



Office of Inspector General | United States Postal Service

Audit Report

Stamps, Money Orders, and Cash - Burbank, CA, Main Office and Downtown Station

Report Number 21-126-R21 | April 23, 2021



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Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 23, 2021

MEMORANDUM FOR: ALFRED SANTOS
MANAGER, CALIFORNIA 3 DISTRICT

Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Stamps, Money Orders, and Cash – Burbank, CA, Main
Office and Downtown Station (Report Number 21-126-R21)

This report presents the results of our audit of Stamps, Money Orders, and Cash – Burbank, CA, Main Office and Downtown Station.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Frank McElligott, Acting Operational Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management

Results

Background

This report presents the results of our self-initiated audit of Stamps, Money Orders, and Cash – Burbank, CA, Main Office and Downtown Station (Project Number 21-126). Both sites are in the California 3 District of the WestPac Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

U.S. Postal Service Office of Inspector General's (OIG) data analytics identified these two sites as having large retail floor stamp inventory count shortages from October 1, 2019 through January 31, 2021 (see Table 1). Retail associates who work at window services do not have a stamp stock inventory assigned and instead work from a shared retail floor stamp inventory.

Table 1. Retail Floor Stamp Stock Count Shortages

Month/Year	Main Office	Downtown Station
October 2019	\$9,320	\$1,780
January/February 2020	866	3,724
April/May 2020	195	2,593
July 2020	128	659
October 2020	146	10
January 2021	303	756
TOTAL	\$10,958	\$9,522

Source: OIG analysis of AIC 639.¹

- 1 Account Identifier Code (AIC) is used to classify financial transactions to the proper general ledger account. AIC 639, *Floor Stock Shortage*, is used to record a stamp stock shortage discovered because of a retail floor stock count performed at retail postal stores and Segmented Inventory Accountability units.
- 2 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.
- 3 The hardware and software retail transaction system used in post offices.

Objective, Scope, and Methodology

The objective of this audit was to determine whether the Burbank Main Office and Downtown Station properly accounted for stamps, money orders, and cash.

To accomplish our objective, we analyzed data; conducted independent physical counts of all stamps, money orders, and cash inventories on February 23 and 24, 2021; reviewed the operational effectiveness of the inventory management; and conducted interviews with unit personnel and Postal Service management.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW)² and Retail Systems Software (RSS)³ inventory reports. 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 that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from February through April 2021 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 April 8, 2021 and included their comments where appropriate.

Finding #1: Stamp and Cash Inventories

We determined that the Burbank Main Office and Downtown Station did not always properly account for stamps, money orders, and cash. We identified

issues with cash drawer balances outside of tolerance levels⁴, unit cash reserve differences, lobby and unit stamps differences, and outdated money orders on hand.

Results of our independent counts are identified in Table 2.

Table 2. Count Results Differences

Issue	Burbank Main Office	Burbank Downtown Station
Retail Associate cash drawers outside acceptable tolerance level ⁵	\$33	\$(51), \$(38)
Unit Cash Reserve Overage/ (Shortage)	63	(52)
Lobby Service Stamps/Mobile Point of Sales ⁶ (MPOS) (Shortage)	(770)	
Unit Stamp Reserve Overage		1,200

Source: OIG Counts on February 23 and 24, 2021.

Unit personnel were unaware as to why these overages and shortages existed except for the lobby service stamps at the Burbank Main Office and the unit cash reserve at the Burbank Downtown Station. According to unit personnel, part of the shortage at the MPOS was attributed to 10 flag coils removed from the MPOS inventory and sold on the retail floor stamp stock inventory as flag booklets instead of coils.⁷ This caused an overage for the flag booklets on the retail floor stamp stock inventory and a shortage in the MPOS inventory. The unit cash reserve was short due to the unit reserve custodian taking cash to the bank for change and not returning because of an unplanned illness.

⁴ Postal Service policy outlines allowed limits for overages and shortages during counts of stamp and cash inventories.

⁵ Handbook F-101, *Field Accounting Procedures* (DRAFT), April 2020, Section 13-8.4. Policy allows a tolerance of \$25 which can be either over the \$100 cash drawer amount or short.

⁶ Method used to speed simple transactions in retail lobbies to reduce wait time in line.

⁷ Coils sell for \$55 and booklets sell for \$11 as of the date of this audit.

⁸ Handbook F-101 (DRAFT), Section 13-1.2.

⁹ Handbook F-101 (DRAFT), Section 3-3.2.

Additionally, we identified the following security issues regarding inventory at the units:

- MPOS stamps were unsecured at the Burbank Main Office. The stamps were in an open box at the retail window (see Figure 1).

Figure 1. Unsecured MPOS Stock



Source: OIG photographs taken during fieldwork on February 23, 2021.

Postal Service policy⁸ states the postmaster, manager, or supervisor is responsible for managing all stamp stock and cash assigned. Postal Service policy⁹ also states stamps and other accountable items must be protected at all times. They may be stored in a locked drawer or cabinet for short periods during the day; at all other times, they must be stored in the main vault or security container that affords the best available security.

- The Burbank Main Office unit cash reserve custodian shares the key to the unit cash drawer with retail associates when change is needed, and the custodian is not available.

Postal Service policy¹⁰ states the unit cash reserve custodian may reassign all or part of the unit cash reserve. However, the unit cash reserve custodian is held responsible for all cash reserve shortages.

- At the Downtown Station, the unit cash reserve custodian took cash to a local bank to get change instead of ordering change electronically. According to area personnel, the Downtown Station should be obtaining change electronically and can request access to order change by sending an email to area personnel for approval.
- Supervisors at both sites failed to conduct required quarterly inventory counts of the unit stamp reserve inventory. The unit cash reserve custodians were the lead retail associates. The lead retail associates stated that other retail associates conduct counts of these inventories. Policy¹¹ requires counts of the unit stamp reserve and unit cash reserve to be completed by supervisors of the lead retail associate.
- Both sites had outdated money orders in the unit stamp reserve inventory. These money orders were not in the RSS system because the money orders were outdated. Postal Service policy¹² states that unit management must destroy obsolete money orders locally by shredding them.

Unit personnel at the Burbank Main Office and Downtown Station were unaware of many of the above policies and procedures for the proper accounting for stamps, money orders, and cash. The lead sales associate at the Downtown Station has held the position for about 18 months but has not received any formal training.

When employees do not properly account for stamp and cash inventory items or fail to adhere to internal controls, there is an increased risk of undetected theft and losses. We referred these issues to the Office of Investigation for further review.

10 Handbook F-101 (DRAFT), Section 13-7.1.1

11 Handbook F-101 (DRAFT), Section 13-2.5.

12 Handbook F-101 (DRAFT), Section 10-5.1.

Recommendation #1

We recommend the **Manager, California 3 District**, reiterate training to Burbank Main Office and Downtown Station unit management and personnel regarding policy and procedures over the handling and security of stamp, money orders and cash inventories.

Finding #2: Safeguarding and Return of Nonmail Items

Although outside the scope of the audit, we observed lost and found items not properly secured or returned to the customer. Specifically, the team noted an unsecured tray of lost and found items, including numerous wallets, identification cards, and credit cards (see Figure 2). The items were visible to anyone walking by at the back of the window unit.

Figure 2. Lost and Found Items



Source: OIG photograph taken during fieldwork on February 23, 2021.

Postal Service policy¹³ states that nonmail matter, including wallets, found in collection boxes or at other points within Postal Service jurisdiction should be returned to the appropriate individual, with postage due at the single-piece First-Class Mail rate.

Unit management was aware of the requirement and stated they took corrective action and mailed these items to the affected individuals on February 24, 2021.

When controls over lost and found items are not followed, there is an increased risk of identity and property theft. On the following day, we noted, the lost and found items had been cleared from the tray; therefore, we are not making a recommendation on this issue.

Management's Comments

Management agreed with the findings and recommendation. District Finance and Senior Operating Manager 1 in conjunction with Human Resources and the Area Field Financial Specialist, will provide and document training for the Burbank Main Post Office and Downtown Station. Training will include accountabilities, stamp stock management, money order management, and financial differences. In addition, District Finance and Area Field Financial Specialists will conduct a cash and stamp stock audit to ensure the unit is properly following policies and procedures. The targeted implementation date is June 30, 2021.

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.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. Recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

¹³ Domestic Mail Manual, January 24, 2021, Section 507.1.9.1a.

Appendix A: Management's Comments

DISTRICT MANAGER
SIERRA COASTAL DISTRICT



April 16, 2021

JOSEPH E. WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: **Stamps, Money Orders, and Cash – Burbank, CA, Main Office and Downtown Station** (Project Number 21-126)

Management has reviewed the results of the Stamps, Money Orders, and Cash at Burbank, CA, Main Office and Downtown Station and we recognize that there are opportunities for improvement of Stamp, Money Orders, and Cash oversight to identify and remedy potential financial control risks.

Recommendation 1:

We recommend the Manager, California 3 District, reiterate training to Burbank Main Office and Downtown Station unit management and personnel regarding policy and procedures over the handling and security of stamp, money orders and cash inventories.

Management Response/Action Plan:

To improve the security and handling of stamp and cash inventories, District Finance and Senior Operating Manager 1 in conjunction with Human Resources, and with Area Field Financial Specialist, will provide and document training to the current management team and retail associates at the Burbank Main Post Office and the Burbank Downtown Station. Training will include Accountability, Stamp Stock Management, Money Order Management, and Financial Differences AIC 247/647.

Within one month after completion of training, District Finance in conjunction with Area Field Financial Specialists, will conduct a cash and stamp stock audit to ensure the unit is properly following Postal Accounting policies and procedures.

Target Implementation Date:

June 2021

Responsible Official:

Postmaster – Burbank Post Office
Senior Operating Manager – Group 1
District Finance Manager

A handwritten signature in black ink, appearing to read "Al Santos".

AL SANTOS
MANAGER, CALIFORNIA 3 DISTRICT

cc: Sally Haring, Manager, Corporate Audit Response Management

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