplicate key envelopes onsite. However, at the conclusion of our fieldwork, the APO postmaster located one PS Form 3977 containing a single backdoor key.

- Only kept three of 39 PS Forms 17, *Stamp Requisition/Stamp Return*, on file. Additionally, the three PS Forms 17 were unsigned and undated. Postal Service policy states that when receiving stamp stock, the RMPO employee must count the stamp stock, verify it with a witness, sign a PS Form 17 as the person receiving the stamp stock, and maintain the form with daily financial paperwork.<sup>31</sup> The APO postmaster stated that he relied on the clerk at the High Shoals Post Office to properly complete receipt documentation.

<sup>28</sup> Handbook 805, *Information Security*, November 2019, Section 9-6.1.9.

<sup>29</sup> e1412 *SDA Users Guide*, April 2019, Module 1.

<sup>30</sup> Handbook F-101 (DRAFT), Section 24-3.2.1(a) and (d-f).

<sup>31</sup> Handbook F-101 (DRAFT), Section 24-5.3.



If the APO postmaster does not provide adequate oversight, there is an increased risk of inaccurate financial records. In addition, keys, safe combinations, and passwords not properly safeguarded increases the risks of undetected theft and fraudulent activity.

### Recommendation #3

We recommend the **Manager, Mid-Carolinas District**, reiterate to the Administrative Post Office postmaster and staff at the High Shoals Post Office policy and procedures over the daily close out process, stamp stock shipment documentation, protection of Single Drawer Accountability keys, safe combinations, and individual passwords.

## Management's Comments

Management agreed with the findings and recommendations. Regarding recommendations 1 and 3, management has required the postmaster and retail associates assigned to the unit to review Handbook F-101 (DRAFT), Chapter 24. This chapter covers policy and procedures related to stamp stock limits, cash, other accountable items, daily close out procedures, drawer keys, safes, and passwords. The postmaster must submit certification to his manager that the appropriate employees completed this review.

Regarding recommendation 2, management has required the postmaster and unit personnel complete web-based training on stamp stock management.

All these actions are scheduled to be implemented by October 20, 2020.

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

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the findings and recommendations in the report, and corrective actions 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: Management's Comments

MID-CAROLINAS DISTRICT



September 30 , 2020

LAZERICK POLAND  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report –Stamps, Money Orders, and Cash-High  
Shoals, NC Post Office (Report Number 20-280-DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft  
audit report, "Stamps, Money Orders, and Cash-High Shoals, NC Post Office".

Management agrees with the findings and recommendations as noted in the audit report  
and responses below.

**Recommendation #1**

We recommend the Manager, Mid-Carolinas District, reiterate the policies and  
procedures to the administrative post office (APO) postmaster to monitor the authorized  
stamp stock limit, cash, and other accountable items at the High Shoals Post Office.

**Management Response/Action Plan**

Management agrees with and has implemented this recommendation by requiring the  
postmaster and the retail associates assigned to High Shoals to review chapter 24 of  
the F-101, Field Accounting Procedures, which covers policy and procedure related to  
stamp stock limits, cash and other accountable items. The postmaster was required to  
submit certification to his manager that the appropriate employees completed this  
review. The certification will be provided to request closure of this recommendation.

**Target Implementation Date**

October 20, 2020

**Responsible Official**

Manager, Post Office Operations

**Recommendation #2**

We recommend the Manager, Mid-Carolinas District, provide training to the APO  
postmaster and staff at the High Shoals Post Office on conducting and recording  
accountability examinations.

2901 SCOTT FUTRELL DRIVE  
CHARLOTTE, NC 28228-9980

- 2 -

**Management Response/Action Plan**

Management agrees with and has implemented this recommendation by requiring the postmaster and staff to complete HERO web-based training on stamp stock management. The HERO training records will be submitted to request closure of this recommendation.

**Target Implementation Date**

October 20, 2020

**Responsible Official**

Manager, Post Office Operations

**Recommendation #3**

We recommend the Manager, Mid-Carolinas District, reiterate to the APO postmaster and staff at the High Shoals Post Office policy and procedures over the daily close out process, stamp stock shipment documentation, protection of Single Drawer Accountability keys, safe combinations, and individual passwords.

**Management Response/Action Plan**

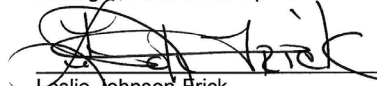
Management agrees with and has implemented this recommendation by requiring the postmaster and the retail associates assigned to High Shoals to review chapter 24 of the F-101, Field Accounting Procedures, which covers policy and procedure related to stamp stock limits, cash and other accountable items. The postmaster was required to submit certification to his manager that the appropriate employees have completed this review. The certification will be provided to request closure of this recommendation.

**Target Implementation Date**

October 20, 2020

**Responsible Official**

Manager, Post Office Operations

  
\_\_\_\_\_  
Leslie Johnson-Frick  
Mid-Carolinas District Manager

cc: Manager, Corporate Audit & Response Management



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