

Office of Inspector General | United States Postal Service

Audit Report

Efficiency of Selected Processes - Southside Station, Richmond, VA

Report Number 22-141-2-R22 | September 23, 2022





OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 23, 2022

MEMORANDUM FOR: GERALD ROANE
MANAGER, VIRGINIA DISTRICT

Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Efficiency of Selected Processes – Southside Station, Richmond, VA
(Report Number 22-141-2-R22)

This report presents the results of our audit of the Efficiency of Selected Processes – Southside Station, Richmond, VA.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Gregory M. Williams, Audit Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management
Vice President, Retail & Post Office Operations,
Vice President, Atlantic Area

Results

Background

This interim report presents the results of our self-initiated audit of the efficiency of selected processes at the Southside Station in Richmond, VA (Project Number 22-141-2).

This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations. The Southside Station is in the Virginia District of the Atlantic Area. We judgmentally selected the Southside Station for our audit.

Objective, Scope, and Methodology

Our objective was to review cash and inventory, daily reporting activities, clock ring errors, and employee separations at the Southside Station, Richmond, VA, for the period October 1, 2021, through March 31, 2022.

To accomplish our objective, we reviewed data regarding inventories, daily reporting activities, clock ring errors, and employee separations to identify at-risk transactions.¹ We conducted physical counts of all cash, stamp, and money order inventories; reviewed stamp transfers; and evaluated selected internal controls. We also observed daily closing procedures, traced selected transactions to source documentation, and interviewed unit personnel. We determined the causes for issues identified with cash and inventory, daily reporting activities, and stock transfers and the steps taken to resolve them. We discussed our observations and conclusions with management on August 30, 2022, and included their comments where appropriate.

The Southside Station is one of three retail units the U.S. Postal Service Office of Inspector General (OIG) reviewed during the week of June 27, 2022.² We issued this interim report to provide the Postal Service with timely information regarding the conditions we identified at the Southside Station. We will issue a separate report that provides the Postal Service with the overall findings and recommendations for all three retail units. See [Appendix A](#) for additional information about this audit.

Results Summary

Our review of the Southside Station identified issues with cash and inventories, daily reporting activities, clock ring errors, and employee separations (see Table 1).

Table 1. Summary of Results

Audit Area	Issues Identified	
	Yes	No
Cash and Inventories	X	
Daily Reporting Activities	X	
Clock Ring Errors	X	
Employee Separations	X	

Source: Results of OIG fieldwork during week of June 27, 2022.

¹ We did not review city or rural carriers.

² We visited the Bon Air Branch and the Southside and Montrose Heights Stations.

Finding # 1: Cash and Inventories

What We Found

Cash, stamps, and other nonmail items were not always managed effectively at the Southside Station PO. See Table 2 for the results of our inventory counts on June 28, 2022, and a prior Postal Service retail floor stock count from fiscal year³ 2022.

Table 2. Count Results Differences

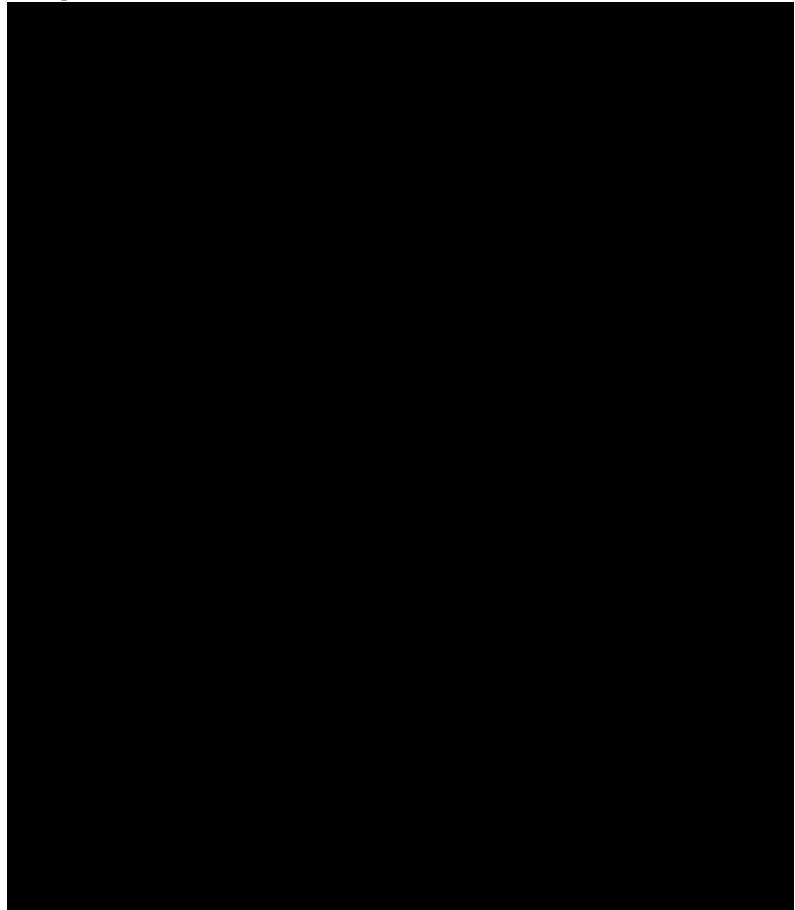
Issue	Date	Overages	Shortages	Percentage of Total
Unit Cash Reserve ⁴	6/28/22	\$37.83	-	6%
Unit Reserve Stamp Stock ⁵	6/28/22	\$146.00	-	0.4%
Retail Floor Stamp Stock ⁶	6/28/22	-	(\$154.77)	4%
Retail Floor Stamp Stock	4/27/22	-	(\$1,577.40)	(30.8%)

Source: Results of OIG counts conducted on June 28, 2022. Southside Station management performed the retail floor stamp stock count conducted on April 27, 2022.

In addition, we identified the following:

- Unit personnel could not locate three of 10, Postal Service Forms 17, *Stamp Requisition/Stamp Return*,⁷ totaling \$20,953.
- Unit personnel kept an unsecured container with lost and found nonmail items, including wallets, credit cards, and identification cards (see Figure 1).

Figure 1. Nonmail Items



Source: OIG photos taken June 28, 2022. Items were arranged on the counter for the photo.

Why Did It Occur

The issues occurred for the following reasons:

- Management could not explain why the retail floor stamp stock had a shortage on April 27, 2022 or during our count on June 28, 2022. Management stated that they always secured the retail floor stock and that only the RAs had access to it. However, management stated that they could have entered some items incorrectly.

3 Fiscal year is the period October 1 through September 30.

4 Handbook F-101 (Draft), *Field Accounting Procedures*, Section 13-9.1, October 2020. Policy states that there is no tolerance for the unit cash reserve.

5 Consists of all stamps and stamped paper, and philatelic products in a postal retail unit that has not been consigned to other accountabilities within the unit.

6 A common inventory for use by retail employees who are not directly accountable for that inventory. Although no individual retail employee is accountable for this stock, each Retail Associate (RA) making sales from this credit is responsible for ensuring accurate reporting of the sales from the retail floor stock.

7 The form used to document shipments of stock from the unit reserve to retail floor stock and from retail floor stock back to the unit reserve.

- Unit management did not know why PS Forms 17 were not on file.
- Management stated that they were not aware of the policy to return nonmail items to the original owner. The manager stated that she will take corrective action by mailing found items, such identification, credit, and debit cards, to their owners.

What Should Have Happened

Postal Service policy states the following:

- The postmaster or unit manager is responsible for ensuring that controls are in place for maintaining an accurate inventory for all accountable paper in the postal retail unit.⁸ Further, policy states that the postmaster, manager, or supervisor must provide adequate security for all accountable items, which include Postal Service funds (cash, checks, and money orders) and stamp stock, and ensure proper entry of all financial transactions.⁹

- PS Forms 17 must be filed locally and retained for the current fiscal year and the two prior fiscal years.¹⁰
- Nonmail items, including wallets, found in collection boxes or at other points in the Postal Service's jurisdiction are returned to the appropriate individual, with postage due at the single-piece First-Class Mail rate.¹¹

Effect on the Postal Service and Its Customers

Properly accounting for cash, money orders, and stamp stock, physically and in financial records, decreases opportunities for theft to occur and go unnoticed. In addition, if controls over nonmail items are not followed, there is an increased risk of identity and property theft.

⁸ Handbook F-101, Sections 11-3.1 and 3-1.1, January 2022.

⁹ Handbook F-101, Section 3-3.1, January 2022.

¹⁰ Handbook F-101, Section 14-2.2, and Appendix D, January 2022.

¹¹ *Domestic Mail Manual*, Section 507.1.9.1a, January 26, 2020.

Finding #2: Daily Reporting Activities

What We Found

We selected a judgmental sample of 24 PS Forms 1412, *Daily Financial Report*¹² from our audit scope of October 1, 2021, through March 31, 2022. We reviewed supporting documentation for 44 transactions totaling \$7,333.83. We found that unit personnel did not include supporting or proper documentation for 23¹³ of the 44 transactions totaling \$6,496.67. The exceptions occurred on 15 of the 24 days we reviewed.

In addition, we found the total retail associate final bank deposit shortage¹⁴ was \$19,082 from October 1, 2021, through March 31, 2022, and unit management did not research the shortage as required.

Why Did It Occur

Management stated that they did not review daily financial reports or the deposits unless they were aware that a problem had occurred. Further, they were unaware of the final bank deposit shortage and did not know why it occurred.

What Should Have Happened

Policy states field unit managers must review supporting documentation for all entries on the daily financial report and concur with the overall presentation of the report each day. In addition, unit managers must verify bank deposit tickets to the deposit amount on PS Forms 1412 and review final bank deposit shortages or overages.¹⁵

Effect on the Postal Service and Its Customers

When unit management does not review financial reports, including verifying supporting documentation, the Postal Service has an increased risk of undetected theft, lost revenue, and fraudulent activity.

¹² Field units use PS Forms 1412 to report accounting activities and transactions. The PS Form 1412 is transmitted at the close of business on the same business day.

¹³ The transactions included voided three Postage Validation Imprinter refunds, one express mail refund, three financial difference overages/shortages, 14 RAs final bank deposit shortages, and two PS Forms 3533 that did not have certifying employees and witness signatures.

¹⁴ When the reported bank deposit does not match Account Identification Code (AIC) 751/752 on PS Form 1412, the bank issues an adjustment debit.

¹⁵ Handbook F-101, Section 2-4.1, 2-4.1d and h, January 2022.

Finding #3: Clock Ring Errors

What We Found

Unit management corrected fatal clock ring errors¹⁶ in a timely manner; however, we found the lead clerk did not perform Time and Collection System (TACS)¹⁷ duties.

Why Did It Occur

The lead clerk had not been fully trained or assigned TACS duties.

What Should Have Happened

On July 16, 2021, multiple headquarters officials issued a letter to all district managers stating that all units must have lead clerks trained and assign them TACS timekeeping duties.

Effect on the Postal Service and Its Customers

When the lead clerk does not perform TACS duties, the Postal Service could be exposed to financial liability resulting from grievance settlements.

¹⁶ Errors that appear in red in the system prevent the employee from being paid correctly for that day.

¹⁷ Automated payroll program that collects and processes time and attendance data and provides "real time" workhour data to help run day-to-day operations.

Finding #4: Employee Separations

What We Found

Unit management did not always properly process separated employees. Specifically, the unit's financial records showed five of eight separated employees had active roles in the Retail System Software (RSS)¹⁸ data systems. The roles included retail floor, closeout, and administrator. In addition, unit management did not change the safe combination and locks after each employee's separation.

Why Did It Occur

Management stated that they did not review the unit's roles report and were not aware that separated employees retained active roles in RSS. Further, management stated that other daily operations took priority over completing tasks related to changing safe combinations and locks after employee separations.

What Should Have Happened

Postal Service policy states that management must remove an employee's role from RSS no later than the employee's last day of work when the employee is separated from the Postal Service.¹⁹ In addition, management must change the safe's combination whenever a person knowing the combination of a safe or vault is separated or transferred.²⁰

Effect on the Postal Service and Its Customers

When management does not follow policies related to separated employees' roles in RSS, cash, blank money orders, and other Postal Service assets could be stolen or used for unintended purposes. In addition, failure to change a combination is considered contributory negligence by the responsible employee if property is stolen from a safe or vault without force.²¹

¹⁸ A full window service for all retail activities such as sales, mailing/shipping, and administrative functions.

¹⁹ Handbook F-101, Section 2-4.8, January 2022.

²⁰ Handbook F-101, Section 3-9.2, January 2022.

²¹ Handbook F-101, Section 3-9.2, January 2022.

Appendix A: Additional Information

We conducted this audit from June through September 2022, 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 findings and conclusions based on our audit objective.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW),²² RSS, and TACS. 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 that the data were sufficiently reliable for the purposes of this report.

²² 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.

Appendix B: Management's Comments



September 19, 2022

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Efficiency of Selected Processes – Southside Station, Richmond, VA (22-141-2-DRAFT)*

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report, *Efficiency of Selected Processes – Southside Station, Richmond VA*.

Management agrees with Finding #1: Cash and Inventories, Finding #2: Employee Separations, and Finding #3: Clock Ring Errors and Warnings. Management is taking steps to address the issues identified in these findings.

Management disagrees with Finding #4: Employee Separations. Management disagrees with the Office of Inspector General's (OIG) assessment that separated employees were not processed properly. Five of eight employees the OIG cited in the report are employees from units that assisted when there was not proper coverage at the Southside Station. All eight employees are still employed with the Postal Service, however, management has disabled the temporary employees' access to the RSS system at the Southside Station.

A handwritten signature in cursive script that reads "Ursula Philpot".

Ursula Philpot
Postmaster, Richmond, Virginia

cc: *Vice President, Area Retail & Delivery Operations*
Corporate Audit Response Management

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