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Rpt. Distribution

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

CIVIL DIVISION

FEB 5 1971



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Dear Mr. Postmaster General:

During our review of certain aspects of philatelic stamp activities, we noted that the Post Office Department does not have adequate accounting controls to safeguard philatelic stamp material. This material consists of such items as postage stamps, die proofs (cards showing the first impression made by the metal engraving of stamps prepared for the Postmaster General's approval), and artists' designs of stamps. Since this stamp material is not available for sale, an accurate market value cannot be ascertained. However, we were informed that the estimated philatelic value of postage stamps on hand is about \$5 million and that the stamp material is irreplaceable and has historical significance. Accordingly, we believe there is a need for establishing adequate accounting records and controls to safeguard this valuable philatelic stamp material.

Our findings and recommendations are discussed in more detail in the following sections.

NEED TO IMPROVE ACCOUNTING CONTROLS

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The Division of Philately (Division), Office of the Deputy Special Assistant for Philatelic Affairs and Special Projects, is responsible for matters relating to philately, including new stamp sales, "first-day" ceremonies for new stamp issues, and processing of suggestions for new stamps. The Division is also responsible for the Philatelic Exhibition Room (Exhibition Room), where foreign and domestic stamps are displayed.

Philatelic stamp material is received by the Accountable Paper Branch, Office of Procurement, Bureau of Facilities, from the Bureau of Engraving and Printing, Department of the Treasury. The Accountable Paper Branch transmits the philatelic stamp material to the Division.

The Accountable Paper Branch does not maintain inventory records for philatelic stamp material received from the Bureau of Engraving and Printing. However, when stamp material is transferred from the Accountable Paper Branch to the Division, shipping documents are maintained by the Division and the Accountable Paper Branch to show the transfer of stamp material.

We selected 125 items of stamp material for review that the Division had received during calendar year 1969 from the Accountable Paper Branch

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as shown by shipping documents. We found by physical inspection that 66 items were not on hand and Division personnel could not specifically account for these items. These items included such philatelic material as a duplicate of the approved die proof of the 1969 Football Commemorative stamp, 5 sketches of the 1968 Veterans of World War I Commemorative stamp (not issued), and 20 perforated and cut stamps of the 1969 Beautification of America Commemorative stamp. According to a Division official, 3 die proofs included among the 66 items are philatelically valued at about \$5,000 each, or a total of \$15,000. Also, 30 items had no philatelic value and no estimate was made of the value of the remaining 33 items.

Philatelic Exhibition Room

The Philatelic Exhibition Room of the Division is responsible for maintaining an exhibit of all United States postage stamps issued since 1847. The exhibit also includes approximately 40,000 stamps from other countries of the world. In addition, other items of philatelic interest are on display, such as the equipment used in the production of postage stamps. A specific value for the stamp material in the Exhibition Room has not been established by the Department. However, the curator of the Exhibition Room, who is responsible for the custody and safeguarding of stamp material, estimated the philatelic value of the stamps to be about \$5 million.

The curator is also responsible for sets of stamp exhibit panels which are available for display at stamp exhibitions and conventions. A stamp exhibit panel is a rectangular display with dimensions of about 3 feet by 4 feet and includes items used in the development of a stamp, such as the art work, die proofs, and first-day covers.

A ledger (inventory listing) is maintained for the exhibit panels available for loan to stamp exhibitions and conventions. The ledger showed that 836 panels were prepared for United States stamps issued between 1953-1969. We observed, however, that the ledger does not indicate whether panels are on loan or on hand. Also, officials of the Exhibition Room informed us that postings to the ledger are made from time to time based on estimates and without definite knowledge as to how many stamp panels had been prepared. Moreover, the exhibit panels and the stamp material affixed to the panels cannot be accounted for because

--the stamp panels are not serially numbered, and

--records are not maintained describing the stamp material affixed to the stamp panels.

We observed that an exhibit panel had certain stamp material removed. We were advised that the material had been removed by Division personnel,

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but because of the conditions of the accounting records, we were unable to determine which philatelic material had been removed.

RECOMMENDATIONS BY
INTERNAL AUDIT

In April 1969, the Department's Internal Audit Division, Bureau of the Chief Postal Inspector, reported that there was a lack of adequate accounting controls over exhibit room material on hand and on loan. The Internal Audit Division recommended that (a) a perpetual inventory record be established and maintained for all philatelic exhibition materials, (b) monetary values be assigned these materials and accountability be recorded in the general ledger, and (c) written procedures be established for maintaining physical inventories of philatelic materials.

In September 1969, the Assistant Postmaster General, Bureau of Finance and Administration, concurred that a need existed for improved control over philatelic exhibition materials and stated that consideration would be given to assigning monetary values to these materials and recording these values in the general ledger accounts. On June 15, 1970, an official of the Bureau of Finance and Administration advised the Deputy Special Assistant for Philatelic Affairs and Special Projects that inventory records for philatelic exhibition materials should be set up and controlled, but that it would be impractical to assign monetary values to the exhibition materials and record them in the general ledger accounts. However, on December 8, 1970, we were advised by a Division official that no other action has been taken on the internal audit recommendations.

CONCLUSION AND RECOMMENDATION

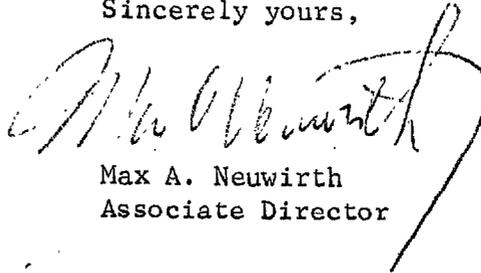
We believe that there is a need to improve accounting controls to safeguard stamp material in the Division and in the Exhibition Room. We recommend that the Department establish accounting controls to safeguard philatelic material. Such controls should include:

- the establishment of complete and up-to-date inventory records of philatelic stamp material,
- written instructions for maintaining inventory records to account for all philatelic stamp material,
- separation of duties between those maintaining records and those having custody of the stamp material, and
- periodic inventory of philatelic stamp material.

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We wish to acknowledge the cooperation given to our representatives during the review. We would appreciate receiving your comments on any action taken pursuant to our recommendations.

Sincerely yours,



Max A. Neuwirth
Associate Director

The Honorable
The Postmaster General

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