

Efficiency of Selected Processes – Chula Vista, CA, Post Office

AUDIT REPORT

Report Number 23-067-3-R23 | April 26, 2023



Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 26, 2023

MEMORANDUM FOR: JENNIFER T. VO
MANAGER, CALIFORNIA 6 DISTRICT

A handwritten signature in black ink, appearing to read "J. Littlejohn", is centered below the memorandum header.

FROM: John T. Littlejohn
Director, Financial Controls

SUBJECT: Audit Report – Efficiency of Selected Processes – Chula Vista, CA,
Post Office (Report Number 23-067-3-R23)

This report presents the results of our audit of the Efficiency of Selected Processes – Chula Vista, CA, Post Office.

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 703-248-2100.

Attachment

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

Results

Background

This interim report presents the results of our self-initiated audit of the efficiency of selected processes at the Chula Vista, CA Post Office (Project Number 23-067-3). The Chula Vista, CA Post Office is in the California 6 District of the WestPac Area. We judgmentally selected the Chula Vista Post Office for our audit.

Objective, Scope, and Methodology

Our objective was to review cash and inventory, daily reporting activities, clock ring adjustments, and employee separations at the Chula Vista Post Office. The scope period was July 1, through December 31, 2022.

To accomplish our objective, we reviewed data regarding inventories, daily reporting activities, clock ring adjustments, and employee separations to identify at-risk transactions.¹ We conducted physical counts of unit cash reserve, 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 adjustments 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 determined the causes for issues identified and discussed our observations and conclusions with management on April 11, 2023, and included their comments where appropriate.

Chula Vista Post Office is one of three post offices² the U.S. Postal Service Office of Inspector General (OIG) reviewed during the week of February 27, 2023. We issued this interim report to provide the U.S. Postal Service with timely information regarding the conditions we identified at the Chula Vista 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

We identified issues with stamp stock inventories, daily reporting activities, and clock ring adjustments (see Table 1). No retail employees separated from the unit since July 1, 2022.

Table 1. Summary of Results

Audit Area	Issues Identified	
	Yes	No
Cash and Inventories	X	
Daily Reporting Activities	X	
Clock Ring Adjustments	X	
Employee Separations		X

Source: Results of OIG fieldwork during week of February 27, 2023.

During fieldwork, we conducted an independent count of cash and stamp inventories. Unit management is required to complete periodic counts throughout the year. Having a shortage or overage on a count does not necessarily indicate wrongdoing but is an indicator of the strength of internal controls at the unit. At this unit, we found the unit reserve stamp stock had an overage of \$256 and the retail floor stock had a shortage of \$593.

¹ We did not review city or rural carriers.

² We visited the Hillcrest Station (Project Number 23-067-1), Rancho Santa Fe Post Office (Project Number 23-0687-2), and the Chula Vista Post Office (Project Number 23-067-3).

Finding #1: Cash and Inventories

What We Found

Cash counts were managed effectively at the Chula Vista Post Office; however, we identified issues with stamp stock inventory and safeguarding of assets. From the discrepancies in our independent count, we found unit employees did not always conduct an independent count of internal stamp stock transfers

from the unit reserve stock to the retail floor stock to verify accuracy.

We also found 21 of 30 Postal Service (PS) Forms 17, *Stock Requisition/Stamp Return*, totaling \$280,770, did not contain the receiver or witness signatures (see Table 2).

Table 2. Stamp Requisitions/ Stamp Return Form Missing Signatures

Number of Transactions	Business Date	Transaction Description	Missing Receiver Signature	Missing Witness Signature	Amount
1	07/22/22	Receipt of Transfer	X	X	\$23,240
2	08/15/22	Receipt of Transfer	X	X	30,660
3	08/19/22	Receipt of Transfer	X	X	7,920
4	08/29/22	Receipt of Transfer	X	X	11,520
5	08/29/22	Receipt of Transfer	X	X	760
6	09/14/22	Receipt of Transfer	X	X	300
7	09/19/22	Receipt of Transfer		X	19,800
8	09/19/22	Receipt of Transfer		X	24,000
9	10/03/22	Receipt of Transfer		X	8,100
10	10/21/22	Receipt of Transfer		X	9,200
11	10/24/22	Receipt of Transfer		X	13,600
12	10/27/22	Receipt of Transfer		X	15,945
13	11/10/22	Receipt of Transfer	X	X	11,700
14	11/10/22	Receipt of Transfer		X	760
15	11/14/22	Receipt of Transfer		X	14,100
16	11/28/22	Receipt of Transfer		X	760
17	11/28/22	Receipt of Transfer		X	8,400
18	12/05/22	Receipt of Transfer		X	16,800
19	12/13/22	Receipt of Transfer	X	X	23,400
20	12/13/22	Receipt of Transfer	X	X	760
21	12/13/22	Receipt of Transfer	X	X	39,045
TOTAL					\$280,770

Source: OIG analysis of unit source documents.

Additionally, we found miscellaneous, unrecorded old stamp stock totaling \$1,738, stored in postal mail letter trays on a shelf in the vault (see Figure 1). This old stock was not included in the unit reserve stamp stock inventory recorded in Retail Systems Software (RSS).³

Figure 1. Old Stamp Stock



Source: OIG photos of old stamp stock stored in the unit reserve stamp stock inventory vault but not recorded in RSS.

In addition, we found unit management did not always adequately secure accountable and non-mail items. Specifically, we found loose stamps; a customer's check made payable to "USPS Postage;" a laptop computer; and lost customer items including wallets, driver licenses, and credit and debit cards unsecured behind the retail counter prior to the retail window opening for business (see Figure 2).

Figure 2. Unsecured Non-Mail Items



Source: OIG site visit at Chula Vista on February 28, 2023.

We also observed arrow keys⁴ placed in two mail trays located on a shelf in an open window of the accountability cage,⁵ which is in the middle of the facility's work room floor. The trays were accessible to anyone in the building and our check of the accountability cage sliding gate found it was unlocked, and the area was unstaffed.

Why Did It Occur

Operating in a rush to get back to assisting customers in line, unit employees routinely acknowledged receipt of the stamp stock transfers in RSS without physically verifying the stock items and volume for accuracy contributed to the overage and shortage discrepancies. Additionally, the unit did not have a manager or supervisor assigned to provide monitoring of the overall field unit operations, which allowed the internal stock transfer discrepancies, the missing witness signatures on stock transfer documents, and the unrecorded stamp stock inventory to go unnoticed until our audit.

The lead sales and services associate (LSSA) did not secure the loose stamps and the customer's check prior to closing out the retail unit for the evening.

The unsecured laptop served as the replacement for a broken desktop computer. As it was normal to leave the desktop computer at the retail counter line, unit employees did not know they should secure the laptop computer overnight.

Unit management designated an unlocked cabinet near the first window station and kept lost and found items in it until the customers came back to retrieve the item.

The unit employee assigned to work in the accountability cage the week of our audit was not aware of the requirement for proper handling of arrow keys because she was not a part of a standup talk regarding these requirements given in November 2022.

What Should Have Happened

An employee assigned a retail floor stock role must independently count all stock moved into and out of the retail floor stock.⁶ Additionally, unit personnel must count the stock and verify with a witness on the computer-generated PS Form 17.⁷

Field unit managers must count the unit reserve stamp stock for stock held by a bargaining employee quarterly and record the information in RSS.⁸ Additionally, field unit managers are responsible for monitoring controls in place for maintaining an

³ The hardware and software retail transaction system used in post offices.

⁴ A distinctively shaped key carriers use to open mail-receiving receptacles such as street collection boxes and panels of apartment house mailboxes equipped with an arrow lock.

⁵ The accountability cage contains the voyager cards, arrow keys, accountable mail, and other items classified as accountable by the Postal Service.

⁶ Handbook F-101, *Field Accounting Procedures* Section 14-2.2. b, September 2022.

⁷ Handbook F-101, Section 11-5.1.

⁸ Handbook F-101, Section 13-8.1.

accurate inventory for all accountable paper in the postal retail unit.⁹

The postmaster, manager, or supervisor must provide adequate security for all accountable items, which include Postal Service stamp stock,¹⁰ funds (cash, checks, and money orders), and the laptop computer.¹¹

Nonmail items, including wallets, found in collection boxes or at other points within the Postal Service's jurisdiction are returned to the appropriate individual, with postage due at the single-piece First-Class Mail rate.¹²

The postmaster, manager, or supervisor must provide adequate security for all accountable items, which include arrow keys.¹³

Effect on the Postal Service and Its Customers

Improperly accounting for stamp stock inventory and securing accountable items such as a customer's check; the laptop computer; the nonmail items, and arrow keys increases the risk of loss and opportunities for theft to occur and go unnoticed. We consider the stock transfer documents processed without receiver and witness signatures and the unrecorded stamp stock inventory accountable items at risk¹⁴ totaling \$282,508.¹⁵

Upon notification, the postmaster removed the items from the retail area and stored them in a locked office until the unit initiated the proper procedures for these types of items. The postmaster also took corrective action to secure the arrow keys. The day after our observation and discussion, the postmaster conducted a standup discussion to all employees present regarding proper security of arrow keys. The postmaster provided PS Form 17 documents showing the volume and value of the old stamp stock and these stock items were mailed to Kansas City Stamp Distribution Office on March 24, 2023.

⁹ Handbook F-101, Section 11-3.1.

¹⁰ Handbook F-101, Section 3-1.1.

¹¹ Handbook-AS-805-C *Information Security Requirements for All Personnel*, Section 3, November 2021.

¹² *Domestic Mail Manual*, Section 507.1.9.1a, January 26, 2020.

¹³ Postal Operations Manual, Issue 9, Section 633.42, April 30, 2022.

¹⁴ Assets or accountable items at risk of loss because of inadequate internal controls. Examples include, but are not limited to cash, stamps, or money orders.

¹⁵ The calculation for the \$282,508 (\$280,770 for forms not witnessed and \$1,738 in unrecorded stamp stock).

Finding #2: Daily Financial Reporting Activities

What We Found

Unit management did not review PS Forms 1412, *Daily Financial Report*, to verify the accuracy and timeliness of financial reporting. We reviewed a judgmental sample of 12 days during our audit scope and noted there was no evidence of review.

Why Did It Occur

The former supervisor assigned oversight of retail operations was promoted in June 2022, and the responsibilities were not reassigned to another supervisor.

What Should Have Happened

Postal Service policy states that 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.¹⁶

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 theft, lost revenue, and fraudulent activity.

¹⁶ Handbook F-101, Section 2-4.1.

Finding #3: Clock Ring Adjustments

What We Found

The LSSA performed Time and Collection System (TACS)¹⁷ duties as appropriate, however, unit management at the Chula Vista Post Office did not always retain documentation to support clock ring adjustments occurring between July 1, and December 31, 2022. Specifically, unit management did not retain PS Forms 1017-A, *Time Disallowance Record*,¹⁸ for seven instances involving five employees when the time was disallowed and PS Form 1017-B, *Unauthorized Overtime Record*,¹⁹ for one instance involving an employee where the overtime was unauthorized and not paid.

Why Did it Occur

Unit management misinterpreted the requirement to retain the forms locally since the information to support the adjustments was already entered into TACS.

What Should Have Happened

Unit management must complete the 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 or desk drawers.²⁰

Effect on the Postal Service

The Postal Service risks violation of the Federal Law, Fair Labor Standards Act, when unit management does not maintain documentation that shows the justifiable reason and the employee notification for disallowed time.

During our fieldwork, the postmaster 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 agreed with all three findings in the report. In addition, management stated they have begun taking steps to address the findings by retraining the employees and providing management oversight. See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the three findings in the report.

¹⁷ 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.

¹⁸ 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.

¹⁹ 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.

²⁰ TACS Supervisor's Training Participant's Workbook, April 2012, *Draft*.

Appendix A: Additional Information

We conducted this audit from February through April 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 assessed the reliability of Enterprise Data Warehouse (EDW),²¹ Retail Systems Software (RSS),²² and Time and Collection System (TACS)²³ 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.

²¹ A repository intended for all data and the central source of 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.

²² The hardware and software retail transaction system used in post offices.

²³ 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.

Appendix B: Management's Comments



April 19, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Efficiency of Selected Processes – Chula Vista, CA Post Office (Report Number 23-067-3-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 – Chula Vista, CA Post Office.

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

Management has begun taking steps to address these three findings.

Cash and Inventories: Management has retrained responsible personnel on proper utilization of Internal Stamp and Unit Reserve Stamp Stock Count Standard Work Instructions. Furthermore, management has ensured all employees assigned a retail floor role must independently count all stock moved into and out of retail floor stock. The validation and continuous communication will be given regarding utilization of PS Form 17, Stock Requisition/Stamp Return, stamp stock standard work instructions to include proper handling of money orders. Additionally, management oversight will be enforced with all accountable and non-mail items ensuring that everything is placed in the proper secured location.

Daily Reporting Activities: Retrained clerk employees to ensure proper utilization and review of PS Form 1412, Daily Financial Report are done daily to include filing of forms accordingly, verification and witnessing by EAS. Validation and continuous communication will be given.

Clock Ring Adjustments: Local management has been retrained and will follow standard work procedures in documenting disallowed time and unauthorized overtime on PS Form 1017-A and 1017-B.

E-SIGNED by Jennifer.T Vo
on 2023-04-19 20:01:49 CDT

Jennifer T. Vo
District Manager, California 6 District

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

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