

Office of Inspector General | United States Postal Service

Audit Report

Efficiency of Selected Processes - Montrose Heights Station, Henrico, VA

Report Number 22-141-3-R22 | September 23, 2022





OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 23, 2022

MEMORANDUM FOR: GERALD ROANE
MANAGER, VIRGINIA DISTRICT

Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Efficiency of Selected Processes – Montrose Heights Station, Henrico, VA
(Report Number 22-141-3-R22)

This report presents the results of our audit of the Efficiency of Selected Processes – Montrose Heights Station, Henrico, VA.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Gregory M. Williams, 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, Atlantic Area

Results

Background

This interim report presents the results of our self-initiated audit of the efficiency of selected processes at the Montrose Heights Station in Henrico, VA (Project Number 22-141-3). This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations. The Montrose Heights Station is in the Virginia District of the Atlantic Area. We judgmentally selected the Montrose Heights Station for our audit.

Objective, Scope, and Methodology

Our objective was to review cash and stamp inventories, daily reporting activities, clock ring errors, and employee separations at the Montrose Heights Station for the period of October 1, 2021 through March 31, 2022.

To accomplish our objective, we reviewed data regarding inventories, daily reporting activities, clock ring errors, and employee separations to identify at-risk transactions.¹ We conducted physical counts of all cash, 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 errors 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 discussed our observations and conclusions with management on August 30, 2022, and included their comments where appropriate.

The Montrose Heights Station is one of three retail units the U.S. Postal Service Office of Inspector General (OIG) reviewed during the week of June 27, 2022.² We issued this interim report to provide the Postal Service with timely information regarding the conditions we identified at the Montrose Heights Station. We will issue a separate report that provides the Postal Service with the overall findings and recommendations for all three retail units. See [Appendix A](#) for additional information about this audit.

Results Summary

Montrose Heights Station personnel appropriately processed employee separations. However, we identified issues with the security of cash and inventories, daily reporting activities, and clock ring errors (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 Separations		X

Source: Results of OIG fieldwork during week of June 27, 2022.

¹ We did not review city or rural carriers.

² We visited the Montrose Heights Station, Southside Station, and the Bon Air Branch.

Finding # 1: Cash and Inventories

What We Found

Cash and stamps were not always managed effectively at the Montrose Heights Station. Specifically, unit management did not provide proper security, supervision and oversight of cash and stamp inventories. See Table 2 for the result of our inventory counts on June 28 and June 29, 2022.

Table 2. Inventory Count Results

Issue	Date	Overage	Shortage	Percentage of Total ³
One of the eight cash drawers were outside the acceptable tolerance level ⁴	6/28/22		\$(79)	78%
Unit Cash Reserve	6/28/22	-	\$(11)	2%
Retail Floor Stamp Stock ⁵	6/29/22		\$(1,163)	19%
Unit Reserve Stamp Stock	6/29/22	-	\$(4,867)	9%

Source: Results of OIG counts on June 28 and 29, 2022.

In addition, we identified the following:

- We found a total of \$5,799⁶ of retail floor stamp stock and 100 unassigned⁷ blank money orders with a face value of up to \$100,000⁸ unsecured in [REDACTED] when the OIG arrived at the unit prior to the beginning of retail business hours (see Figure 1).
- We found 29 unrecorded⁹ money orders with a face value of up to \$29,000¹⁰ in an [REDACTED]

- The unit reserve stamp stock custodian shared their Retail Systems Software¹¹ (RSS) logon information with the unit supervisor to issue stock in her absence. Furthermore, the unit reserve stamp stock custodian stated that on April 20, 2022, a supervisor audited the unit reserve stamp stock without the stamp stock custodian present.

Figure 1. [REDACTED]



Source: OIG photo taken June 28, 2022. Stamps and cash found in an [REDACTED]

Why Did It Occur

The issues occurred for the following reasons:

- A retail employee stated that they were told to open the [REDACTED] every morning because the window clerks do not have time to open them since they are scheduled to arrive when retail window opens at 8:30 a.m.
- Unit management did not know the correct procedures for handling unassigned and unrecorded money orders.
- Regarding the safeguarding of passwords, unit management stated that the unit reserve stamp stock custodian was not stationed at the unit due to a shortage of staff, which limited their availability to carry out responsibilities related to the processing and maintenance of stamp stock.

3 Numbers and percentages are rounded to the nearest whole number.

4 Handbook F-101 (DRAFT), *Field Accounting Procedures*, Section 13-8.2, October 2020. Policy allows a tolerance of \$25 either over the \$100 cash drawer amount or short.

5 A common inventory for use by retail employees who are not directly accountable for that inventory. Although no 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.

6 Based on the retail floor stamp stock count the OIG conducted on June 29, 2022.

7 A complete record of all blank money orders assigned to an employee should be maintained at the unit.

8 Value is based on maximum face value of a postal domestic money order, which is \$1,000 (100 domestic X \$1000 = \$100,000).

9 An unrecorded money order is not on the inventory list; therefore, it has a high risk for theft to occur.

10 Value is based on maximum face value of a postal domestic money order, which is \$1,000 (29 domestic X \$1000 = \$29,000).

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

What Should Have Happened

Postal Service policy states that the postmaster or unit manager is responsible for ensuring that controls are in place for maintaining an accurate inventory for all accountable paper at the postal retail unit. Further, policy states that the postmaster, manager, or supervisor must provide adequate security for all accountable items, which includes Postal Service funds (cash, checks, and money orders) and stamp stock.¹² The security requirements for protecting retail floor stock are to lock retail floor stock (all portions) after the close of business each day.¹³

Postal Service policy states 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.¹⁴ In addition, each employee must have the opportunity to be present whenever his or her financial accountability is inventoried or counted.¹⁵

Effect on the Postal Service and Its Customers

Improperly accounting for cash, money orders, and stamp stock, physically and in financial records, increases the risk of loss and opportunities for theft to occur and go unnoticed.

¹² Handbook F-101, Sections 11-3.1 and 3-1.1, January 2022.

¹³ Handbook F-101, Section 3-3.2, January 2022.

¹⁴ Handbook AS-805, *Information Security*, June 2021, Section 9-6.1.9.

¹⁵ Handbook F-101, Sections 3-8.3, January 2022.

Finding #2: Daily Reporting Activities

What We Found

We selected a judgmental sample of PS Forms 1412, Daily Financial Reporting, and supporting documentation for 10 days during our audit scope period. We reviewed 167 transactions totaling \$15,270 and found that unit personnel did not include supporting documentation for three¹⁶ of these transactions totaling \$3,486. These exceptions occurred on three of the 10 days we reviewed.

Why Did It Occur

Management could not explain why there was no supporting documentation for the three transactions.

What Should Have Happened

Postal Service policy states that field unit managers must maintain PS Forms 1412 and supporting documentation for the current fiscal year¹⁷ plus prior two fiscal years.¹⁸ Furthermore, Postal Service policy states that field unit managers must review supporting documentation for all entries included on PS Forms 1412 and concur with the overall presentation of the report each day.¹⁹

Effect on the Postal Service and its Customers

When financial transactions are not supported, the Postal Service has an increased risk of undetected errors or theft from fraudulent activity.

¹⁶ One Account Identifier Code (AIC) 509, Voided Postage Validation Imprinter (PVI) Labels; one AIC 633, Claim for Loss; and one AIC 554, Salary Advance transaction.

¹⁷ Fiscal year is October 1 through September 30.

¹⁸ Handbook F-101, Appendix D, Forms and Retention Periods (PS Form 1412), January 2022.

¹⁹ Handbook F-101, Section 2-4.1.

Finding #3: Clock Ring Errors

What We Found

Unit management corrected fatal clock ring errors²⁰ in a timely manner. However, we found the lead clerk did not perform Time and Collection System (TACS)²¹ duties.

Why Did It Occur

The lead clerk had not been fully trained to perform TACS duties.

What Should Have Happened

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

Effect on the Postal Service and its Customers

When the lead clerk does not perform TACS duties, the Postal Service could be exposed to financial liability resulting from grievance settlements.

²⁰ Errors that appear in red in the system prevent the employee(s) from being paid correctly for that day.

²¹ The system used by all installations that automates the collection of employee time and attendance .

Appendix A: Additional Information

We conducted this audit from June through September 2022 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)²² and RSS. 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.

²² 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.

Appendix B: Management's Comments



September 13, 2022

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Efficiency of Selected Processes – Montrose Heights Richmond, VA (#22-141-1-DRAFT)*

Thank you for providing the Postal Service an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Efficiency of Selected Processes – Montrose Heights, Richmond VA*.

Finding # 1: Cash and Inventories

Management agrees with this finding. Cash and stamps were not always managed effectively at the Montrose Heights Station. Specifically, unit management did not provide proper security, supervision and oversight of cash and stamp inventories. See Table 2 for the result of our inventory counts on June 28 and June 29, 2022. EAS-level staff will ensure all cash and stamps are managed. EAS staff will make sure all stock inventories are secured.

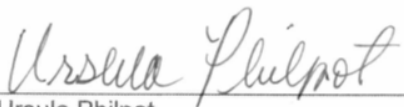
Finding #2: Daily reporting activities

Management agrees with this finding. The OIG selected a judgmental sample of PS Forms 1412, *Daily Financial Reporting*, and supporting documentation for 10 days during our audit scope period. The OIG reviewed 167 transactions totaling \$15,270 and found that unit personnel did not include supporting documentation for three of these transactions totaling \$3,486. These exceptions occurred on three of the 10 days we reviewed. EAS-level staff will ensure all supporting documentation for all reports is included as supporting documentation going forward.

Finding #3: Clock Ring Errors

Management agrees with this finding. Unit management corrected fatal clock ring errors in a timely manner; however, the OIG found the lead clerk did not perform Time and Collection System (TACS) duties. EAS will ensure the Supervisor/Lead Sales

Service Associates (T7s) are trained in TACS and able to correct all clerk clock rings errors timely.

A handwritten signature in cursive script that reads "Ursula Philpot". The signature is written in black ink and is positioned above a horizontal line.

Ursula Philpot
Postmaster, Richmond, Virginia

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

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