

Cincinnati Main Office, Cincinnati, OH: Controls Over Retail Transactions

AUDIT REPORT

Report Number 23-106-3-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

SUBJECT: Audit Report – Cincinnati Main Office, Cincinnati, OH: Controls Over
Retail Transactions (Report Number 23-106-3-R23)

This report presents the results of our audit of the Cincinnati Main Office in Cincinnati, OH: Controls Over Retail Transactions.

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 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 the controls over retail transactions at Cincinnati Main Office in Cincinnati, OH (Project Number 23-106-3). The Cincinnati Main Office is in the Ohio 2 District of the Central Area. We judgmentally selected the Cincinnati Main Office 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 the Cincinnati Main Office. Our audit review 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 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 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.

The Cincinnati Main 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 Cincinnati Main 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

We identified issues with stamp stock inventories, security for accountable items, daily reporting activities, clock ring adjustments, and employee separations at the Cincinnati Main Office (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 Separation	X	

Source: Results of OIG Fieldwork during week of May 8, 2023.

During fieldwork, we conducted an independent count of cash and stamp inventories. It is a requirement for unit management 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. At this unit, we found the unit reserve stamp stock had an overage of \$63, or .04 percent of the total, and the retail floor stock had a shortage of \$626, or 1.8 percent of the total.

¹ We did not review data for city or rural carriers.

² We also visited the Madeira Branch (Project #23-106-1) and Groesbeck Branch (Project #23-106-2).

Finding #1: Cash and Inventories

What We Found

Management effectively conducted cash counts at the Cincinnati Main Office; however, we identified issues with stamp stock inventory and safeguarding of assets. From the discrepancies in our independent count, we found unit personnel did not always conduct an independent count of internal stamp stock transfers from the unit reserve stock to the

retail floor stock to verify accuracy. Specifically, we found 21 of 26 Postal Service (PS) Forms 17, *Stamp Requisition/Stamp Return*, totaling \$100,076, did not contain the receiver or witness signatures as required (see Table 2). Also, verification of stamp stock counts did not occur due to the lack of adequately stored support documentation.

Table 2. Stamp Requisitions/Stamp Return Form Missing Signatures

Number of Transactions	Business Date	Transaction Description	Missing Receiver Signature	Missing Witness Signature	Amount
1	10/07/22	Receipt of Transfer		X	\$990
2	11/28/22	Receipt of Transfer		X	3,000
3	11/29/22	Receipt of Transfer		X	480
4	12/01/22	Receipt of Transfer		X	4,200
5	12/05/22	Receipt of Transfer		X	1,450
6	12/19/22	Receipt of Transfer		X	1,200
7	12/21/22	Receipt of Transfer		X	5,800
8	12/22/22	Receipt of Transfer		X	2,400
9	01/03/23	Receipt of Transfer	X	X	3,000
10	01/11/23	Receipt of Transfer		X	33,114
11	01/21/23	Receipt of Transfer		X	12,000
12	01/24/23	Receipt of Transfer		X	473
13	02/01/23	Receipt of Transfer		X	630
14	02/01/23	Receipt of Transfer		X	3,150
15	02/10/23	Receipt of Transfer		X	5,670
16	02/27/23	Receipt of Transfer		X	9,450
17	03/03/23	Receipt of Transfer		X	6,600
18	03/21/23	Receipt of Transfer	X	X	5,000
19	03/23/23	Receipt of Transfer	X	X	360
20	03/27/23	Receipt of Transfer		X	480
21	03/27/23	Receipt of Transfer	X	X	630
TOTAL					\$100,076³

Source: OIG analysis of unit source documents.

³ Total amount shown in Table 2 is lower by \$1 due to rounding.

Also, we found miscellaneous, unrecorded off-sale stamp stock totaling approximately \$216.20 stored in drawers and a shelf unit within the vault (see Figure 1). The unit reserve stamp stock or retail floor stock inventory recorded in Retail Systems Software (RSS)⁴ did not include this off-sale stock.

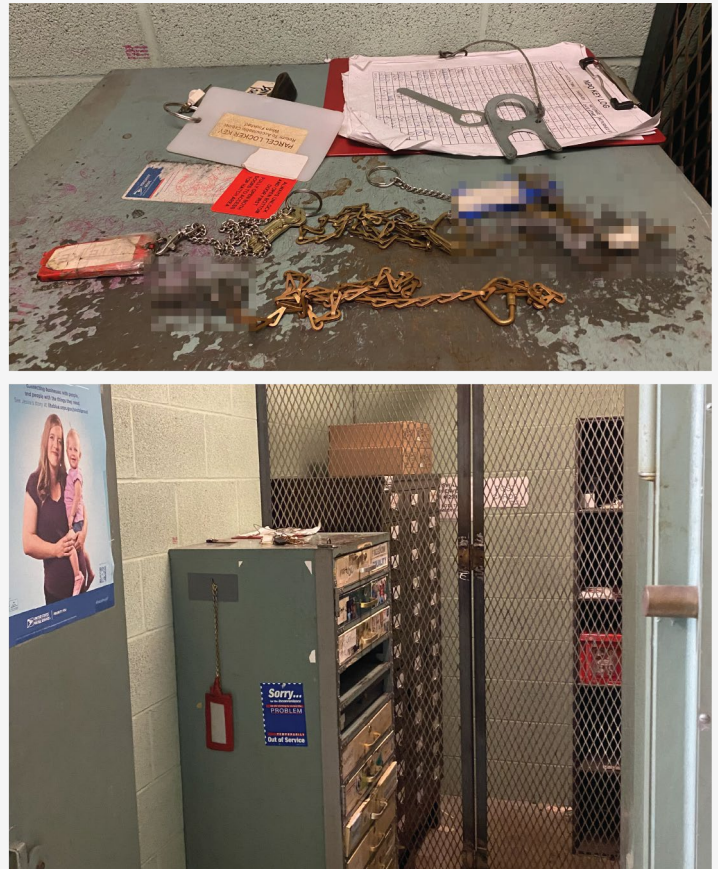
Figure 1. Off-Sale Stamp Stock Located in the Main Vault



Source: OIG photos taken May 9, 2023.

In addition, we found unit management did not always adequately secure accountable and non-mail items. Specifically, we found various loose keys labeled parcel locker, lobby copy machine, supply cabinet, two keys to a gate, and two arrow keys stored on the top of a drawer cabinet within the vault, but not inside a locked drawer or cabinet (see Figure 2).

Figure 2. Loose Keys Found in Unsecured Section of Main Vault



Source: OIG photos taken May 9, 2023.

We also found one of the retail unit's Sales and Service Associate's (SSA) cash drawer located in the drawer cabinet within the main vault that contained a key in the slot which allowed access to the contents (see Figure 3). This unsecured drawer contained cash and blank domestic money orders with a potential value of \$191,100.47.⁵ This drawer belongs to an employee who transferred to a different functional area within the Postal Service and additional details are explained in Finding #4.

⁴ The hardware and software retail transaction system used in Post Offices.

⁵ Cash found in drawer = \$100.47. Money order value is based on \$1,000 maximum face value of a Postal Service domestic money order (191 domestic X \$1,000 = \$191,000).

Figure 3. Unsecured Accountability Drawer Found in the Main Vault



Source: OIG photos taken May 9, 2023.

Further, it was determined that an SSA assigned to the Cincinnati Main Office was in possession of the Lead Sales Service Associate (LSSA) and Supervisor Customer Services' (SCS) RSS passwords. This SSA also maintained the key to the locked section of the main vault which contained the inventory of the unit reserve stamp stock.

Why Did It Occur

Independent counts of internal stamp stock transfers from the unit reserve stock to the retail floor stock to verify accuracy did not occur due to a transition period in which the unit reserve custodian worked at other retail units and was not accessible. Also, other duties taking priority and management misplacing supporting documents were contributing causes for this occurrence.

6 Handbook F-101, *Field Accounting Procedures*, Section 14-2.2 b. September 2022.

7 Handbook F-101, Section 11-5.1 c.

8 Handbook F-101, Section 11-3.1.

9 Handbook F-101, Section 3-1.1.

10 Handbook F-101, Section 11-3.1 d.

The unit reserve stamp stock custodian did not return the off-sale stamp stock found in the main vault because they were not aware of these items.

The unsecured loose keys and the key found in the SSA drawer containing cash and accountable items was due to lack of management oversight. The position of SCS was in transition during the audit scope period, which affected internal controls at this unit. A rotation of personnel was instituted to fill the SCS role because the assigned SCS was working outside of this unit at other Cincinnati area retail units.

The LSSA and the SCS shared their RSS password with an SSA because they were not always present to conduct stamp stock transfers or stamp stock counts. The SCS, who served as the unit reserve stamp stock custodian, worked at other retail units and was not accessible to perform management responsibilities at the Cincinnati Main Office. A permanent replacement for the vacant SCS position became effective at this unit in March 2023, when the assigned SCS accepted a position in a different functional area. This lack of permanent supervision contributed to out-of-policy measures taken, such as password and key sharing and providing minimal oversight of the Cincinnati Main Office daily retail operation.

What Should Have Happened

An employee assigned a retail floor stock role must independently count all stock moved into and out of the retail floor stock and sign the PS Form 17.⁶ Additionally, unit personnel must count the stock and verify with a witness the count on the computer-generated PS Form 17.⁷

Additionally, unit managers are responsible for ensuring that controls are in place for maintaining an accurate inventory for all accountable paper within the postal retail unit.⁸ 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,⁹ and ensure the proper entry of all financial transactions.¹⁰ The postmaster, manager,

or supervisor must provide adequate security for all accountable items, which include arrow keys.¹¹

Postal Service policy states all personnel do not share their personal password with coworkers to enable them to access their system for any reason; and do not let anyone else use their logon ID or password and do not use anyone else's.¹²

Effect on the Postal Service and its Customers

Improper accounting for stamp stock inventory and securing accountable items, such as the SSAs' cash drawers and arrow keys increases the risk of loss and opportunities for theft to occur and go unnoticed. We consider the stock transfer documents processed without receiver and witness signatures, and the unrecorded stamp stock inventory, accountable items at risk¹³ totaling \$100,292.

The sharing of passwords could lead to unauthorized individuals having access to stamp stock. During audit fieldwork, the SCS took corrective action and changed their RSS password.

¹¹ *Postal Operations Manual*, Issue 9, Section 633.42, April 30, 2022.

¹² Handbook AS-805-C, Section 2 page 3, November 2021.

¹³ Assets or accountable items at risk of loss because of inadequate internal controls. Examples include, but are not limited to cash, stamps, or money orders.

Finding #2: Daily Financial Reporting Activities

What We Found

Unit management did not always properly perform daily financial reporting activities, including the daily review of PS Forms 1412, *Daily Financial Report*,¹⁴ to ensure the accuracy and timeliness of supporting documentation for all necessary transactions at close out.

We reviewed the Account Identifier Codes (AIC)¹⁵ in Table 3 and found unit personnel did not maintain documentation or properly complete forms for 35 percent of transactions (21 of 60) with a value totaling \$31,718.¹⁶ In addition, unit management did not maintain a file for financial differences.

Why Did it Occur

Unit supervisors did not always perform required reviews of the daily financial report transactions for accuracy and support due to frequent rotation

of supervisors at the unit. During the audit review scope period, the Cincinnati Main Office experienced a transition at the SCS position. A rotation of personnel was instituted to fill the SCS role because the assigned SCS was working outside of this unit at other Cincinnati area retail units. This lack of permanent supervision contributed to providing minimal oversight of the Cincinnati Main Office daily retail operation, including missing required witness signatures on completed PS Forms.

The unit manager was aware of the requirement to document and maintain a log of all financial differences occurring at the unit. They delegated this function to the LSSA who was not aware of this responsibility; however, unit management did not monitor this function or provide oversight for compliance.

Table 3. Results of Observations

AIC	Description	Quantity Tested for Each AIC ¹⁷	Support Documents Not Found in Unit File ¹⁸	Incomplete Forms ¹⁹
509	Voided Postage Validation Imprinter (PVI) Labels	28	1	0
553	Refund Stamps and Fees	14	0	12
554	Salary Advance Issued	7	2	0
587	Miscellaneous Supplies	3	0	3
639	Retail Floor Stock Shortage	1	0	0
641	Money Order Replacements Issued	3	1	0
647	Financial Difference Shortage - Direct Entry	3	1	0
676	Express Mail Refunds	1	0	1
Total		60	5	16

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

¹⁴ 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.

¹⁵ A three-digit code that assigns financial transactions to the proper account on the general ledger. Each AIC assignment corresponds to a general ledger.

¹⁶ The amount is the total for all sixty transactions examined. The total for the twenty-one unsupported or incomplete forms was \$16,186.

¹⁷ Includes review of multiple transactions in a single day.

¹⁸ No supporting documentation (i.e., PVI label, express mail receipt and other necessary forms). The five transactions not found in the unit totaled \$6,474.

¹⁹ Management provided the forms; however, thirteen had missing witness signatures and three have missing manager approval to issue locally instead of using eBuy to process. The sixteen incomplete forms totaled \$9,712.

²⁰ 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.

What Should Have Happened

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.²¹ The daily review of PS Form 1412 must include a review of the PS Forms 3533,²² *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*,²³ to ensure they are completed properly and include the appropriate signatures. Also, unit management must review and maintain a file for all financial differences expensed to the unit.²⁴

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 errors, theft, lost revenue, and fraudulent activity. The unsupported and incomplete refund forms represent \$16,186 in unrecoverable questioned costs.²⁵

²¹ Handbook F-101, Section 2-4.1.

²² Handbook F-101, Section 2-4.1 e.

²³ Form used to acquire a refund on spoiled postage, services paid for services not rendered and/or any fees that needs a refund for returned postage hardware, permit postage or anything that requires refund from the USPS.

²⁴ Handbook F-101, Section 2-4.1 j, k.

²⁵ A subset of questioned costs called into question because of missing or incomplete documentation or failure to follow required procedures. Generally, this category applies to events which occurred prior to the audit.

Finding #3: Clock Ring Adjustments

What We Found

Although the LSSA at the Cincinnati Main Office received Time and Attendance Collection System (TACS)²⁶ training, they did not perform TACS duties as required.

Why Did it Occur

The LSSA did not perform TACS duties as required because management assumed TACS responsibilities to focus on addressing and decreasing clock ring errors for all retail units within their assigned functional area.

What Should Have Happened

On July 16, 2021, multiple headquarters' officials issued a letter to all district managers stating that all units must have LSSAs trained and assigned TACS timekeeping duties.

Effect on the Postal Service and its Customers

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

²⁶ 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.

Finding #4: Employee Separations

What We Found

Unit management at the Cincinnati Main Office did not always properly process separated employees. Specifically, three employees that separated by transfer or termination between February 10, 2022, and March 24, 2023, had active retail roles in RSS at the time of our site visit. We found the main vault contained SSA accountability drawers designated for these separated employees. The drawers included cash totaling \$300 and a total of 405 assigned blank domestic money orders valued at \$405,000. Further, unit management did not complete PS Form 337, *Clearance Record for Separated Employees*, or change the safe combination and locks after each employee's separation as required.

Why Did It Occur

The unit manager initially stated that no employees separated from the unit during our scope period. After we inquired about the status of three former employees, the unit manager stated the employees changed jobs to work in a processing and distribution center, and it has been difficult coordinating with the plant managers to get two of the three employees to come back to the unit to close out their cash drawers. Unit management could not state a specific reason why they did not follow the required close-out process for one employee that was terminated 438 days ago.

What Should Have Happened

Postal Service policy states:

Management must ensure that they remove an employee's role from RSS no later than the employee's last day of work at that unit.²⁷

When a retail associate separates from the unit, management must conduct a final count of the cash-retained credit.²⁸ When a retail associate's cash

retained credit is considered inactive, the retail unit ships all assigned money orders to the unit reserve and deposits to the bank or transfers any funds to another retail associate.²⁹

When a Postal Service manager is aware that an employee will be separating, the manager must ensure that the separated employee completes the appropriate checklist, PS Form 337.³⁰

Management must change the safe's combination whenever a person who knows a combination of a safe or vault separates or transfers from the unit.³¹

Effect on the Postal Service and its Customers

Cash, blank money orders, and other Postal Service assets could be stolen or used for unintended purposes when appropriate policies are not followed. Failure to change a combination is considered contributory negligence by the responsible employee if property is stolen from a safe and vault without force.³² We consider the cash and blank domestic money orders found in the three SSAs' cash drawers that were not closed out when the employees separated from retail operations at Cincinnati Main Office, accountable items at risk totaling \$405,300.³³

Management's Comments

Management agrees with all four findings in the report. Management stated they have begun taking steps to address the findings by providing training for stamp stock management, daily financial reporting, and TACS. In addition, management conducted an audit of stamp stock, properly secured keys, returned arrow keys to the Inspection Service, changed locks, updated duplicate key envelopes and plan to return obsolete stock. Also, management created a file for financial differences and will implement a process for validating the accuracy and timeliness of daily

²⁷ Handbook F-101, Section 2-4.8 b.

²⁸ Handbook F-101, Section 13-7.4 b.

²⁹ Handbook F-101, Section 13-6.5 c.

³⁰ Handbook AS-353, *Guide to Privacy, the Freedom of Information Act, and Records Management*, Section 6-6.2 a, February 2019.

³¹ Handbook F-101, Section 3-9.2 b.

³² Handbook F-101, Section 3-9.2.

³³ Includes \$300 cash and the value of the 405 blank domestic money orders. The value is based on \$1,000 maximum face value of a Postal domestic money order (405 domestic X \$1,000 = \$405,000).

financial reports. Finally, management removed the one terminated employee from the system and is in the process of scheduling the other two transferred employees to return and clear their accountabilities. 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.

Appendix A: Additional Information

Scope and Methodology

We conducted this audit from May 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 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



July 3, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Cincinnati Main Office, Cincinnati, OH: Controls over Retail Transactions (Report Number 23-106-3-DRAFT)

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

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 the four findings.

Cash and Inventories: Management will ensure all required personnel complete HERO training course: Field: Stamp Stock Management. An audit of the stamp stock has been conducted to include non-saleable stock and recorded appropriately. All loose keys have been properly identified and secured. The extra arrow keys have been returned to the Inspection Service. Locks have been changed, and duplicate key envelopes updated for all personnel. All obsolete stock will be returned.

Daily Reporting Activities: All required personnel will complete HERO course: Field: Daily Financial Reporting. Management will implement a process to validate daily financial reports for accuracy and timeliness. A file for financial differences has been created and maintained.

Clock Ring Adjustments: The Lead SSA has been trained and is performing Time and Attendance Collection System (TACS) duties.

Employee Separation: The one terminated employee has been removed from the system. Management is in process of scheduling the other two transferred employees to return and clear their accountabilities.

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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