



AUDIT REPORT

Stamp and Cash Inventories – Chicago, IL Offices

July 29, 2020

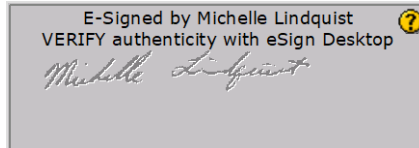


Report Number 20-256-R20



July 29, 2020

MEMORANDUM FOR: RANDY S. STINES
MANAGER, CHICAGO DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Stamp and Cash Inventories –
Chicago, IL, Offices (Report Number 20-256-R20)

This report presents the results of our audit of Stamp and Cash Inventories at six postal units in Chicago, IL.

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: Corporate Audit and Response Management

Background

This report presents the results of our audit of all stamp and cash inventories at six postal units in Chicago, IL. These offices were located in the Chicago District of the Great Lakes Area. We conducted this audit in response to concerns raised by the U.S. Postal Inspection Service of potentially lost stamps, cash, and money orders due to looting of offices during protests and riots from May 29 through June 1, 2020.

The six postal units audited were Englewood, Station K, Wicker Park Retail Store, Wicker Park Carrier Annex, Ogden Park, and Henry W. McGee. All six postal units had thefts of mail and parcels. One unit had theft of stamps and cash. One unit did not have any stamp or cash inventory.

Objective, Scope and Methodology

The objective of this audit was to determine the amount of stamp¹ and cash² losses sustained at the six units during the riots in Chicago, IL.

To accomplish our objective, we conducted physical counts of the stamp and cash inventories during the week of June 8, 2020. We also interviewed unit management and other personnel responsible for the oversight and safeguarding of their postal inventories.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW)³ and Retail Systems Software (RSS)⁴ inventory reports from each office. 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 June through July 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 July 20, 2020 and included their comments where appropriate.

¹ Consists of postage stock, bird stamps, philatelic products, stamped papers, and blank money order stock.

² Includes cash, checks, and money orders.

³ 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.

⁴ The hardware and software retail transaction system used in post offices.

Finding #1: Internal Controls over Stamp and Cash Inventory

We identified losses of stamp and cash inventories related to looting that occurred on May 29, 2020, at one of the six postal units. This unit did not properly secure their inventory and had left the two unit safes open. We did not find any looting of stamp and cash inventories at the other five units. One of those five units did not have any cash or stamp inventory.

We estimated about \$900 in cash and \$900 in stamps were likely stolen and 80 domestic money orders were missing, but it was unclear if they were stolen. Specifically:

- The five separate cash inventories totaling about \$900 were missing.
- Stamp inventories, commingled in the aftermath of the looting, were counted. Our counts of the commingled stamps identified that about \$900 was missing.

According to the Inspection Service, the two safes for the stamp and cash inventory were left unlocked.

In addition, management at four of the six postal units did not effectively oversee their inventories. We identified unrecorded and unsecured money orders, and duplicate key and password issues (see [Table 1](#)).

Table 1. Financial Control Issues at Four Sites

Units	Unrecorded Money Orders	Unsecured Money Orders	Duplicate Key and Passwords	Password Security	Unlocked Safes / Vault
Englewood Station	1,167	119	No	No	Yes
Ogden Park	19	16	Yes	No	Yes
Station K	341	0	No	Yes	No
Henry McGee	730	0	Yes	No	Yes
Total	2,257	135			

Source: OIG analysis.

Specifically:

- Four units had 2,257 money orders that were not recorded in the RSS inventory (see [Figure 2](#)) or destroyed. In addition, three units left their safes or vaults with stamp and cash inventory unlocked after closing, including two of the four units that left 135 money orders stored in unsecured locations. During our audit, management at one unit took corrective action by voiding and destroying their money orders and issuing a secure locker to the sales associate to store the unsecured money orders.

Figure 2. Unrecorded Money Orders



Source: OIG photograph taken during fieldwork at Englewood Station on June 9, 2020.

Postal Service policy states stamps and other accountable items must be protected at all times.⁵

- Two units did not have Postal Service (PS) Form 3977, *Duplicate Key, Combination and Password*, on file to keep a record of the RSS password or a duplicate key. Therefore, many locks at two units had to be forcibly opened for the counts to be conducted. Policy states field units must complete PS Form 3977 to protect each duplicate key, combination, and RSS password.⁶
- One unit was sharing a supervisor's password with a non-supervisory employee to access RSS to perform required functions. Postal Service policy requires employees to protect and secure logon and password information.⁷

In general, unit management at four of the six postal units were not familiar with many of the procedures regarding securing stamp and cash inventories. Unit management was aware they needed duplicate keys, but other duties took priority. Regarding the sharing of the supervisor's password, the supervisor and the lead sales and service associate admitted they knew it was wrong.

When employees do not properly record and secure stamp and cash inventories, this results in theft and financial loss. If an employee is absent and management cannot access the employee's duplicate key and password from PS Form 3977, this can lead to increased expenses to fix the locks that were broken.

⁵ Handbook F-101 *Field Accounting Procedures* (DRAFT), May 2017, Section 3-3.

⁶ Handbook F-101 (DRAFT), Section 3-8.2.1.

⁷ Handbook F-101 (DRAFT), Section 3-8.2.1.

Recommendation #1: We recommend the Manager, Chicago District, reiterate policy and procedures over the handling and security of stamp and cash inventories to all respective unit personnel and destroy spoiled money orders, per procedures.

Recommendation #2: We recommend the Manager, Chicago District, provide Retail Systems Software administrative training to all respective unit supervisors.

Finding #2: Unreported Delayed Mail

Although outside the scope of the audit, we observed delayed mail on June 10, 2020, that was not reported in the Customer Services Daily Reporting System (CSDRS)⁸ as required. There were two pieces of equipment with delayed flats and 90 with delayed parcels at the Henry McGee Station (see [Table 2](#)).

Table 2. Henry McGee Delayed Parcels

Type of Equipment	Equipment Containing USPS Parcels	Equipment Containing Amazon Parcels
All Purpose Container	18	
Gaylord ⁹	20	
Pallet		49
Wiretainer ¹⁰	3	
Total	41	49

Source: OIG observations at the Henry McGee Station on 6/10/2020.

Based on discussions with management, COVID-19 related absences and the 2-day office closure due to looting during the protests contributed to the delays. Further, the unit experienced an increase in parcels from a large mailer when they stopped delivering their own packages after two of their employees were held up at gunpoint during the protests. The mail was staged in every open area of the workroom floor, in the vestibule, and on the dock (see [Figures 3, 4, & 5](#)). The amount of equipment containing mail was so excessive that there was not enough room for scheduled dispatches from the plant or the large mailer parcel deliveries. In addition, empty equipment had to be stored in the parking lot.

⁸ Delivery unit based system used as the formal delayed mail reporting tool.

⁹ A pallet-size box used for shipping mail in bulk quantities. It is usually constructed of triple wall corrugated fiberboard that fits on standard pallets. The first triple-wall corrugated pallet boxes were manufactured by the Gaylord Container Corporation.

¹⁰ A special purpose container constructed of sturdy wire mesh with a post at each corner for stability. Each container, including the collapsible model, has a metal foot on the bottom for stacking. Some models have wheels. The container is primarily used for small parcels and bundles and for mail transport within a performance cluster.

Figures 3, 4, & 5. Delayed Mail in the Aisle, Vestibule, and on the Dock



Source: OIG photographs taken during fieldwork at Henry McGee Station on 6/10/2020.

The delayed mail was not reported due to ineffective management oversight. Management focused on getting the mail sorted and delivered and neglected reporting the delayed mail. Postal Service policy¹¹ states all types of First-Class Mail, Priority Mail, and Priority Mail Express are scheduled (committed) for delivery on the day of

¹¹ Delivery Unit Service Talk-Committed Mail & Color Code Policy for Marketing Mail, February 2019.

receipt at the post office. Delaying mail is the management tool of last resort for workload leveling and in response to local emergency conditions. All mail that remains in a reporting unit after the carriers have left the office to begin their street duties must be reported in CSDRS and, if mail is not delivered as scheduled, corrected information and appropriate comments should be entered in CSDRS as soon as the delayed situation is realized.¹²

When delayed mail is not reported, management at the local, district, area, and headquarters levels are unable to take the appropriate actions to mitigate the delay. Due to the current situation, we are not making a recommendation, but we will continue to monitor this issue and may perform additional work in the future.

Management's Comments

Management agreed with the findings and recommendations. District management will reiterate policies and procedures over the handling of stamp and cash inventories by August 31, 2020, and provide RSS Administrative training by September 25, 2020.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report, and corrective actions should resolve the issue identified in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations 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.

¹² CSDRS Guidelines and Definitions, September 2016.

Appendix A: Management's Comments



July 21, 2020

Lazerick C. Poland
Director, Audit Operations

**SUBJECT: Stamp and Cash Inventories Chicago II Offices
(Project Number 20-256 - Draft)**

Chicago District management agrees with the findings and recommendation in the Stamp and Cash inventories report.

Finding 1: Internal Controls over Stamp and Cash Inventory

OIG determined management did not effectively oversee their inventories of stamps and cash, and management was not familiar with procedures to secure stamp and cash inventories.

Recommendation 1:

Manager, Chicago District, reiterate policies and procedures over the handling of stamp and cash inventories to all respective unit personnel and destroy spoiled money orders per procedures.

Management Response/Action Plan:

Manager, Chicago District does agree with the recommendation to reiterate policies and procedures over the handling of stamp and cash inventories to all respective unit personnel and destroy spoiled money orders per procedures. Manager, Finance will reiterate policies and procedures over the handling of stamp and cash inventories.

Target Implementation Date: by August 31, 2020.

Responsible Official: District Finance Manager

Recommendation 2:

Manager Chicago District provide Retail Systems Software administrative training to all respective unit supervisors.

Management Response/Action Plan:

Manager, Chicago District does agree with the recommendation to provide Retail Systems Software administrative training to all respective unit supervisors. Manager, Marketing will Provide Retail Systems Software Administrative training.

Target Implementation Date: September 25, 2020.

Responsible Official: District Marketing Manager


Randy Stines
District Manager