

# Efficiency of Selected Processes – Hillcrest Station, San Diego, CA

## AUDIT REPORT

Report Number 23-067-1-R23 | April 26, 2023



# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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April 26, 2023

**MEMORANDUM FOR:** Jennifer T. Vo  
Manager, California 6 District

A handwritten signature in black ink, appearing to read "J. Littlejohn", is centered below the "MEMORANDUM FOR" section.

**FROM:** John T. Littlejohn  
Audit Director, Financial Controls Team

**SUBJECT:** Audit Report – Efficiency of Selected Processes – San Diego Hillcrest  
Station, San Diego, CA (Report Number 23-067-1-R23)

This report presents the results of our audit of the Efficiency of Selected Processes – Hillcrest Station, San Diego, CA.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Frank McElligott, 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, Area Retail and Delivery Operations, Westpac

# Results

## Background

This interim report presents the results of our self-initiated audit of the efficiency of selected processes at Hillcrest Station in San Diego, CA (Project Number 23-067-1). The Hillcrest Station is in the California 6 District of the Westpac Area. We judgmentally selected the Hillcrest Station for our audit.

## Objective, Scope, and Methodology

Our objective was to review cash and stamp inventory, daily reporting activities, clock ring adjustments, and employee separations at Hillcrest Station. Our audit scope was July 1, through December 31, 2022.

To accomplish our objective, we reviewed data regarding inventories, daily reporting activities, clock ring adjustments, and employee separations to identify at-risk transactions.<sup>1</sup> We conducted physical counts of the unit cash reserve, 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 and discussed our observations and conclusions with management on April 11, 2023, and included their comments where appropriate.

The Hillcrest Station is one of three post offices<sup>2</sup> the U.S. Postal Service Office of Inspector General (OIG) reviewed during the week of February 27, 2023. We issued this interim report to provide the U.S. Postal Service with timely information regarding the conditions we identified at Hillcrest Station.

We will issue a separate report that provides the Postal Service with the overall findings and recommendations for all three post offices. See [Appendix A](#) for additional information about this audit.

## Results Summary

We identified issues with the inventory, daily reporting activities, clock ring adjustments, and employee separations. One retail employee separated from the unit since July 1, 2022 (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 Separation	X	

Source: Results of OIG fieldwork during the week of February 27, 2023.

During fieldwork, we conduct an independent count of cash and stamp inventories. Unit management is required to complete periodic counts throughout the year. Having a shortage or overage on a count does not necessarily indicate wrongdoing but is an indicator of the strength of internal controls at the unit (see Table 2).

**Table 2. Count Results Differences**

Issues	Dates	Overages	Shortages	Percent Of Total
Unit Cash Reserve	2/28/23	\$290	—	83%
Unit Reserve Stamp Stock	3/1/23	605	—	2%
Lobby Sales	3/2/23	479	—	48%
Retail Floor Stamp Stock <sup>3</sup>	2/28/23	—	\$55	—

Source: Results of OIG counts on February 28, 2023, March 1, 2023, March 2, 2023.

<sup>1</sup> We did not review data for city or rural carriers.

<sup>2</sup> We visited Hillcrest Post Office (Project Number 23-067-1), Rancho Santa Fe (Project Number 23-067-2), and the Chula Vista Station (Project Number 23-067-3).

<sup>3</sup> 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 employee making sales from this credit is responsible for ensuring accurate reporting of the sales from the retail floor stock.



# Finding #1: Cash and Inventory

## What We Found

At Hillcrest Station, we identified issues with blank money order inventory and the unit cash reserve. See [Table 2](#) for the results of our inventory counts conducted February 28, through March 2, 2023. Specifically,

- We found six international money orders with value of up to \$4,200<sup>4</sup> and 20 domestic money orders with value of up to \$20,000,<sup>5</sup> were stored in an unsecured desk and were not recorded in Retail Systems Software (RSS).<sup>6</sup>
- The supervisor and the lead sales and services associate (LSSA) shared their RSS login access with each other.
- We found 13 stamp coils and 21 stamp booklets not recorded in RSS.
- Unit management properly maintained the Voyager cards in the registry cage. However, 12 Voyager cards were missing. Further, unit management did not notify U.S. Bank, per policy, to deactivate the 12 missing cards, which were valued at \$12,000.<sup>7</sup>
- Lastly, we found the unit did not maintain any Postal Service (PS) Form 17, *Stock Requisition/Stamp Return* for the period of the audit scope, totaling \$487,772.

## Why Did it Occur

These issues occurred because:

- The stamp stock custodian was aware of the unrecorded money orders but was unsure of how to handle them, so he decided to leave them in the unsecured desk.
- The LSSA and the supervisor originally shared their login credentials because they went on a detail, and it made it easier to transfer stamp inventory because they were not always readily available

at the unit. They never stopped the practice when they returned to their positions at the unit.

- The stamp stock custodian stated the stamps were not recorded in RSS, and he was unaware how to re-enter the stamp inventory.
- Unit management was unaware the Voyager cards were missing, and they were unaware of the process to report the missing cards.
- Unit management was aware PS Forms 17 were not being used and stated the system did not print the forms, and therefore, they were not being utilized.

## What Should Have Happened

Postal Service policy states the postmaster or unit manager is responsible for ensuring that controls are in place for maintaining an accurate inventory for all accountable paper, such as money orders, in the postal retail unit.<sup>8</sup>

Additionally, Postal Service policy states that passwords used to connect to Postal Service information resources must be treated as sensitive information and not be disclosed to anyone other than the authorized user, including system administrators and technical support staff.<sup>9</sup>

Finally, Postal Service policy states when stamp stock is received, employees must count the stock and verify, with a witness, the amount reported on PS Form 17, and sign the form as the person receiving the stock (a witness signature is required).<sup>10</sup>

## Effect on the Postal Service

Improperly accounting for money orders, and stamp stock shipments, physically and in financial records, increases the risk of loss and opportunities for theft to occur and go unnoticed. We consider the unrecorded and missing blank money orders as assets or accountable items at risk<sup>11</sup> totaling \$24,200.

4 Value is based on \$700 maximum face value of a Postal international money order (6 international X \$700 = \$4,200).

5 Value is based on \$1,000 maximum face value of a Postal domestic money order (20 Domestic X \$1,000 = \$20,000).

6 The hardware and software retail transaction system used in post offices.

7 Each Voyager fleet card was valued at \$1,000 and multiplied by the number of missing cards at Hillcrest Station.

8 Handbook F-101, *Field Accounting Procedures*, Section 11-3.1, September 2022.

9 Handbook AS-805, *Information security*, Section 9-6.1.9, June 2021.

10 Handbook F-101, Section 13-2.8.

11 Assets or accountable items at risk of loss is a category due to lack of inadequate internal controls. Examples include, but are not limited to cash, stamps, or money orders.

When there is insufficient oversight and supervision of accountable items, such as Voyager cards, there is increased risk of theft. These thefts damage the Postal Service's reputation and diminish public trust in the nation's mail system. We consider the \$12,000<sup>12</sup> value of missing Voyager cards as funds put to better use.<sup>13</sup>

Lastly, we consider the stock shipments processed without proper documentation for PS Forms 17 valued at \$487,779 as assets or accountable items at risk.

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<sup>12</sup> Each Voyager card was valued at \$1,000 and multiplied by the number of missing cards at Hillcrest Station.

<sup>13</sup> Funds that could be used more efficiently by implementing recommended actions. Generally, the category "funds put to better use" applies to future events, not more than 5 years (or 60 future months, 20 quarters, etc.).

## Finding #2: Daily Financial Reporting

### What We Found

Unit management did not properly perform daily financial reporting activities, including the timely review of PS Form 1412, *Daily Financial Report*,<sup>14</sup> to verify the accuracy and timeliness of supporting documentation for all necessary transactions at close out. Unit personnel performing the daily closing procedures, including preparing the bank deposit, stated they never had a witness. We reviewed a judgmental sample of 19 days during our audit scope and noted there was no evidence of review.

We reviewed the Account Identifier Codes (AIC)<sup>15</sup> in Table 3 and found unit personnel did not include proper documentation and support for 28 percent of transactions (29 of 104) with a value totaling \$6,852.<sup>16</sup> In addition, unit management did not maintain a file for financial differences.

### Why Did it Occur

The unit manager was unaware the supervisors were not performing daily reviews of the daily financial report transactions for accuracy and support. The supervisor stated they worked the earlier shift

supervising carriers and did not review the daily financials due to their work schedule.

The unit manager was unaware of the requirement to have a witness signature for the bank deposit.

Further, the unit manager nor the supervisor were aware of the requirement to maintain a file for financial differences.

### What Should Have Happened

The field unit managers must review supporting documentation for all entries included on PS Form 1412 and concur with the overall presentation of the report each day.<sup>17</sup> Policy also requires unit supervisors to review and maintain a file for all financial differences expensed to the unit.<sup>18</sup>

### Effect on the Postal Service

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

**Table 3. Results of Observations**

AIC	Description	Quantity Reviewed	Supported	Unsupported <sup>19</sup>	Total unsupported transactions in dollars
509	Voided Postage Validation Imprinter (PVI) Labels	93	66	27	\$352
639	Floor Stock Shortage	1	1	0	0
647	Financial Difference Shortage - Direct Entry	1	0	1	5,000
676	Express Mail Refunds	8	8	0	0
764	Employee Shortage	1	0	1	1,148
<b>Total</b>		<b>104</b>	<b>75</b>	<b>29</b>	<b>\$6,852</b>

Source: Enterprise Data Warehouse (EDW)<sup>20</sup> data and OIG observations, review, and analysis.

<sup>14</sup> All Postal Retail Units, regardless of size or revenue, must report their financial activity to Accounting Services electronically at the close of each business day.

<sup>15</sup> A three-digit code that assigns financial transactions through the proper account on the general ledger. Each AIC is assigned to a corresponding general ledger.

<sup>16</sup> The total transaction amount of unsupported documentation.

<sup>17</sup> Handbook F-101, Section 2-4.1.

<sup>18</sup> Handbook F-101, Section 2-4.1.

<sup>19</sup> No supporting documentation (i.e., lack of receipts, PVI labels, and necessary forms). The 27 unsupported transactions totaled \$352.

<sup>20</sup> 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.

# Finding #3: Clock Ring Adjustments

## What We Found

Generally, unit management corrected fatal clock ring adjustments in a timely manner. However, unit management did not always retain documentation to support how clock ring warnings were adjudicated. Specifically, unit management did not retain PS Form 1017-B, *Unauthorized Overtime Record*,<sup>21</sup> documentation related to the one clock ring warning for an employee working beyond their scheduled workhours and PS Form 1017-A, *Time Disallowance Record*,<sup>22</sup> documents related to the two clock ring warnings for missing disallowed time comments.

Further, the LSSA completed Time and Collection System (TACS)<sup>23</sup> training and had access to TACS but did not perform duties as required.

## Why Did it Occur

The unit manager provided PS Forms 1017-A and 1017-B documentation maintained for the carriers' clock ring disallowances, but they did not realize similar documentation for the clerks were not included in their binders. They stated the clerks seldom have issues with TACS transactions because the retail window has stable operating hours, unlike the carriers who typically work until all the mail is delivered. They stated this was an oversight.

The unit manager never assigned the TACS duties to the LSSA because the LSSA was new to the role, and he was concerned it would be overwhelming.

## What Should Have Happened

Postal Service policy states unit personnel must complete PS Form 1017-A or PS Form 1017-B in its entirety and document the reason for disallowance with the first incident of disallowed time. These forms should be secured from unauthorized access in locked cabinets/desk drawers.<sup>24</sup>

Policy also states unit management should assign LSSAs TACS duties, including correcting daily clock ring errors. On July 16, 2021, multiple headquarters' officials issued a letter to all district managers stating

that all units must have lead clerks trained and assigned TACS timekeeping duties.<sup>25</sup>

## Effect on the Postal Service

When unit personnel do not properly address clock ring adjustments, employees could be improperly paid, and management could incur excess administrative time. In addition, management could rely on inaccurate information when making staffing decisions for each tour. Additionally, the Postal Service risks violation of the Fair Labor Standards Act,<sup>26</sup> when unit management does not maintain documentation that shows the justifiable reason and employee notification for disallowed time.

During our fieldwork, the unit manager created PS Forms 1017-A and 1017-B for each applicable clerk and placed them in a binder labeled, "Clerks 1017s", as corrective action for the issue we identified.

21 Managers and supervisors are required to complete a PS Form 1017-B the first time a non-exempt employee incurs unauthorized overtime. Serves as a cumulative record of unauthorized overtime.

22 Form used only when a supervisor observes, or has reason to know, that an employee did not work, while "on the clock". The supervisor must document the basis for any such disallowance. Serves as a cumulative record of disallowed time.

23 A web-based automated payroll program that collects and processes time and attendance data and provides "real time" workhour data to help run day-to-day operations.

24 TACS Supervisor's Training Participant's Workbook, April 2012. *Draft*.

25 Resulting from a February 2016 grievance settlement with the American Postal Workers Union.

26 29 United States Code 8.

## Finding #4: Employee Separations

### What We Found

Unit management did not always properly process separated employees. Specifically, the unit's financial records showed one employee who separated on December 30, 2022, still had active roles in the RSS data systems at the time of our site visit. The roles included closeout, retail floor, lobby assistant, passport, and supervisor. In addition, unit management did not process PS Form 337, *Clearance Record for Separated Employee*, for the separated employee during the audit scope.

### Why Did it Occur

Management stated they did not conduct reviews of the roles report and were unaware the separated employee retained active access in RSS. Further, management stated they were unaware policy requires career employees to have PS Form 337 processed.

### 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.<sup>27</sup> In addition, management must process PS Form 337 for each separated employee.

### Effect on the Postal Service

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, when management does not complete PS Form 337 for separated employees, unresolved employee items, Voyager personal identification numbers, Postal Service assets and computer access are vulnerable to theft or used for unintended purposes.

### Management's Comments

Management agreed with all four findings in the report. In addition, management stated they have begun taking steps to address the findings by retraining the employees, repairing the printer in order to print PS Forms 17, creating binders for PS Forms 1017-A and 1017-B and providing more

oversight of employee performance. See [Appendix B](#) for management's comments in their entirety.

### Evaluation of Management's Comments

The OIG considers management's comments responsive to the four findings in the report.

<sup>27</sup> Handbook F-101, Section 2-4.8.



# Appendix A: Additional Information

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We conducted this audit from February through April 2023 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 assessed the reliability of EDW, RSS, and TACS 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.

# Appendix B: Management's Comments



April 19, 2023

JOHN CIHOTA

DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Efficiency of Selected Processes – Hillcrest Station, San Diego, CA (Report Number 23-067-1-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 – Hillcrest Station, San Diego, CA*.

Management agrees with the four findings in the report on cash and inventories, daily reporting activities, clock ring adjustments and employee separation.

Management has begun taking steps to address these four findings.


*Cash and Inventories:* Management communicated with Helpdesk to fix printer to be able to print PS Form 17. Management has disposed of the blank money orders according to helpdesk instructions. Validation and continuous communication will be given regarding utilization of PS Form 17, Stock Requisition/Stamp Return, stamp stock standard work instructions to include proper handling of money orders. US Bank Voyager was notified of missing cards and replacements were ordered. Additionally, management oversight will be enforced with all accountable items.

*Daily Reporting Activities:* Retrained clerk employees to ensure proper utilization and review of PS Form 1412, Daily Financial Report are done daily to include filing of forms accordingly, verification and witnessing by local management. Validation and continuous communication will be given.

*Clock Ring Adjustments:* A written entry to log unauthorized overtime and disallowed time on PS Forms 1017-A and 1017-B binders will be followed in accordance to [USPS Unauthorize worktime policy](#).

*Employee Separation:* All local management have been retrained on proper handling of separated employees and how to complete the PS Form 337,

Clearance Record for Separated Employee. All roles assigned to the separated employee has been revoked.

E-SIGNED by  Jennifer T. Vo  
on 2023-04-19 20:01:38 CDT

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Jennifer T. Vo  
District Manager, California 6 District

cc: Vice President, Area Retail & Delivery Operations -  
Westpac Manager, Corporate Audit Response  
Management

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