


# Efficiency of Selected Processes – Phoenix Sierra Adobe Station, Phoenix, AZ

## AUDIT REPORT

Report Number 23-020-3-R23 | February 2, 2023

A photograph of the United States Post Office Sierra Adobe Station in Phoenix, Arizona. The image shows a large, rectangular, light-colored stone sign with the text "UNITED STATES POST OFFICE", "SIERRA ADOBE STATION", and "PHOENIX ARIZONA" in raised, dark letters. The sign is set against a background of a street with cars, trees, and buildings under a clear blue sky. The foreground is covered in dark gravel.

UNITED STATES POST OFFICE  
SIERRA ADOBE STATION  
PHOENIX ARIZONA



# 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 black ink, reading "Kelly Thresher", is positioned below the memorandum header.

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

**SUBJECT:** Audit Report – Efficiency of Selected Processes – Phoenix Sierra Adobe  
Station, Phoenix, AZ (Report Number 23-020-3-R23)

This report presents the results of our audit of the Efficiency of Selected Processes – Phoenix Sierra Adobe Station, Phoenix, 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

# Results

## Background

This interim report presents the results of our self-initiated audit of the efficiency of selected processes at the Phoenix Sierra Adobe Station (Sierra Adobe Station) in Phoenix, AZ (Project Number 23-020-3). The Sierra Adobe Station is in the Arizona-New Mexico (AZ-NM) District of the Westpac Area. We judgmentally selected the Sierra Adobe Station for our audit.

## Objective, Scope, and Methodology

Our objective was to review inventory, daily reporting activities, clock ring errors, and employee separations at the Sierra Adobe Station. Our audit scope 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 causes for issues identified and discussed our observations and conclusions with management on January 18, 2023 and included their comments where appropriate.

The Sierra Adobe Station is one of three post offices<sup>2</sup> the U.S. Postal Service Office of Inspector General

(OIG) reviewed during the week of November 14, 2022. We issued this interim report to provide the U.S. Postal Service with timely information regarding the conditions we identified at the Sierra Adobe Station.

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 the inventory, daily reporting activities, and clock ring errors. No retail employees separated from the unit since April 1, 2022 (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 Separation		X

Source: Results of OIG fieldwork during week of November 14, 2022.

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

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

# Finding #1: Inventory

## What We Found

Cash counts were managed effectively at the Sierra Adobe Station; however, we identified issues with blank money order inventory. Specifically,

- Thirty-seven international money orders with value of up to \$25,900<sup>3</sup> and eight domestic money orders with value of up to \$8,000,<sup>4</sup> were stored in the unit reserve stock vault but were not recorded in Retail Systems Software (RSS).<sup>5</sup>
- Five blank international money orders with a value of up to \$3,500,<sup>6</sup> were listed on the stock inventory report, but were missing from the unit and management did not notify the U.S. Postal Inspection Service (USPIS).

Additionally, we found 6 of 35 Postal Service (PS) Forms 17, *Stock Requisition/Stamp Return*, totaling \$80,035, did not contain a witness signature.

## Why Did It Occur

The unit manager stated he was not aware of the unrecorded money orders because they were not included on the inventory list when the unit reserve stock was transferred to him in July 2022. He stated that he did not inspect the entire vault for potential unaccounted for stock during the stock transfer. The thirty-seven international money orders are from 1997 and should have been shredded. He also stated he was not aware of missing international money orders until we brought it to his attention. He stated he did not sign for the money orders and therefore, had no

knowledge of their existence. He plans to report the missing money orders to the USPIS.

The unit manager stated he could not provide a response for the forms missing the witness signature because the forms were processed prior to his assignment to the unit in July 2022.

## What Should Have Happened

Postal Service policy states the postmaster or unit manager is responsible for ensuring that controls are in place for maintaining an accurate inventory for all accountable paper, such as money orders, in the postal retail unit.<sup>7</sup> In addition, an independent count of the unit reserve stock must be performed by the unit stock custodian and the replacement custodian when accountability is transferred to or from the unit reserve stock custodian.<sup>8</sup>

When stamp stock is received, employees must count the stock and verify, with a witness, the amount reported on PS Form 17 and sign the form as the person receiving the stock (a witness signature is required).<sup>9</sup>

## Effect on the Postal Service and Its Customers

Improperly accounting for money orders, and stamp stock shipments, physically and in financial records, increases the risk of loss and opportunities for theft to occur and go unnoticed. We consider the unrecorded and missing blank money orders accountable items at risk<sup>10</sup> totaling \$37,400. Further, we consider the stock shipments processed without a witness, assets at risk totaling \$80,035.

3 Value is based on \$700 maximum face value of a Postal international money order (37 international X \$700=\$25,900).

4 Value is based on \$1,000 maximum face value of a Postal domestic money order (8 domestic X \$1,000=\$8,000).

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

6 Value is based on maximum face value of a Postal international money order \$700 (5 international X \$700=\$3,500).

7 Handbook F-101, *Field Accounting Procedures*, September 2022, Section 11-3.1.

8 Handbook F-101, Section 11-10.2.2.

9 Handbook F-101, Section 13-2.8.

10 Assets or accountable items at risk of loss is a category due to lack of inadequate internal controls. Examples include, but are not limited to cash, stamps, or money orders.

## Finding #2: Daily Financial Reporting

### What We Found

Unit management did not always properly perform daily financial reporting activities, including the timely review of PS Form 1412, *Daily Financial Report*,<sup>11</sup> to ensure the accuracy and timeliness of supporting documentation for all necessary transactions at close out.

Specifically, we found unit personnel did not include proper documentation and support for 25 of 415 transactions totaling \$9,316.<sup>12</sup> We reviewed the Account Identifier Codes (AIC)<sup>13</sup> in Table 2.

Additionally, unit management did not maintain a unit financial difference log.

### Why Did It Occur

Unit management stated unit supervisors performed random, rather than daily reviews of the daily financial report transactions for accuracy and

support due to frequent rotation of supervisors at the unit.

Further, the unit manager stated he misinterpreted the requirement to maintain a separate financial differences log at the unit.

### What Should Have Happened

The field 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.<sup>14</sup> The daily review of PS Form 1412 must include the following:

- Review PS Forms 3533, *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*,<sup>15</sup> to ensure they are completed properly and include the appropriate signatures.
- Review and maintain a file for all financial differences expensed to the unit.<sup>16</sup>

**Table 2. Results of Observations**

AIC	Description	Quantity Reviewed <sup>17</sup>	Supported	Unsupported <sup>18</sup>	Incomplete Forms <sup>19</sup>
509	Voided Postage Validation Imprinter (PVI) Labels	401	383	18	0
535	Refund of Fees – Retail Services	5	1	0	4
553	Refund Stamps and Fees	4	3	0	1
624	Refund of Miscellaneous Non-Postal Revenue	1	0	0	1
639	Floor Stock Shortage	1	1	0	0
641	Money Order Replacements Issued	1	1	0	0
647	Financial Difference Shortage – Direct Entry	1	1	0	0
676	Express Mail Refunds	1	0	1	0
<b>Total</b>		<b>415</b>	<b>390</b>	<b>19</b>	<b>6</b>

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

<sup>11</sup> 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.

<sup>12</sup> The total for all 415 transactions examined. The total for the 25 unsupported or incomplete forms was \$550.

<sup>13</sup> A three-digit code that assigns financial transactions to the proper account on the general ledger. Each AIC is assigned to a corresponding general ledger.

<sup>14</sup> Handbook F-101, Section 2-4.1.

<sup>15</sup> This form is used to acquire a refund on spoiled postage, services paid for services not rendered and/or any fees that need to be refunded for returned postage hardware, permit postage or anything that requires refund from the USPS.

<sup>16</sup> Handbook F-101, Sections 2-4.1 (l), (h), (j), (k), and (e).

<sup>17</sup> Includes review of multiple transactions in a single day.

<sup>18</sup> No supporting documentation (i.e., lack of receipts, PVI labels, and necessary forms). The nineteen unsupported transactions totaled \$276.

<sup>19</sup> Forms were supplied; however, some had, missing information (i.e., management and witness signatures, money order receipts, dates, and amounts). The six PS Forms 3533 missing the witness signature totaled \$274.

<sup>20</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.

## 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 \$550 in unrecoverable questioned costs.<sup>21</sup>

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<sup>21</sup> A subset of questioned costs that are 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 Errors

### What We Found

The unit did not have any unresolved fatal clock ring errors;<sup>22</sup> however, we found 1,767 clock ring warnings<sup>23</sup> on the *Clock Ring Error Report* from April 1, to September 30, 2022, related to retail sales and service employees (clerks) clock rings. Timely data entry of clerk work schedule changes could avoid clock ring warnings. During our analysis of 672 of the 1,767 warnings (38 percent), we found unit management did not address 544 of 549 warnings related to unit personnel starting their workday outside the five-minute allowance period.

Additionally, unit management did not always retain documentation to support how clock ring warnings were adjudicated. Specifically, unit management did not retain:

- PS Form 1017-B, *Unauthorized Overtime Record*,<sup>24</sup> documentation to support the reasons for deleting 90 clock rings consisting of overtime, sick and annual leave transactions.
- PS Form 1017-A, *Time Disallowance Record*,<sup>25</sup> documents related to the 11 clock ring warnings for missing disallowed time comments.
- Documentation related to adjudication of 22 clock ring warnings related to overtime transactions greater than hours worked.

Further, the lead sales and service associate (LSSA) completed Time and Collection System (TACS)<sup>26</sup> training and had access to the TACS system but did not always perform TACS duties as required.

### Why Did It Occur

The issues occurred due to the following:

- Unit management stated they were not aware employees clocked-in outside of their scheduled start time at the frequency displayed in our

TACS reports because they relied on the LSSA to perform the TACS duties and she did not mention this issue.

- Two unit supervisors showed us PS Forms 1017-A and 1017-B documentation maintained for the carriers' clock ring disallowances, but they did not realize similar documentation for the clerks were not included in the binders. They stated the clerks seldom have issues with TACS transactions because the retail window has stable operating hours, unlike the carriers who work until all the mail is delivered. They stated this was an oversight.
- The unit manager reassigned the TACS duties from the LSSA to a unit supervisor because the LSSA was making too many mistakes.

### What Should Have Happened

Postal Service policy states:

- Upon arrival, employees required to use time clocks must clock-in at their scheduled reporting time. Employees are not permitted to clock-in more than five minutes before or after their scheduled reporting time and supervisors must take all necessary actions to restrict employee access to timecards before the scheduled tour begins.<sup>27</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.<sup>28</sup> Alternatively, the tardiness can be charged to annual leave (if available), leave without pay or absence without leave. The employee must initiate PS Form 3971, *Request for or Notification of Absence*, before the supervisor gives him or her the time card.<sup>29</sup> Only full-time and part-time regular schedule employees are permitted to make up a period of tardiness by extending their tour. The supervisor may exercise his or her own

<sup>22</sup> Errors that appear in red in the system prevent the employee from being paid correctly for that day.

<sup>23</sup> Messages which 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>24</sup> Managers and supervisors are required to complete a PS Form 1017-B the first time a non-exempt employee incurs unauthorized overtime. Serves as a cumulative record of unauthorized overtime.

<sup>25</sup> Form used only when a supervisor observes, or has reason to know, that an employee did not work, while "on the clock". The supervisor must document the basis for any such disallowance. Serves as a cumulative record of disallowed time.

<sup>26</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>27</sup> Handbook F-21, *Time and Attendance*, Section 133.63, February 2016.

<sup>28</sup> If the employee's tour is extended solely because of tardiness, they are not entitled to out-of-schedule premium or Sunday premium, which would otherwise be paid because of the tour extension.

<sup>29</sup> Handbook F21, Section 143.12.

best judgment as to whether the request for an extension should be granted.<sup>30</sup> If the tardiness is not excused, appropriate disciplinary action, in addition to leave charge, may be taken.<sup>31</sup>

- Unit personnel must complete PS Form 1017-A or PS Form 1017-B in its entirety and document the reason for disallowance with the first incident of disallowed time. These forms should be secured from unauthorized access in locked cabinets/desk drawers.<sup>32</sup>
- Management should assign lead clerks TACS duties, including correcting daily clock ring errors. On July 16, 2021, multiple headquarters' officials issued a letter to all district managers stating that all units must have lead clerks trained and assigned TACS timekeeping duties.<sup>33</sup>

## Effect on the Postal Service and Its Customers

When unit personnel do not properly address clock ring errors or warnings, employees could be improperly paid, and management could incur excess administrative time. In addition, management could rely on inaccurate information when making staffing decisions for each tour. Additionally, the Postal Service risks violation of the Fair Labor Standards Act,<sup>34</sup> when unit management does not maintain documentation that shows the justifiable reason and employee notification for disallowed time.

During our fieldwork, the unit supervisor created PS Forms 1017-A and 1017-B for each applicable clerk and placed them in a binder labeled, "Clerks 1017s", as corrective action for the issue we identified.

## Management's Comments

Management agrees with all three findings in the report. Management indicated they are taking steps to address the three 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>30</sup> Handbook F-21, Section 143.21.

<sup>31</sup> Handbook F-21, Section 143.22

<sup>32</sup> *TACS Supervisor's Training Participant's Workbook*, April 2012, Draft.

<sup>33</sup> Resulting from a February 2016 grievance settlement with the American Postal Workers Union.

<sup>34</sup> 29 United States Code § 8.



# Appendix A: Additional Information

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We conducted this audit from November 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 EDW, RSS, 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.

# Appendix B: Management's Comments



January 25, 2023

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Efficiency of Selected Processes – Phoenix Sierra  
Adobe Station, Phoenix, AZ (Report Number 23-020-3-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 – Phoenix Sierra Adobe Station, Phoenix, AZ*.

Management agrees with the three findings in the report on cash and inventories, daily reporting activities, and clock ring errors.

Management has begun taking steps to address three findings.

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

John S. Morgan  
District Manager, AZ-NM District

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

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UNITED STATES POSTAL SERVICE



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