



AUDIT REPORT

Internal Controls Over Stamp Stock Shipments - William Penn Annex, Philadelphia, PA

September 22, 2017





September 22, 2017

**Internal Controls Over Stamp Stock Shipments –
William Penn Annex, Philadelphia, PA**
Report Number FT-FM-17-031

BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) performed data analytics to identify offices with lost or stolen stamp stock shipments. We identified expenses regarding stamp stock shipments for the William Penn Annex between May 1, 2016, and April 30, 2017.

Stamp stock for mobile Point of Sale¹ (mPOS)-William Penn Annex, Land Title Building, mPOS-Land Title Building, John Wanamaker Station, Continental Station, and B. Free Franklin Station is shipped to the William Penn Annex.

Stamp Fulfillment Services (SFS), 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 that they are strengthening overall stamp accountability and upgrading financial controls, including:

- Daily financial accountability reconciliations and semi-annual stamp counts at SFS.
- Enhancements to tracking stamp movement and in-transits at SFS;

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 William Penn Annex.

WHAT THE OIG FOUND:

Internal controls over stamp stock shipments at the William Penn Annex and Continental Station needed improvement. Specifically:

- The supervisor at the William Penn Annex did not research, resolve, and document 35 of 110, or 32 percent, stamp stock shipment discrepancies valued at \$50,279. In addition, a log was not maintained. The supervisor stated she was not aware of the unresolved discrepancies and did not maintain a log due to an oversight.
- One employee at the Continental Station received six stamp stock

¹ An innovative and practical electronic solution to speed simple transactions in retail lobbies.

shipments but did not sign the stamp stock invoices. In addition, he received 34 stamp stock shipments, but did not have a witness verify the shipments. The employee did not sign the invoices because of an oversight, and he did not have a witness for verification because other duties took priority.

- The supervisor at the William Penn Annex could not locate the office's June, July, and August 2016, daily financial reports. These records included supporting documentation for the office's stamp stock shipments. The supervisor was unaware that the daily financial records were missing.

If controls over stamp stock shipments are not followed, there is an increased risk the financial records could be misstated and theft could occur without detection.

As a result of this audit, management began to research, resolve, and document the unit's unresolved stamp stock shipment discrepancies. In addition, management reiterated the policy for proper verification of stamp stock shipments. Therefore, we will not make any recommendations for these issues.

WHAT THE OIG RECOMMENDED:

We recommended management reiterate the requirement to maintain daily financial reports for at least two years.

[Link to review the entire report](#)



September 22, 2017

MEMORANDUM FOR: CHU FALLING STAR
MANAGER, PHILADELPHIA METROPOLITAN DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Stamp Stock
Shipments – William Penn Annex, Philadelphia, PA
(Report Number FT-FM-17-031)

This report presents the results of our audit of the Internal Controls Over Stamp Stock Shipments – William Penn Annex, Philadelphia, PA (Project Number 17BFM025FT000).

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

TABLE OF CONTENTS

Introduction	1
Internal Controls Over Stamp Stock Shipments	1
Stamp Stock Shipment Discrepancies.....	2
Stamp Stock Shipment Verification	3
Document Retention.....	3
Recommendation	3
Management’s Comments	3
Evaluation of Management’s Comments.....	4
Appendix A: Management’s Comments	5

Introduction

This report presents the results of our self-initiated audit of Internal Controls Over Stamp Stock Shipments at the William Penn Annex, Philadelphia, PA (Project Number 17BFM025FT000). The William Penn Annex is in the Philadelphia Metropolitan District of the Eastern Area. This audit is designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

The William Penn Annex shares a finance number² with the following sites for processing financial data:³ mobile Point of Sale⁴ (mPOS)-William Penn Annex, Land Title Building, mPOS-Land Title Building, John Wanamaker Station, Continental Station, and B. Free Franklin Station. Stamp stock for all sites is shipped to the William Penn Annex. To determine whether internal controls over stamp stock shipments were in place and effective, we reviewed financial transactions and supporting documentation from May 1, 2016, through April 30, 2017, for these sites. We also 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).⁵ 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 July 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 audit 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 July 21, 2017 and included their comments where appropriate.

Internal Controls Over Stamp Stock Shipments

Internal controls over stamp stock shipments at the William Penn Annex and Continental Station needed improvement. Specifically:

² An assigned six-digit number that correlates accounting data with the related post office installation.

³ The William Penn Annex is the main branch office for these sites. The supervisor at this site is responsible for internal controls over stamp stock for all sites that share the same six-digit finance number.

⁴ An innovative and practical electronic solution to speed simple transactions in retail lobbies.

⁵ EDW is a collection of data from many sources which is stored in a single place for reporting and analysis.

- The supervisor at the William Penn Annex did not research, resolve, and document 35 of 110, or 32 percent, stamp stock shipment discrepancies valued at \$50,279. In addition, she did not maintain a log to monitor the discrepancies. The supervisor stated she was not aware of the unresolved discrepancies and did not maintain a log due to an oversight.
- One employee at the Continental Station received six stamp stock shipments but did not sign the stamp stock invoices. In addition, he received 34 stamp stock shipments but did not have a witness verify the shipments. The employee did not sign the invoices because of an oversight, and did not have a witness for verification because other duties took priority.
- The supervisor at the William Penn Annex could not locate the office's June, July, and August 2016, daily financial reports. These records included supporting documentation for the office's stamp stock shipments. The supervisor was unaware that the daily financial reports were missing.

If controls over stamp stock shipments are not followed, there is an increased risk of undetected theft of stamp stock. Further, there is an increased risk the financial records could be misstated, and it cannot ensure that financial differences are not a result of theft or fraud.

Stamp Stock Shipment Discrepancies

The supervisor responsible for monitoring stamp stock shipments did not always research and resolve discrepancies. We identified 35 of 110 stamp stock shipment discrepancies, or 32 percent, valued at \$50,278.70, that were not resolved as of July 13, 2017. In addition, the supervisor did not maintain a log or a file with detailed records to monitor resolution of the discrepancies.

Postal Service policy states that the postal retail unit must research discrepancies and maintain a file with detailed records for all financial differences, monitor the differences, and ensure timely clearance.⁶ The supervisor stated she was not aware of any unresolved discrepancies and did not maintain a log due to an oversight. In addition, the supervisor did not generate the necessary reports to track and resolve the issues.

On July 18, 2017, the supervisor and Eastern Area management began to research and resolve the unit's unresolved stamp stock shipment discrepancies. In addition, management began documenting stamp stock shipment discrepancies in a log. Therefore, 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.

⁶ Handbook F-101, *Field Accounting Procedures*, August 2015 updated June 2016, Section 8-6.1 (a) and (c).

Stamp Stock Shipment Verification

One employee did not always properly receive stamp stock shipments. Specially, six stamp stock invoices did not have a signed receipt. In addition, 34 stamp stock shipments were not verified by a witness. Postal Service policy requires stamp stock invoices to be signed and dated. In addition, policy requires a witness to verify stamp stock shipments.⁷ Although the employee was aware of the requirements, he did not sign the invoices due to an oversight, and he did not have a witness for verification because other duties took priority.

On July 26, 2017, management reiterated the policy for proper verification of stamp stock shipments. Therefore, 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.

Document Retention

The supervisor at the William Penn Annex could not locate their daily financial reports from June, July, and August 2016. These reports contained a daily record of the office's financial transactions, along with receipts and supporting documentation for stamp stock shipments. Postal Service policy states the unit must retain their daily financial reports for two years plus the current fiscal year.⁸ The supervisor stated she was unaware the daily financial reports were missing. During our audit, employees searched for the daily financial reports and the supporting documentation for stamp stock shipments, but the records could not be duplicated or found. If financial records, receipts and supporting documentation for stamp stock shipments are missing, verification of financial transactions would be difficult and there is an increased risk of undetected theft of stamp stock.

Recommendation

We recommend the manager, Philadelphia Metropolitan District, instruct the station manager, William Penn Annex to:

1. Reiterate the requirement to maintain daily financial reports for at least two fiscal years.

Management's Comments

Management agreed with the findings and the intent of the recommendation. Management reviewed the proper procedures for financial recordkeeping with the responsible supervisor and implemented a financial discrepancy log. The supervisor is instituting folders and storage and will also ensure proper procedures are followed and paperwork is retained properly. In addition, management will conduct an audit at this

⁷ Handbook F-101, Section 11-5.1(c).

⁸ Handbook F-101, Appendix D, *Forms and Retention Periods*.

office within 120 days to ensure processes are being followed. Management plans to complete these actions by January 21, 2018.

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

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the 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 action is completed. The recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendix A: Management's Comments

District Manager
Philadelphia Metropolitan District



September 20, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over Stamp Stock Shipments – William Penn
Annex, Philadelphia, PA. Report #FT-FM-17-DRAFT

I have reviewed the above mentioned report and agree the stamp stock shipments and recordkeeping within the William Penn Annex need improvement.

Management also agreed with the monetary impact of \$50,279.

Recommendation:

"Management should reiterate the requirement to maintain daily financial reports for at least two years."

Management Response/Action Plan:

The District Finance Manager and Field Financial Specialist separately reviewed the proper procedures for financial recordkeeping with the Supervisor that oversees the financial issues within the stations. She is instituting folders and storage for the financial recordkeeping in the five stations and will periodically review to ensure the proper procedures are being followed and the paperwork is retained properly.

The Supervisor has been working with the Field Financial Specialist to resolve some of the issues mentioned in the draft report. She has implemented a 247/647 log in the five stations and will periodically review with the Lead Sales and Services Associate to ensure its use.

Additionally a Financial Specialist will conduct an audit in this office within 120 days to ensure the processes are continuing to be followed.

Implementation Date:

January 21, 2018

Responsible Official:

Supervisor, William Penn Retail and surrounding stations

- 2 -



Chu Falling Star
District Manager
Philadelphia Metropolitan District

cc: Susan Banks, Acting Manager; Audit Policy, Quality, and Tracking
Susan Ridgway, District Finance Manager
Michael Hernandez, A/Postmaster
Derick Palmer, MCSO
Corporate Audit and Response Management
File