



AUDIT REPORT

Stamps, Money Orders, and Cash – Los Angeles, CA, Barrington Station

February 25, 2021



Report Number 21-092-R21



February 25, 2021

MEMORANDUM FOR: EDDIE C. MORGAN, JR.
(A) MANAGER, LOS ANGELES DISTRICT

A handwritten signature in black ink that reads "Michelle Lindquist". The signature is written in a cursive style.

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Stamps, Money Orders, and Cash – Los Angeles, CA, Barrington Station
(Report Number 21-092-R21)

This report presents the results of our audit of Stamps, Money Orders, and Cash – Los Angeles, CA, Barrington 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, 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 Stamps, Money Orders, and Cash – Los Angeles, CA, Barrington Station (Project Number 21-092). The Barrington Station is located in the Los Angeles District of the West Pac Area.¹ 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 the Barrington Station as having four consecutive floor stamp inventory count shortages totaling about \$8,781 for fiscal year (FY) 2020² (see Table 1).

Table 1. Retail Floor Stamp Stock Count Shortages AIC 639³

FY 2020 Month	AIC 639 Shortage
November	\$3,594
February	1,959
April	2,002
July	1,226
TOTAL	\$8,781

Source: OIG analysis.

Objective, Scope, and Methodology

The objective of this audit was to determine whether the Barrington Station properly accounted for stamps, money orders, and cash.

To accomplish our objective, we analyzed data, conducted physical counts of all stamps, money orders, and cash inventories on January 12, 2021, and conducted interviews with unit personnel and Postal Service management.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW)⁴ and Retail Systems Software (RSS)⁵ inventory reports. 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

¹ Los Angeles District was previously in the Pacific Area prior to reorganization of Postal Service Areas, Districts, Divisions, and Regions which was initiated in August 2020.

² October 1, 2019 through September 30, 2020.

³ An Account Identifier Code (AIC) is used to classify financial transactions to the proper general ledger account. AIC 639, *Floor Stock Shortage*, is used to record a stamp stock shortage discovered as a result of a retail floor stock count performed at retail postal stores and Segmented Inventory Accountability units.

⁴ 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.

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

interviewing knowledgeable Postal Service employees. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from January through February 2021 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 February 16, 2021, and included their comments where appropriate.

Finding #1: Stamp and Cash Inventories

We determined the Barrington Station properly accounted for money orders but did not always properly account for stamps and cash. Based on our independent counts and observations, we identified the following:

- Two of the four cash inventories had overages in the amount of \$230 and \$38, outside of the \$25 allowed tolerance,⁶ on a \$100 cash inventory. The \$230 overage is a significant amount on a \$100 cash inventory. Retail associates (RA) stated that overages were due to customer tips during the holiday season.

Postal Service policy⁷ states that employees should not accept gifts of monetary value.

- The retail floor stamp inventory count had a shortage of \$1,707, \$990 of which was offset by a unit reserve stamp overage for the same stamp. The net result would be a shortage of \$717 in stamps. Unit management stated that an RA stated that part of the shortage was due to a customer leaving without paying for the stamps.

Postal Service policy⁸ states retail clerks should not retain excess cash in the office or leave cash, money orders or stamp stock in plain view or within a customer's reach.

- The unit had two unit cash reserves to make change to ensure proper cash handling for the six days the office is open. However, the second cash reserve was not in RSS; we counted it and the balance was \$255 of which we found support for \$300; therefore, the cash was \$45 short. This shortage did not get posted since RSS did not have a balance for the second unit cash reserve.

Postal Service policy⁹ states that unit cash reserve must be reported in AIC 753, Cash Retained Today.

⁶ Handbook F-101, *Field Accounting Procedures* (DRAFT), Section 13-8.4, April 2020.

⁷ Handbook PO-209, *Retail Operations Handbook*, Section 2.7, October 2012.

⁸ Publication 129, *Safety Talks*, Section 17-4, August 2019.

⁹ Handbook F-101 (DRAFT), Section 13-7.1.1.

- The unit did not have the required duplicate keys, Postal Service (PS) Form 3977, Duplicate Key, Combination and Password Envelope, for four locked drawers in the safe. We were therefore unable to verify that the contents of the out of service locked drawers. The unit manager requested a work order to open these drawers and will inform the OIG of the contents.

Existing duplicate key envelopes for drawers in use were dated from 2016 and 2017 suggesting that required annual inspections were not being completed.

Postal Service policy¹⁰ states field units must complete a PS Form 3977 to protect each duplicate key, combination, and password. In addition, an annual inspection is required to be completed.

Postal Service policy¹¹ states the postmaster, manager, or supervisor is responsible for managing all stamp stock and cash assigned. In addition, Postal Service policy¹² states although no individual RA is accountable for retail floor stock, they should ensure sales from retail floor stock are accurately reported.

The unit supervisor had been in the position only a couple months and acknowledged that training was needed. The unit supervisor was unfamiliar with existing functionality in RSS to conduct counts and spent many hours initiating and posting counts in RSS.

When employees do not properly record stamp stock items or fail to adhere to internal controls, there is an increased risk of undetected theft and losses.

Recommendation #1: We recommend the **Manager, Los Angeles District**, train Barrington Station unit management on using Retail Systems Software and unit personnel regarding policy and procedures over the handling and security of stamp and cash inventories.

Management's Comments

Management agreed with the finding and recommendation. Management stated that District management, in conjunction with area personnel, will document and provide training on the handling and security of stamp and cash inventories to Barrington Station management and retail associates. The training will include daily financial reporting, stamp stock and cash, security of Postal funds, and segmented inventory accountability. District management, in conjunction with area personnel, will conduct a cash and stock audit within one month after training is completed, to ensure unit employees are properly following Postal Service accounting policies and procedures. In addition, a PS Form 3977 will be completed for all retail associates and secured according to policy. Management plans to implement these actions by June 30, 2021.

¹⁰ Handbook F-101 (DRAFT), Section 3-8.2.1.

¹¹ Handbook F-101 (DRAFT), Section 13-1.2.

¹² Handbook F-101 (DRAFT), Section 14-2.2.

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 and recommendation in the report. All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. Recommendation 1 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

APPENDIX A. MANAGEMENT'S COMMENTS

DISTRICT MANAGER
LOS ANGELES DISTRICT



February 22, 2021

Joseph E. Wolski
Director, Audit Operations

SUBJECT: **Stamps, Money Orders, and Cash – Los Angeles, CA,
Barrington Station** (Project Number 21-092-DRAFT)

Management has reviewed the results of the Stamps, Money Orders, and Cash Audit at the Los Angeles, Barrington Post Office and we recognize that there is an opportunity for improvement of Stamp and Cash oversight to identify and remedy potential financial control risks.

Recommendation #1:

The Manager, Los Angeles District, train Barrington Station unit management on using Retail Systems Software, and unit personnel regarding policy and procedures over the handling and security of stamp and cash inventories.

Management Response/Action Plan: Management Concur/Agrees

To improve the handling and security of stamp and cash inventories, District Finance in conjunction with Area Field Financial Specialist will document and provide training to the current management team and retail associates at the Los Angeles Barrington Station. Training will include Daily Financial Reporting, Stamp Stock and Cash Credits, Security of USPS Funds, and Segmented Inventory Accountability.

To protect duplicate keys, combinations, and passwords, PS Forms 3977 will be completed for all Retail Associates and secured as outlined in Handbook F-101 Field Accounting Procedures.

Within one month after the completion of training, District Finance in conjunction with the Area Field Financial Specialists will conduct a cash and stock audit to ensure the unit is properly following Postal accounting policies and procedures.

DISTRICT MANAGER
LOS ANGELES DISTRICT

Target Implementation Date: June 2021

Responsible Official:

Manager Customer Service – Barrington Post Office
Manager Customer Service Operations - CSO Area 3
District Finance Manager



Eddie C. Morgan, Jr.
District Manager
Los Angeles District

cc: Corporate Audit and Response Management