

Madeira Branch Office, Cincinnati, OH: Controls Over Retail Transactions

AUDIT REPORT

Report Number 23-106-1-R23 | July 11, 2023



Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

July 11, 2023

MEMORANDUM FOR: WILLIAM D. JONES
MANAGER, OHIO 2 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 – Madeira Branch Office, Cincinnati, OH: Controls over
Retail Processes (Report Number 23-106-1-R23)

This report presents the results of our audit of the Madeira Branch Office, Cincinnati, OH: Controls over Retail Processes.

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, Central Area

Results

Background

This interim report presents the results of our self-initiated audit of controls over retail processes at the Madeira Branch Office, Cincinnati, OH (Project Number 23-106-1). The Madeira Branch Office is in the Ohio 2 District of the Central Area. We judgmentally selected the Madeira Branch Office for our audit.

Objective, Scope, and Methodology

Our objective was to review cash and inventory, daily reporting activities, clock ring adjustments, and employee separations at the Madeira Branch Office. The scope period was October 1, 2022 through March 31, 2023.

To accomplish our objective, we reviewed data regarding inventories, daily reporting activities, clock ring adjustments, and employee separations to identify at-risk transactions.¹ We conducted physical counts of 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 cause of clock ring adjustments and the steps taken to resolve them. We also reviewed compliance with procedures for separated employees, including timely suspending system access and collecting and protecting accountable property. We determined the causes for issues identified and discussed our observations and conclusions with management on June 23, 2023, and included their comments where appropriate.

Madeira Branch Office is one of three post offices² the U.S. Postal Service Office of Inspector General (OIG) reviewed during the week of May 8, 2023. We issued this interim report to provide the U.S. Postal Service with timely information regarding the conditions we identified at the Madeira Post Office.

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

Madeira Branch Office management appropriately performed employee separations; however, we identified issues with cash and inventories, clock ring adjustments, and daily reporting activities (see Table 1).

Table 1. Summary of Results

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

Source: Results of OIG fieldwork during week of May 8, 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 it is an indicator of the strength of internal controls at the unit. We found the unit stamp reserve stock was over \$78, or .2 percent of the total, and the retail floor stock was over \$637, or 7.4 percent of the total. The unit cash reserve count was short \$148, or 75 percent of the total.

¹ We did not review city or rural carriers.

² We also visited the Groesbeck Branch Office (Project number 23-106-2) and Cincinnati Main Office (Project number 23-106-3).

Finding #1: Cash and Inventories

What We Found

At Madeira Branch Office, we identified issues with the security of stamps and cash. Also, unit management did not properly secure accountable items.

Specifically:

- The stock custodian did not have a key to the unit stock storage room and regularly unlocked the door with a coat hanger (see Figure 1). The value of the unit stock not secured in the room totaled \$43,954.

Figure 1. Unsecure Stamp Stockroom



Source: OIG photo taken May 9, 2023.

- The Sales and Service Associates (SSA) used unsecured drawers while performing transactions instead of using the register drawer attached to Retail System Software (RSS) units (see Figure 2).
- One SSA's drawer was found unsecured in the safe and contained \$208; no assets were missing as verified by Postal Service (PS) Form 1412, *Daily Financial Report*.

Figure 2. Unsecured SSA Cash Drawer at Counter



Source: OIG photo taken May 9, 2023.

- The round date stamps³ were not secured at the close of business day.
- Bait money orders⁴ were not left on the counters.
- Unit Personnel did not properly complete, update, or maintain PS Forms 3977 – *Duplicate Key, Combination and Password Envelope*. Specifically, of the seven PS Forms 3977 on file at the unit, none were completed properly. Additionally, management did not maintain a PS Form 3902, *Form 3977 Log and Lock Examination* for the unit.
- We found comingled cash in a locked drawer in the safe. This drawer was used by the Lead Sales and Service Associate (LSSA). The amount in the drawer was \$504.66.

³ Handbook PO-209, *Retail Operations Handbook*, Chapter 6-11.3.2 Round Date Stamp, October 2012 - The all-purpose date stamp is used for stamping the customer copy of receipts for services such as Certified Mail service or Delivery Confirmation service. This stamp is also used for Registered Mail service and on the daily bank deposit slip.

⁴ The purpose of the Bait Money Order Program is to provide Post Office employees with prepared money orders. If a bait money order is stolen and cashed, it may provide investigative leads that will help identify and apprehend criminals. The Bait Money Order Program was designed for both robberies and burglaries.

Why Did It Occur

Unit management stated these issues occurred due to a lack of unit management oversight.

Unit management did not maintain a complete inventory of PS Form 3977. The supervisor was unaware these were not all complete.

The LSSA said the \$504.66 in the comingled drawer was his own money, as he did not have a personal bank account. The LSSA was unaware of postal policy prohibiting comingling.

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 of all accountable paper in the postal retail unit.⁵ 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.⁶ Postal Service funds must always be kept separate from personal funds.⁷

The field unit manager or supervisor is responsible for providing and monitoring adequate security for all building-related security matters, including compliance with PS Form 3902, *Form 3977 Log and Lock Examination*. This form is used to maintain a record showing the employee's name, the date of examination of the PS Form 3977, the date of examination of locks and keys, and the supervisor's initials. RSS units must enter results into RSS.⁸

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. We consider the unsecured stamps in the unit stock reserve room as assets or accountable items at risk,⁹ totaling \$43,954.

During fieldwork, unit management took corrective action to secure the cash, accountable items, and stamps. Also, they took additional corrective action on the comingled cash of \$504.66 and deposited it in Account Identifier Code (AIC) miscellaneous revenue other on May 18, 2023.

⁵ Handbook F-101, *Field Accounting Procedures*, Section 11-3, September 2022.

⁶ Handbook F-101, Section 3-11.

⁷ Handbook PO-209, Chapter 6-8.

⁸ Handbook F-101, Exhibit 3-8.2.2.

⁹ 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.

Finding #2: Daily Reporting Activities

What We Found

Unit management did not review PS Form 1412, to ensure the accuracy and timeliness of financial reporting. We reviewed a judgmental sample of 15 days which entailed over 60 transactions during our audit scope and noted there was no evidence of review. There was no Postage Validation Imprinter (PVI) voids/refund documentation. The unit did have all documentation for AIC 676 (express mail refunds) and AIC 553 (refunds for postage).

Why Did It Occur

Unit management stated they did not have time to review the daily PS Forms 1412, as the supervisor spent the majority of their time at the carrier annex. The management team has been operating with only three of four assigned supervisors as one has been on extended leave for a year. As a result, the LSSAs in each finance station are required to do all paperwork with little to no supervision from the management team. The LSSA at Madeira stated he had no formal training for the position and was not aware of all the documentation needed for each day.

What Should Have Happened

Postal Service policy states that 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.¹⁰

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.

¹⁰ Handbook F-101, Section 2-4.1.

Finding #3: Clock Ring Adjustments

What We Found

The LSSA did not perform Time and Collection System (TACS)¹¹ duties and unit management at the Madeira Branch Office did not always retain documentation to support clock ring adjustments occurring between October 1, 2022, and March 31, 2023. Specifically, unit management did not retain PS Forms 1017-A, *Time Disallowance Record*,¹² for three instances involving two employees when the time was disallowed and also missing PS Form 1017-B, *Unauthorized Overtime Record*¹³ log.

Why Did it Occur

The LSSA does not have access to TACS and has yet to receive the training. Unit management misinterpreted the requirement to retain the PS Forms 1017-A and 1017-B locally, since the information to support the adjustments was already entered into TACS.

What Should Have Happened

Unit management must complete the 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.¹⁴ The supervisor took corrective action by creating a log for the documentation.

Postal Service policy states unit management should assign lead clerks TACS duties, including correcting daily clock ring errors. On July 16, 2021, multiple headquarters officials issued a letter to all district managers that all units must have lead clerks trained and assigned TACS timekeeping duties.

Effect on the Postal Service

The Postal Service risks violation of the Federal Law, Fair Labor Standards Act, when unit management does not maintain documentation that shows the

justifiable reason and the employee notification for disallowed time.

When the LSSA is not trained or assigned TACS duties, it could lead to inaccurate timekeeping.

Management's Comments

Management agreed with the two findings in the report. Management stated they have begun taking steps to address the findings by securing all stamps, and cash, and round date stamps. Further, management stated they are using PS Form 3977 duplicate key envelopes, ordered and are using new cash drawers, and are leaving bait money orders on countertops. In addition, management stated the LSSA took training to properly document voids/refunds for Postal Validation Imprinters labels and unit management has a process in place to review PS Forms 1412 for accuracy and timeliness. Management stated the LSSA completed TACS training and is now performing TACS duties as well as maintaining and updating PS Forms 1017-A (Time Disallowance Record) and PS Forms 1017-B (Unauthorized Overtime Record). See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to all findings.

¹¹ 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.

¹² 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.

¹³ 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.

¹⁴ *TACS Supervisor's Training Participant's Workbook*, April 2012, Draft.

Appendix A: Additional Information

We conducted this audit from May 2023 through July 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 relied on computer-generated data from the Enterprise Data Warehouse (EDW),¹⁵ RSS, and the 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.

¹⁵ A repository intended for all data and the central source of 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



July 3, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Madeira Branch Office, Cincinnati, OH:
Controls over Retail Transactions (Report Number 23-106-1-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report, Madeira Branch Office, Cincinnati, OH: Controls over Retail Transactions.

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

Management has begun taking steps to address the three findings.

Cash and Inventories: To ensure stamps and cash are secured, management installed a new strike plate and set screw that provided a tamper free locking mechanism. Additionally, duplicate key envelopes are on for required personnel, new cash drawers were ordered and now in use, round date stamps are secured nightly, and bait money orders left on counters.

Daily Reporting Activities: The Lead Sales and Services Associate has received training on how to properly document voids/refunds for Postage Validation Imprinters (PVI) labels. Management has a process in place to conduct reviews of daily PS Form 1412 to ensure accuracy and timeliness.

Clock Ring Adjustments: The Lead Sales and Services Associate completed Time and Attendance Collection System (TACS) training and is now performing TACS duties. PS Forms 1017-A, Time Disallowance Record, and PS Form 1017-B, Unauthorized Overtime Record are maintained and updated when necessary.

William D Jones

William D. Jones
Manager, Ohio 2
District

cc: Vice President, Area Retail & Delivery Operations
(Central) Manager, Corporate Audit Response
Management

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