



Internal Controls Over Post Office Postage Meter Use – Canton Center, CT, Post Office

September 6, 2017





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**Internal Controls Over Post Office Postage
Meter Use – Canton Center, CT, Post Office**

Report Number FT-FM-17-027

BACKGROUND:

Remotely managed post offices (RMPO) offer part-time window service hours and are required to have a post office postage meter (meter) due to limited stamp stock requirements. Postage meters print postage labels indicating payment that are affixed to mailpieces.

The Canton Center, CT, Post Office, is a 4-hour RMPO with a postage meter that reported sales discrepancies. Specifically, Postal Service meter records showed \$55,830 in meter usage, which is about \$1,080 more than the office reported in meter sales between January 21, 2014, and February 24, 2017.

Employees are responsible for accurately reporting daily financial transactions. An administrative post office postmaster is responsible for oversight of the RMPO and its meter use.

The objective of this audit was to determine whether internal controls were in place and effective for meter use at the Canton Center Post Office.

WHAT THE OIG FOUND:

Internal controls for meter use at the Canton Center Post Office needed improvement. We randomly sampled 150 of 579 days between February 25, 2015, and February 24, 2017, and found that employees replenished meters above the maximum allowed amount 17

of 20 times (85 percent) and did not always complete the required supporting documentation for replenishing and collecting postage through the meter. This occurred because the administrative post office postmaster did not review daily financial reports and supporting documentation, as required.

If controls over meter use are not followed, there is an increased risk the financial records could be misstated or theft could occur without detection.

As a result of this audit, the postmaster received training on the unit's daily financial reporting system and took responsibility for meter replenishment and verification. The postmaster also provided documentation of his oversight of the Canton Center Post Office.

WHAT THE OIG RECOMMENDED:

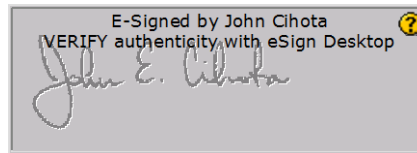
Because management took corrective actions, we are not making a recommendation at this time. However, we may follow up in the future as part of our ongoing financial control audits.

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



September 6, 2017

MEMORANDUM FOR: DAVID MASTROIANNI, JR.
MANAGER, CONNECTICUT VALLEY DISTRICT



FROM: *for*
Lorie Nelson
Director, Finance

SUBJECT: Draft Audit Report – Internal Controls Over Post Office
Postage Meter Use – Canton Center, CT, Post Office
(Report Number FT-FM-17-027)

This report presents the results of our audit of the Internal Controls Over Post Office Postage Meter Use – Canton Center, CT, Post Office (Project Number 17BFM017FT000).

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 Postage Meter Use at the Canton Center, CT, Post Office (Project Number 17BFM017FT000). The Canton Center Post Office is in the Connecticut Valley District of the Northeast 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 February 25, 2015, through February 24, 2017. To determine whether controls over postage meter use were in place and effective, we reviewed and traced meter documentation to Account Identifier Code¹ (AIC) 110, Post Office Postage Meter Sales,² to determine if meter usage had been reported and documented accurately. We also reviewed applicable policies and procedures, and interviewed personnel responsible for overseeing post office postage meter (meter) usage at the unit.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW)³ and National Meter Accounting and Tracking System.⁴ We did not test the validity of controls over this system; however, we verified the accuracy of the data by reviewing related documentation and internal controls, tracing selected information to supporting source records and interviewing knowledgeable Postal Service personnel. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from May through September 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 May 31, 2017, and included their comments where appropriate.

¹ Consists of three digits, used to classify financial transactions to the proper general ledger account.

² Funds collected from postage printed by postal owned and contract station postage meters as shown on Postal Service (PS) Form 3602-PO, Postage Collected Through Post Office Meter.

³ 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.

⁴ Tracks meters, customers, settings and usage. Data reported in this application is transmitted to Postal Service by the meter providers.

Internal Controls Over Post Office Postage Meter Use

Internal controls over meter use at the Canton Center Post Office, a remotely managed post office (RMPO),⁵ needed improvement. The Postal Support Employee (PSE)⁶ replenished meters above the maximum allowed amount 17 of 20 times and did not always complete required supporting documentation for replenishing the meter and collecting postage through the meter.

We reviewed meter documentation for 150 of 579 days between February 25, 2015, and February 24, 2017, and found:

- For 17 of 20 (85 percent) of the meter replenishments during our scope period, the PSE exceeded the maximum per meter setting amount. Specifically, the PSE replenished the meters at \$1,500, which was \$500 over the maximum amount allowed for the office. Further, one of these replenishments, dated December 14, 2016, did not have any supporting documentation for replenishing the meter.
- For 25 of the 150 days (17 percent), the unit had incomplete PS Forms 3602-PO. Specifically, the PSE did not calculate and record the postage amount or obtain her supervisor's signature.

Postal Service policy states the maximum per meter setting is \$1,000.⁷ In addition, the RMPO employee is responsible for reporting all financial transactions accurately and daily.⁸ Further, offices must complete PS Form 3602-PO to record meter settings and report meter sales in AIC 110.⁹

This occurred because the administrative post office postmaster¹⁰ (postmaster) did not provide proper oversight of the meter use. Specifically, the postmaster did not perform reviews of the daily financial reports and supporting documentation. Consequently, he was not aware of the meter replenishment and supporting documentation issues. The postmaster stated he was not trained and was unfamiliar with the office's daily financial reporting system, which included meter use.

If controls over meter use are not followed, there is an increased risk the financial records could be misstated or theft could occur without detection.

As a result of our audit, the postmaster completed training on the unit's daily financial reporting system, which included meter use and took responsibility for meter

⁵ RMPOs offer part-time window service hours and are required to have a meter due to limited stamp stock requirements.

⁶ The PSE position is a non-career position that processes mail and sells postage at post offices.

⁷ Handbook F-101, *Field Accounting Procedures*, Section 24-6.2, August 2015, updated June 2016.

⁸ Handbook F-101, Sections 24-2.2 and 24-8.

⁹ Handbook F-101, Section 24-6.2.

¹⁰ The administrative post office postmaster is responsible for oversight of RMPOs.

replenishment and verification. He also began a regular review of the unit's daily financial reports and supporting documentation.

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. Management stated that following the established policies and procedures for meter use is important for the financial security of the Postal Service.

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.

Appendix A: Management's Comments



September 7, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Internal Controls over Post Office Postage
Meter Use – Canton Center, CT Post Office Report Number FT-FM-17-
DRAFT

Thank you for the opportunity to respond to the OIG audit titled, *Internal Controls Over Post Office Postage Meter Use – Canton Center, CT Post Office*.

We agree with the OIG that the findings identified during the Internal Controls over Postage Meter Use Audit were addressed and corrected by Management following the audit. Following the established policies and procedures for Post Office Postage Meter Use is important for the financial security of the Postal Service.

David D. Mastroianni
District Manager, Connecticut Valley

cc: VP Controller
VP Retail & Customer Service
VP Area Operations (Northeast)
Manager, Finance (Connecticut Valley)
Manager, Corporate Audit Response Management