

# Efficiency of Selected Processes – Lake Havasu City Post Office, Lake Havasu City, AZ

## AUDIT REPORT

Report Number 23-020-2-R23 | February 2, 2023



# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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February 2, 2023,

**MEMORANDUM FOR:** JOHN S. MORGAN  
MANAGER, AZ-NM DISTRICT

A handwritten signature in cursive script, reading "Kelly Thresher", is positioned below the recipient information.

**FROM:** Kelly Thresher  
Deputy Assistant Inspector General, Field Operations

**SUBJECT:** Audit Report – Efficiency of Selected Processes – Lake Havasu City  
Post Office, Lake Havasu City, AZ (Report Number 23-020-2-R23)

This report presents the results of our audit of the Efficiency of Selected Processes – Lake Havasu City Post Office, Lake Havasu City, AZ.

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 703-248-2260.

Attachment

cc: Postmaster General  
Corporate Audit and Response Management  
Vice President, Retail & Post Office Operations,  
Vice President, Area Retail and Delivery Operations, WestPac Area

# Results

## Background

This interim report presents the results of our self-initiated audit of the efficiency of selected processes at the Lake Havasu City Post Office in Lake Havasu City, AZ (Project Number 23-020-2). The Lake Havasu City Post Office is in the Arizona-New Mexico (AZ-NM) District of the WestPac Area. We judgmentally selected the Lake Havasu City Post Office 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 Lake Havasu City Post Office. The scope period was April 1 through September 30, 2022.

To accomplish our objective, we reviewed data regarding inventories, daily reporting activities, clock ring errors, and employee separations to identify at risk transactions.<sup>1</sup> We conducted physical counts of unit cash reserves, 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 January 18, 2023, and included their comments where appropriate.

The Lake Havasu City Post Office is one of three post offices the U.S. Postal Service Office of Inspector General (OIG) reviewed during the week of November 14, 2022.<sup>2</sup> We issued this interim report to provide the Postal Service with timely information regarding the conditions we identified at the Lake Havasu City 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

Lake Havasu City Post Office personnel appropriately processed employee separations and daily reporting activities; however, we identified issues with the security of cash and inventories 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 November 14, 2022.

<sup>1</sup> We did not review city or rural carriers.

<sup>2</sup> We visited the Yuma Main Office (23-020-1), Lake Havasu City Post Office (23-020-2), and Phoenix Sierra Adobe Station (23-020-3).

# Finding # 1: Cash and Inventories

## What We Found

We determined the unit did not always properly account for cash and stamp inventories. Specifically, we conducted independent counts of the unit cash and stamp stock inventories and found shortages in all inventories. See Table 2 for the results of our inventory counts on November 15 through November 16, 2022.

We also identified the following:

- Stamp stock totaling \$2,884 and cash totaling \$498, related to rural carrier credits, were being held in a safe in a dockside storeroom and have not been counted as part of the unit reserve count for over five years (see Figure 1).

## Why Did It Occur

Unit management did not know the correct procedures for handling rural carrier credits; therefore, they did not audit the stock quarterly as required. Furthermore, they did not know why there were shortages in their cash and stamp inventories.

## What Should Have Happened

Postal Service policy states that the unit reserve should be audited at least once a year.<sup>3</sup> In addition, a supervisor must count rural stamp credits at least

once every 4 months to ensure the credit is properly maintained. No tolerance is applied to rural stamp credits.<sup>4</sup>

## Effect on the Postal Service and Its Customers

If employees do not follow internal controls over accountable items, there is an increased risk to the Postal Service of undetected theft, lost revenue, and increased fraudulent activity.

**Figure 1. Cash and Stamps Not Counted for Over Five Years**



Source: OIG photo taken November 15, 2022.

**Table 2. Count Results Differences**

Issues	Dates	Overages	Shortages	Percent of Total
Two Unit Cash Reserves <sup>5</sup>	11/15/22	-	\$(20) \$(2)	(1%) (.4%)
Retail Floor Stamp Stock <sup>6</sup>	11/15/22	-	(1,132)	(4%)
Unit Reserve Stamp Stock	11/15/22	-	(951)	(.9%)
Lobby Sales <sup>7</sup>	11/16/22	-	(72)	(8%)

Source: Results of OIG counts on 11/15/22 through 11/16/22.

<sup>3</sup> Handbook F-101, *Field Accounting Procedures*, Section 2-4.6, September 2022.

<sup>4</sup> Handbook F-101, Section 13-2.7.

<sup>5</sup> Handbook F-101, Section 13-71. Postal Service policy states there is no tolerance for the unit cash reserve.

<sup>6</sup> A common inventory for use by retail employees who are not directly accountable for that inventory. Although no individual retail 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.

<sup>7</sup> Handbook F-101, Section 13-2.5. The unit reserve stock custodian issues stamp stock directly to Retail Associates assigned lobby sales.

## Finding #2: Clock Ring Errors

### What We Found

Generally, unit management corrected fatal clock ring errors<sup>8</sup> in a timely manner. However, we found 1,231 clock rings considered to be warnings<sup>9</sup> that show on the Clock Ring Error Report from April 1 to September 30, 2022, that we consider to be avoidable. We determined that 723 of the warnings represented eight-unit personnel starting their workday outside the five-minute allowance period. Furthermore, the lead clerk had not been assigned Time and Collection System (TACS)<sup>10</sup> duties.

### Why Did It Occur

Unit management stated the issues occurred due to their lack of oversight regarding enforcement of the policy regarding late arrivals.

Unit management stated that the lead clerk has been to TACS training; however there have been issues gaining access to the TACS system. Access for the Lead Sales Associate was requested a month ago, but the permissions have not been granted.

### What Should Have Happened

Postal Service policy<sup>11</sup> states that, upon arrival, employees who are required to use time clocks must clock-in at their scheduled reporting time. Employees must not be permitted to clock-in more than five minutes before or after their scheduled reporting time. Supervisors must take all necessary actions to restrict employee access to timecards before the scheduled tour begins.<sup>12</sup> The employee may be required or permitted to make up the time by extending his or her regular work schedule for the tour, providing the period of tardiness is without pay. Alternatively, the tardiness can be charged to annual leave (if available), leave without pay or absence without leave.<sup>13</sup> If the tardiness is not excused, appropriate disciplinary action, in addition to leave charge, may be taken.<sup>14</sup>

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

### Effect on the Postal Service and Its Customers

When managers do not enforce policies for clocking in, employees may receive improper pay and management could incur excess administrative time validating the accuracy of clock ring entries.

When the lead clerk is not trained and assigned TACS duties, the Postal Service could be exposed to financial liability resulting from grievance settlements.

### Management's Comments

Management agreed with all the findings in the report and has begun taking steps to address the findings. See [Appendix B](#) for management's comments in their entirety.

### Evaluation of Management's Comments

The U.S. Postal Service OIG considers management's comments responsive to the findings in the report.

<sup>8</sup> Errors that appear in red in the system prevent the employee from being paid correctly for that day.

<sup>9</sup> Messages that address issues other than fatal errors but should also be reviewed. They may be informational only (i.e., "Nonscheduled Begin Tour") or may require action (i.e., an instance of "Missing OT Transaction" that needs to be addressed with a Code 91 entry (overtime transaction). Unlike fatal errors, which disappear when the error is corrected, most warning messages do not disappear (i.e., "Nonscheduled Begin Tour/End Tour").

<sup>10</sup> 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

<sup>11</sup> Handbook F-21, *Time and Attendance*, Section 142.21, February 2016.

<sup>12</sup> Handbook F-21, Section 133.63.

<sup>13</sup> Handbook F-21, Section 143.12.

<sup>14</sup> Handbook F-21, Section 14.22.

# Appendix A. Additional Information

We conducted this audit from November 2022 through February 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),<sup>15</sup> Retail Systems Software,<sup>16</sup> and 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.

<sup>15</sup> 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.

<sup>16</sup> The hardware and software retail transaction system used in post offices.

# Appendix B: Management's Comments



January 25, 2023

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

**SUBJECT: Management Response: Efficiency of Selected Processes – Lake Havasu  
City Post Office, Lake Havasu City, AZ (Report Number 23-020-2-DRAFT)**

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report, *Efficiency of Selected Processes – Lake Havasu City Post Office, Lake Havasu City, AZ*.

Management agrees with the two findings in the report on cash and inventories, and clock ring errors.

Management has begun taking steps to address the two findings.

A handwritten signature in blue ink, appearing to read "John S. Morgan".

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John S. Morgan  
District Manager, AZ-NM District

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

# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE



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