



AUDIT REPORT

Accountable Paper, Postal Funds and Voided Postage Validation Imprinter Label Refunds – Orlando, FL, Orlo Vista Branch

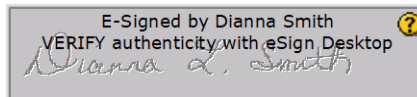
May 4, 2020





May 4, 2020

MEMORANDUM FOR: STEPHEN R. HARDIN
MANAGER, SUNCOAST DISTRICT



FROM: *for*
Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Accountable Paper, Postal Funds, and
Voided Postage Validation Imprinter Label Refunds –
Orlando, FL, Orlo Vista Branch
(Project Number 20-202-R20)

This report presents the results of our audit of the Accountable Paper, Postal Funds, and Voided Postage Validation Imprinter Label Refunds – Orlando, FL, Orlo Vista Branch.

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 and Response Management

Background

This report presents the results of our self-initiated audit of Accountable Paper, Postal Funds, and Voided Postage Validation Imprinter Label Refunds – Orlando, FL, Orlo Vista Branch (Project Number 20-202). The Orlo Vista Branch is in the Suncoast District of the Southern Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified all Orlo Vista Branch's retail floor stock inventory counts in fiscal years (FY) 2019 and 2020, Quarter (Q)1, to be outside of tolerance levels.¹ In addition, the last two counts of retail floor stock² resulted in overages and shortages in excess of \$4,000 (absolute value). Accountability examinations include retail floor stamp stock (stamps sold on the retail floor), unit reserve stamp stock (stamps used to replenish those sold on the retail floor), cash credits (cash retained in drawers after daily deposit), and money orders. Inventory can be transferred between segments; therefore, all segments of inventory must be counted to ensure accuracy.

Further, we determined there was a significant increase in account identifier code (AIC)³ 509, Voided Postage Validation Imprinter (PVI) Labels, refunds from FY 2019 to FY 2020, Q1. The Orlo Vista Branch had a total of \$15,432 voided PVI label refunds for FY 2020, Q1 — an increase of 141 percent from the amount for the same period in FY 2019 (\$6,403).

Our fieldwork was completed before the President of the United States 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

The objective of this audit was to determine whether internal controls over accountable paper⁴ and postal funds⁵ at the Orlo Vista Branch were managed effectively and whether voided PVI label refunds were properly supported and processed.

To accomplish our objective, we conducted physical counts during the week of February 24, 2020, that included unit reserve stamp stock, retail floor stamp stock, unit cash reserve, and eight cash credits. We reviewed documentation of past counts and support for receipt of and transfers of stamp stock. We also judgmentally sampled all

¹ Acceptable level of difference between system total and actual cash count total.

² The counts occurred on December 5, 2019, and January 16, 2020.

³ The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

⁴ Postage stock, bird stamps, philatelic products, stamped papers, and blank money order stock.

⁵ All monies received or controlled by Postal Service personnel, including currency, checks and money orders.

PVI label refunds in excess of \$50 and analyzed supporting documentation between October 1, 2019, and January 31, 2020 (60 of 1,071 PVI label refunds for the scope period). We also interviewed unit management and other personnel responsible for overseeing and processing voided PVI label refunds.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).⁶ 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 February through May 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 finding and conclusion based on our audit objective. We discussed our observations and conclusions with management on April 17, 2020 and included their comments where appropriate.

Finding #1: Internal Controls over Stamp and Cash Accountabilities

Unit management properly supported and processed voided PVI labels; however, they did not effectively manage accountable paper and postal funds. Based on our independent counts and observations, we identified the following:

- Six of the nine (70 percent) counts had cash credits retained outside of tolerance levels. Two of the counts that were outside of tolerance had shortages, totaling about \$32. The number outside of tolerance is significantly higher than previous counts conducted by the supervisor (13 percent in FY 2020, Q1, and 0 percent in FY 2019, Q3 and Q4). See Table 1.

⁶ 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. Cash Credit Count Results

Inventory Segment	System Total	Actual Count	Within Tolerance Level of \$10	Overages/ (Shortages)	Absolute Value
Cash Credit 01	\$100.00	\$99.59	Yes	\$(0.41)	\$0.41
Cash Credit 02	100.61	116.11	No	15.50	15.50
Cash Credit 03	100.87	102.26	Yes	1.39	1.39
Cash Credit 04	100.13	104.16	Yes	4.03	4.03
Cash Credit 05	100.92	90.47	No	(10.45)	10.45
Cash Credit 06	100.41	130.20	No	29.79	29.79
Cash Credit 07	100.84	121.41	No	20.57	20.57
Cash Credit 08	100.51	79.42	No	(21.09)	21.09
Cash Credit 08 ⁷	100.35	132.25	No	31.90	31.90
Total					\$135.13

Source: OIG analysis.

Postal Service policy states employees are accountable for cash, stamp stock, and money orders directly assigned to them.⁸ Additionally, policy allows each employee a tolerance of \$10 during his or her cash retained credit count regardless of the amount of the cash retained.⁹ Postal Service policy requires shortages over \$10 be collected from the retail associates. Overages are included in the deposit for the day.¹⁰

- Unit reserve stamp stock and retail floor stock accountabilities had shortages of \$230 and \$71, respectively. In addition, one of the two unit cash reserves had a shortage of \$22. According to Postal Service policy, the postmaster, manager or supervisor is responsible for managing all stamp stock and cash credits assigned.¹¹ In addition, although no individual retail associate is accountable for retail floor stock, they should ensure sales from retail floor stock are accurately reported.¹² Further, policy states there is no tolerance for retail floor stock, unit cash reserve credits or the reassigned portions.¹³ The policy provides for a tolerance of \$100 for unit reserve stamp stock above \$30,001 and below \$60,000.¹⁴

⁷ One cash credit count had to be recounted because unit management incorrectly entered the first cash count.

⁸ Handbook F-101, *Field Accounting Procedures* (DRAFT), Section 14-1.2, May 2017.

⁹ Handbook F-101 (DRAFT), Section 13-8.4.

¹⁰ Handbook F-101 (DRAFT), Sections 13-8.5.1 & .2.

¹¹ Handbook F-101 (DRAFT), Section 13-1.2.

¹² Handbook F-101 (DRAFT), Section 14-2.2.

¹³ Handbook F-101 (DRAFT), Sections 14-2.4 & 13-8.1.

¹⁴ Handbook F-101 (DRAFT), Section 13-9.

- The unit did not have the required Postal Service (PS) Form 3977, Duplicate Key, Combination and Password Envelope, for two full-time retail associates assigned to the unit and one envelope had not been updated with an employee password. The duplicate key and password envelopes are used to open the employee's cash drawer when the employee is not present. Postal Service policy states field units must complete a PS Form 3977 to protect each duplicate key, combination, and password.¹⁵
- Unit cash reserve custodians did not timely resolve financial differences. The unit cash reserve included two envelopes, one sealed with \$175 and one opened with \$373. Postal Service policy requires units to monitor expenses and to ensure timely clearance of financial differences.¹⁶
- Unit management did not adequately secure accountable items such as cash, stamps, and money orders. Specifically:
 - Stamps valued at \$1,672 for the Mobile Point-of-Sale (MPOS)¹⁷/Lobby segment were in an unsecured drawer at one of the retail stations (see Figure 1).

Figure 1. Unsecured MPOS Stock



Source: OIG photograph taken during fieldwork on February 25, 2020.

¹⁵ Handbook F-101 (DRAFT), Section 3-8.2.1.

¹⁶ Handbook F-101 (DRAFT), Section 8-6.1.c.

¹⁷ Device used to speed simple transactions in retail lobbies.

- One of the retail associate's cash drawers was left unsecured at a retail workstation. It contained \$79 cash, 182 blank domestic money orders, and seven blank international money orders (see Figure 2). These blank money orders have an at-risk value of about \$51,798.¹⁸

Figure 2. Unsecured Cash Drawer



Source: OIG photograph taken during fieldwork on February 25, 2020.

- In one of the vaults, open and accessible to all retail floor associates, there were 247 blank money orders that were not assigned to any unit clerks or to the unit reserve (185 domestic and 62 international). These blank money orders have an at risk value of about \$63,300.¹⁹

Postal Service policy states the manager or supervisor must provide adequate security for all accountable items, which include postal funds and stamp stock.²⁰ Postal Service policy also states stamps and other accountable items must be protected at all times. They may be stored in a locked drawer or cabinet for short periods during the day; at all other times, they must be stored in the main vault or security container that affords the best available security.²¹

Unit management stated the retail associates were in a hurry, not paying attention, and not following procedures for accountable paper, postal funds, and securing accountable items. The unit supervisor stated the unassigned money orders were at the unit when he started, and he was unsure of how to account for them. The unit supervisor further stated he had not been keeping PS Form 3977 updated for all employees. He stated he simply had not had the opportunity to perform this task and management had allowed it to go undone for some time.

¹⁸ Calculated as 182 domestic money orders unsecured at a value of \$1000 each, and seven international money orders unsecured at a value of \$700 each, multiplied by a calculated risk factor of 27.7144 percent. Percentage is based on a risk assessment tool used to determine a certain percentage of an asset's value that would be at risk, based on the audit team's professional judgment of the likelihood that an event would occur.

¹⁹ Calculated as 185 domestic money orders unsecured at a value of \$1000 each, and 62 international money orders unsecured at a value of \$700 each, multiplied by a calculated risk factor of 27.7144 percent.

²⁰ Handbook F-101 (DRAFT), Section 3-1.

²¹ Handbook F-101 (DRAFT), Section 3-3.2.

Further, the unit cash reserve custodian stated the two envelopes of cash stored in the vault were related to financial differences errors. The envelope containing \$175 was from an error made on February 20, 2020. The other envelope, which contained \$373, was an error that took place on November 15, 2019, when a retail associate failed to record all his sales prior to a forced closing. Unit management was waiting on the help desk to call back and tell them how to correct this error. In addition, the unit cash reserve custodian stated the second envelope was opened because it was used to make change. He stated he knew it was inappropriate, but they were rushed at the time.

As a result of our audit, unit management took corrective action and is now checking the stations at the end of the day. On subsequent days, during fieldwork, all of the drawers in the retail stations were empty.

When employees do not properly record stamp stock items or fail to adhere to internal controls, there is an increased risk of undetected theft and losses. If an employee is absent and management cannot access the employee's duplicate key and password from PS Form 3977, they will not be able to conduct cash counts timely. We consider the unsecured items valued at \$116,942²² as accountable items at risk.²³

Unit management stated the primary reason for PVI label refund increases were related to problems with the label printing machines. They have sent machines back and, in return, were sent refurbished machines which may or may not have worked correctly. There have also been issues with the printer paper for the machines.

Recommendation #1: We recommend **the Manager, Suncoast District**, direct unit management at the Orlo Vista Branch to reiterate policy and procedures over the handling and security of stamp and cash accountabilities to all unit personnel.

Recommendation #2: We recommend **the Manager, Suncoast District**, direct unit management to properly dispose of the 247 blank money orders and submit locally destroyed money order templates to General Accounting Branch and follow-up with help desk regarding the financial difference errors totaling \$548.

²² Value of unsecured blank money orders, cash, checks, and stamps.

²³ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

Finding #2: Safeguarding and Return of Nonmail Items

Although outside the scope of the audit, we observed lost and found items were not always properly secured or returned to the customer. Specifically, the team noted an unsecured tub of lost and found items, including numerous wallets, passports, identification cards, credit cards, and \$29 in cash (see Figure 3). In addition, the team found four checks, from December 2019, belonging to a private citizen, one in a sealed envelope and three loose, consisting of a U.S. treasury check, a company check, and a personal bank check, totaling \$4,874. The items were visible to anyone walking into the room.

Figure 3. Lost and Found Items



Source: OIG photograph taken during fieldwork on February 25, 2020.

Postal Service policy states unit management should make sure the articles in lost and found are not lost or damaged.²⁴ In addition, policy states that nonmail matter, including wallets and bank deposits, found in collection boxes or at other points in the Postal Service's jurisdiction is returned to the appropriate individual, with postage due at the single-piece First-Class Mail rate.²⁵ Further, policy requires cash found loose in the mail should be deposited in AIC 126, Miscellaneous Nonpostal Revenue.²⁶

Unit management stated the items have been at the unit for a long time. Many of the wallets were given to letter carriers during the course of their routes, while others were found in mailboxes. The carriers bring them in and place them in a tub in the unit. Unit management stated they did not know how to dispose of the items. If controls over lost and found items are not followed, there is an increased risk of identity and property theft.

²⁴ *Postal Operations Manual*, POM Issue 9, Section 125.5, August 2019.

²⁵ *Domestic Mail Manual*, Section 507.1.9.1a, January 26, 2020.

²⁶ POM, Section 691.41.

Recommendation #3: We recommend the Manager, Suncoast District, direct unit management to properly return nonmail items found by Postal Service employees or on Postal Service premises and deposit the cash in the appropriate account identifier code.

Management's Comments

Management agreed with the findings and recommendations. Regarding recommendation 1, District Finance provided training, via teleconference, on proper handling of postal funds and stock. In addition, the District Manager has instructed the Postmaster to ensure security is in place at the unit, per policy, and provide documentation of training to each employee. The planned implementation date is May 15, 2020.

Regarding recommendation 2, the District Manager instructed the Postmaster to (1) ensure destruction of the 247 money orders locally, (2) submit the locally destroyed money order templates to Accounting Services, and (3) follow-up with the Accounting Help Desk to clear the open financial items totaling \$548. The implementation date is May 15, 2020.

Regarding recommendation 3, the Postmaster properly returned non-mail items found by Postal Service employees or on Postal Service premises and deposited related cash to Account Identifier Code 126, *Miscellaneous Non-Postal Revenue*. Further, all employees were made aware of proper handling of non-mail matter found loose in the mail or on Postal property.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the findings and recommendations and corrective actions should resolve the issues identified in the report. The recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed.

Recommendations 1 and 2 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. Further, we reviewed management's correspondence for recommendation 3 and found it adequate to resolve the issue identified in this report. We consider recommendation 3 closed with the issuance of this report.

Appendix A. Management's Comments



April 30, 2020

LAZERICK C. POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Audit Report Accountable Paper, Postal Funds and Voided Postage
Validation Imprinter Label Refunds 20-202 Orlando, FL, Orlo Vista Branch

Orlando management agrees with the findings notated on the OIG's audit.

Recommendation #1:

We recommend the Manager, Suncoast District, direct unit management at the Orlo Vista Branch to reiterate policy and procedures over the handling and security of stamp and cash accountabilities to all unit personnel.

Management Response/Action Plan:

Management agrees with the recommendation.

Suncoast District Manager has instructed the executive Postmaster of Orlando to ensure security is in place at Orlo Vista, per section 3 of the F-101 no later than May 15, 2020. Training will be documented for each employee by this time. In addition, District Finance has provided training, via teleconference, to Orlo Vista on proper handling of postal funds and stock.

Target Implementation Date:

May 15, 2020

Responsible Official:

Manager Customer Service, Orlo Vista Station

Recommendation #2:

We recommend the Manager, Suncoast District, direct unit management to properly dispose of the 247 blank money orders and submit locally destroyed money order templates to General Accounting Branch and follow-up with help desk regarding the financial difference errors totaling \$548.

Management Response/Action Plan:

Management agrees with the recommendation.

The Suncoast District Manager instructed the executive Postmaster of Orlando to ensure the 247 money orders have been destroyed locally and the template be sent to Accounting Services no later than May 15, 2020. In addition, these instructions required follow-up on the open financial items totaling \$548 in Orlo Vista to clear with the assistance of the Accounting Help Desk.

Target Implementation Date:

May 15, 2020

Responsible Official:

Supervisor Customer Service, Orlo Vista Station

Recommendation #3:

We recommend the Manager, Suncoast District, direct unit management to properly return non-mail items found by Postal Service employees or on Postal Service premises and deposit the cash in the appropriate account identifier code.

Management Response/Action Plan:

Management agrees with the recommendation.

The Suncoast District Manager instructed the executive Postmaster of Orlando to properly return non-mail items found by Postal Service employees or on Postal Service premises and deposit the cash in the appropriate account identifier code no later than April 30, 2020. All cash has been properly deposited into AIC 126 and all employees were made aware of the proper handling of non-mail matter found loose in the mail or on Postal property.

Target Implementation Date:

April 30, 2020

Responsible Official:

Manager Customer Service, Orlo Vista Station


Stephen R. Hardin
District Manager
Suncoast District

cc: file