



AUDIT REPORT

Passport Revenue and Fees - Sioux Falls, SD, Meadows Retail Station

December 16, 2019

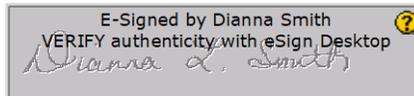


Report Number 20-068-R20



December 16, 2019

MEMORANDUM FOR: JEFF DRAKE
(A) MANAGER, DAKOTAS DISTRICT



FROM: *for*
Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Passport Revenue and Fees –
Sioux Falls, SD, Meadows Retail Station
(Report Number 20-068-R20)

This report presents the results of our audit of the Passport Revenue and Fees –
Sioux Falls, SD, Meadows Retail Station.

We appreciate the cooperation and courtesies provided by your staff. If you have any
questions or need additional information, please contact Dianna Smith, Operational
Manager, at dsmith@uspsig.gov, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of Passport Revenue and Fees at the Sioux Falls, SD, Meadows Retail Station (Project Number 20-068). The Meadows Retail Station is in the Dakotas District of the Western Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified postal retail units with reduced amounts of passport photo revenue recorded to account identifier code (AIC)¹ 241, *Passport Photo Services*, and AIC 264, *USPS Passport Acceptance Fee*, from the same period in prior years. Based on our analysis of OIG data analytics for fiscal years (FY) 2017 through 2019, we identified that Meadows Retail Station passport revenue and fees from these AICs decreased to only 8 percent of the same period last year. Further, during FY 2019, the unit recorded no passport acceptance fees.

Objective, Scope, and Methodology

The objective of this audit was to determine whether passport revenue and fees were appropriately reported at the Sioux Falls, SD, Meadows Retail Station and evaluate opportunities for increased revenue by capturing a larger share of the market for passport services. To accomplish our objective, we reviewed daily financial records maintained by the unit related to passport photo services from April 1 to September 30, 2019. We also extracted and analyzed Enterprise Data Warehouse (EDW)² data for these transactions and interviewed unit personnel and Postal Service managers.

We relied on computer-generated data from EDW. 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 the data were sufficiently reliable for the purposes of this report.

We conducted this audit from October through December 2019 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 November 25, 2019, and included their comments where appropriate.

¹ The AIC consists of three digits and is used to classify financial transactions to the proper general ledger account.

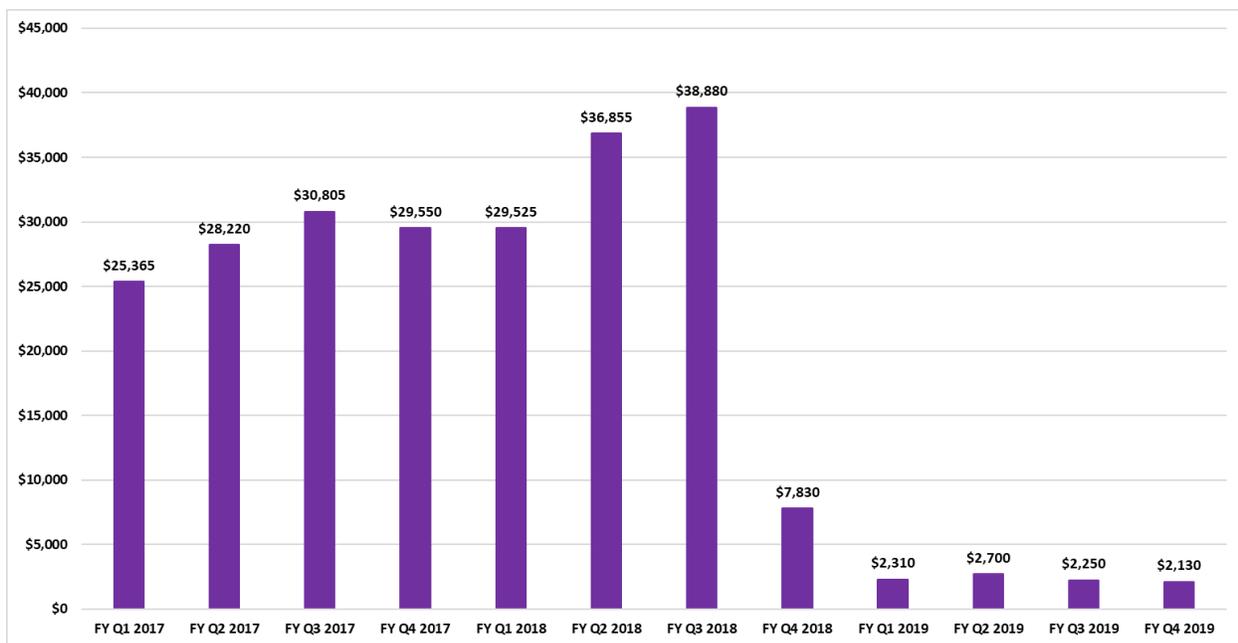
² A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to the EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

Finding #1: Passport Revenue

We determined that passport revenue and fees were appropriately reported at the Meadows Retail Station. During our scope period, the unit recorded passport photo services but did not record any passport acceptance fees. This was a result of a decision made by the previous postmaster to consolidate passport operations into the Sioux Falls Downtown Station.³

The (now former) postmaster and district manager made the decision to develop a mega passport center at the Downtown Station in May 2018 based on a 2016 Kaizen project.⁴ This led to the end of passport acceptance operations at Meadows Retail Station, effective July 2018. Our data supported that passport revenue (passport photo service and passport acceptance fees) significantly decreased at the Meadows Retail Station in the last quarter of FY 2018, and decreased even more at the start of FY 2019 (see Figure 1).

Figure 1. Passport Revenue at the Meadows Retail Station, FYs 2017-2019



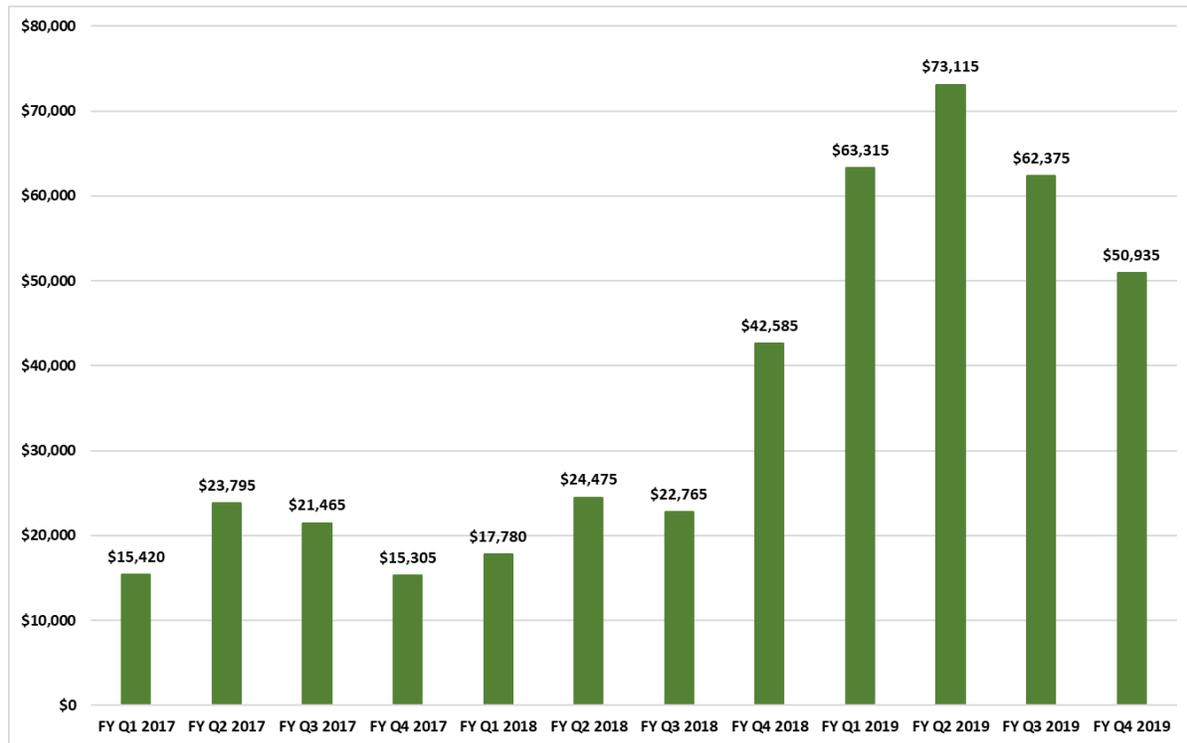
Source: EDW and OIG analysis.

Similarly, the data also showed that passport revenue began increasing at the Downtown Station during the same timeframe (see [Figure 2](#)).

³ The Downtown Station is five miles from the Meadows Retail Station.

⁴ A small-scale, fast-paced, narrowly focused project to improve a process.

Figure 2. Passport Revenue at the Downtown Station, FYs 2017-2019



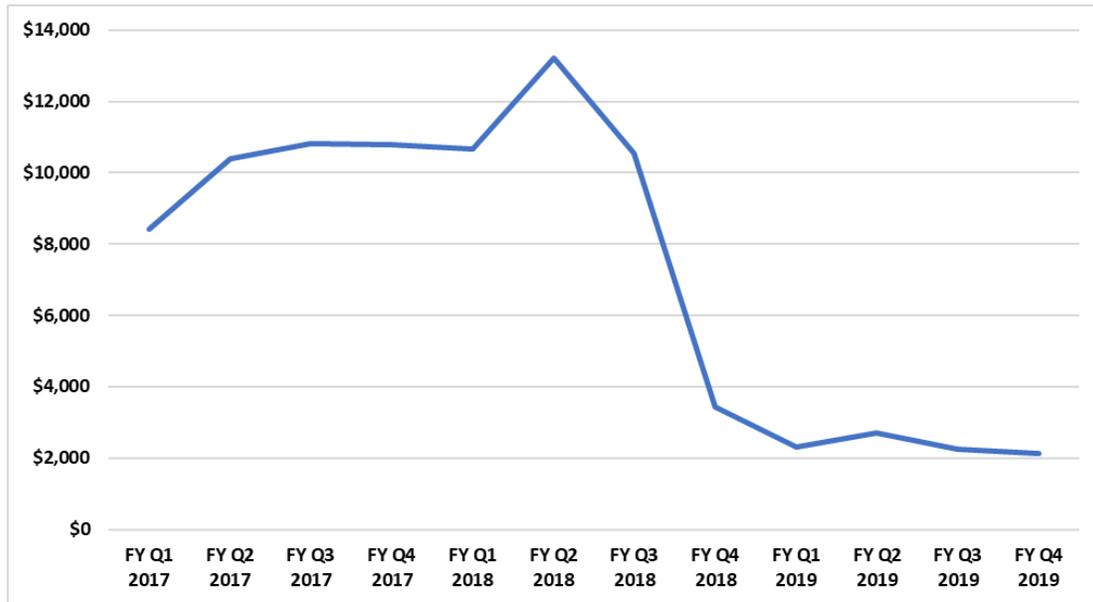
Source: EDW and OIG analysis.

After the postmaster retired in December 2018, the mega passport facility was not fully implemented and the idea of a mega facility at the Downtown Station was questioned. For instance, we learned that the Meadows Retail Station has more available free parking and customers at the Downtown Station only have a few metered parking spaces available. Postal Service policy states that the Postal Service, in agreement with Department of State Passport Services, assists Regional Passport Agency offices by accepting passport applications, where operationally feasible, given overall customer service and revenue generation considerations.⁵

Consolidation of passport acceptance services into the Downtown Station also had an adverse impact on passport photo services at the Meadows Retail Station (see [Figure 3](#)). This may have impacted the unit’s overall revenue, as customers may also have purchased stamps or other postal products while purchasing passport photos or submitting passport applications for acceptance. Further, combined passport photo services revenue (for the Downtown and Meadows Retail Stations) appears to have initially increased after the consolidation occurred, but in the last two quarters, has started to decrease (see [Figure 4](#)).

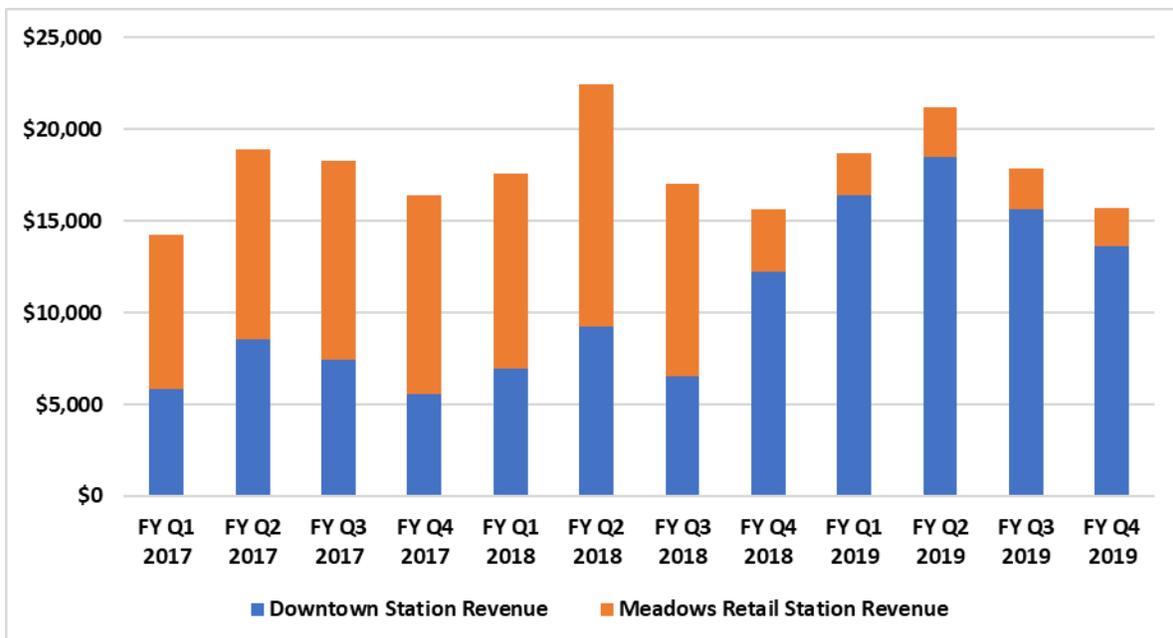
⁵ *Administrative Support Manual* Issue 13, Section 422.221, updated through October 30, 2018.

Figure 3. Passport Photo Services Revenue at the Meadows Retail Station, FYs 2017-2019



Source: EDW and OIG analysis.

Figure 4. Combined Passport Photo Services Revenue, FYs 2017-2019



Source: EDW and OIG analysis.

There is an opportunity for increased passport revenue at this facility; however, we are not making a recommendation at this time as the unit manager is currently working with Dakotas District officials and the Passport Agency to resume passport acceptance service at the Meadows Retail Station. Further, retail associates have recently completed passport training; therefore, if the reinstatement is granted, the unit would be ready to immediately resume passport acceptance operations. As of August 2019, the Passport Agency is reviewing the request to reinstate passport acceptance at the Meadows Retail Station.

Management's Comments

Management agreed with the finding. Management added that it still has not received correspondence from the Passport Agency regarding if or when the reinstatement request will be granted.

See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

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

Appendix A. Management's Comments

DISTRICT MANAGER
DAKOTAS/MONTANA DISTRICT



December 11, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Passport Revenue and Fees
Meadows Retail Station - Sioux Falls, SD
Project Number 20-068

Management generally agrees with the Office of Inspector General's notes as outlined in the audit report. Management's position on the one lone notation is as follows:

Audit Notation

Although there were no official recommendations made by the OIG at this time, it was noted that there is an opportunity for increased passport revenue at this facility.

Management Response/Action Plan:

The Dakotas/Montana A/District Manager agrees with the OIG's notation above. The unit manager is currently working with Dakotas/Montana Marketing Manager and the Passport Agency to resume passport acceptance service at the Meadows Retail Station. Further, the retail associates have recently completed passport training; if the reinstatement is granted, the unit would be ready to immediately resume passport acceptance operations. As of August 2019, the Passport Agency is reviewing the request to reinstate passport acceptance at Meadows Retail Station.

Target Implementation Date: To Be Determined.

After numerous attempts to request reinstatement from the Passport Agency, no response has been received as to if or when this reinstatement will be granted. Any direction from the OIG's office to help motivate that reinstatement with the State Department would be greatly appreciated.

Responsible Official:

District Marketing Manager

A handwritten signature in blue ink, appearing to read "Jeff A. Drake", written over a horizontal line.

Jeff A. Drake
A/District Manager
Dakotas Montana District

cc: Corporate Audit and Response Management
Kevin L. McAdams, Vice President, Delivery & Retail Operations
Gregory G. Graves, Vice President, Operations – Western Area
Felipe Flores, Manager, Operations Support / A
[REDACTED] Controller/A

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