



Office of Inspector General | United States Postal Service

Audit Report

Stamps, Money Orders, and Cash – Phoenix, AZ Main Office and Northeast Station

Report Number 21-141-R21 | May 26, 2021



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Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 26, 2021

MEMORANDUM FOR: JOHN MORGAN
MANAGER, ARIZONA – NEW MEXICO DISTRICT

Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Stamps, Money Orders, and Cash –
Phoenix, AZ, Main Office and Northeast Station
(Report Number 21-141-R21)

This report presents the results of our audit of Stamps, Money Orders, and Cash – Phoenix, AZ, Main Office and Northeast Station.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Frank McElligott, Acting Operational Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management

Results

Background

This report presents the results of our self-initiated audit of Stamps, Money Orders, and Cash – Phoenix, AZ, Main Office and Northeast Station (Project Number 21-141). Both sites are in the Arizona – New Mexico District of the WestPac 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 these two sites as having large retail floor stamp inventory count shortages and overages from October 1, 2019 through January 31, 2021 (see Table 1). Retail associates who work at window services do not have a stamp stock inventory assigned and instead work from a shared retail floor stamp inventory.

Table 1. Retail Floor Stamp Stock Count Overages and (Shortages)

Month/Year	Main Office	Northeast Station
October 2019	\$3,979	
November 2019		\$1,450
November 2019		(923)
January/February 2020	(16,771)	(6,783)
April/May 2020	61	150
July 2020	10,578	59
September 2020	3,527	(2,001)
October 2020	2,116	630
January 2021	4,965	(228)

Source: OIG analysis of Account Identifier Codes (AIC) 639 and 239.¹

- ¹ An 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, and AIC 239, Floor Stock Overage, is used to record a stamp stock overage. These transactions are recorded because of a retail floor stock count performed at retail postal stores and Segmented Inventory Accountability units.
- ² 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.
- ³ The hardware and software retail transaction system used in post offices.

Objective, Scope, and Methodology

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

To accomplish our objective, we analyzed data; conducted independent physical counts of all stamps, money orders, and cash inventories on March 23 and 24, 2021; reviewed operational effectiveness of inventory management; and interviewed unit personnel and district and unit management.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW)² and Retail Systems Software (RSS)³ 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 interviewing knowledgeable Postal Service employees. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from March through May 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 findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on May 5, 2021 and included their comments where appropriate.

Finding #1: Stamp and Cash Inventories

We determined the Phoenix Main Office and Northeast 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

issues with cash drawer balances outside of tolerance levels,⁴ unit cash reserve differences, and retail floor stamp differences.

The results of our independent counts are in Table 2.

Table 2. Count Results Differences

Issue	Phoenix Main Office	Phoenix Northeast Station
Retail associate cash drawers outside acceptable tolerance level ⁵	-	\$(25)
Unit Cash Reserve Overage	41	
Unit Cash Reserve Shortage	(56)	(19)
Retail Floor Stamp Overage	871	1,199

Source: OIG counts on March 23 and 24, 2021.

Unit personnel were unaware why these overages and shortages occurred except for the retail floor stock overage and unit cash reserve shortage at the Northeast Station. According to Northeast Station unit personnel, the retail floor stock overage was due to a business customer returning a large stack of \$1, \$1.20, and \$2 stamps. Unit personnel stated the customer claimed they did not pay for the stamps and based on their receipt; it did not show payment. Unit personnel put these stamps in the retail floor stock inventory but did not input the return into RSS. At the time of our count, the RSS inventory report showed a negative inventory balance of 456 \$1 stamps and 628 \$1.20 stamps. Northeast Station personnel stated the shortage in the unit cash reserve was in another cash drawer assigned to the same custodian.⁶ They sometimes used this cash drawer to make change instead of the unit cash reserve to avoid having to leave the window.

⁴ Postal Service policy outlines allowed limits for overages and shortages during counts of stamp and cash inventories.

⁵ Handbook F-101, *Field Accounting Procedures* (DRAFT), Section 13-8.4, October 2020. Policy allows a tolerance of \$25 which can be either over the \$100 cash drawer amount or short.

⁶ Individual assigned to manage the unit cash reserve fund and unit reserve stamp stock.

⁷ *Retail Systems Software Procedures Guide*, Section 6.11.7.2, March 2021.

Postal Service policy⁷ states that employees must enter a stamp return or exchange into the RSS system. In addition, unit cash reserve funds must be kept separate from other accountable items assigned to the same custodian. The postmaster, manager, or supervisor is responsible for managing all stamp stock and cash assigned.

Unit personnel at both units were unaware of key policies and procedures regarding proper accounting of stamp and cash inventories.

When employees do not properly account for stamp and cash inventory items or fail to adhere to internal controls, there is an increased risk of undetected theft and losses. We referred these issues to the Office of Investigation for further review.

Recommendation #1

We recommend the **Manager, Arizona – New Mexico District**, reiterate policies and procedures relating to properly handling cash and stamps to Phoenix, AZ Main Office and Northeast Station unit management and personnel.

Finding #2: Safeguarding and Return of Nonmail Items

Although outside the scope of the audit, we observed that lost and found items at the Northeast Station were not properly secured or returned to customers. Specifically, the team noted an unsecured tray of lost and found items, including numerous wallets, identification cards, credit cards, and a check book (see [Figure 1](#)). The items were accessible to anyone walking into the room where the items were stored in an unlocked file cabinet.

Figure 1. Lost and Found Items



Source: OIG photograph taken during fieldwork on March 24, 2021.

Postal Service policy⁸ states that nonmail matter, including wallets, found in collection boxes or at other points within Postal Service's jurisdiction should be returned to the appropriate individual, with postage due at the single-piece First-Class Mail rate.

Unit management was aware of the requirement and stated they took corrective action and mailed these items to the affected individuals.

When employees do not follow controls over lost and found items, there is an increased risk of identity and property theft. Since management took corrective action, we are not making a recommendation on this issue.

Management's Comments

Management agreed with the findings and recommendation.

Regarding recommendation 1, District Management reiterated policies and procedures for the proper handling of cash and stamps to unit management and retail associates at the Phoenix Main Office and Northeast Station. In addition, management adjudicated and cleared out of tolerance amounts and unit personnel were given expectations to follow provided financial policies. This was completed May 20, 2021.

In addition, regarding finding 2, District Management viewed this as an opportunity to share Domestic Mail Manual 507 criteria with all Phoenix City Stations on the handling of lost and found items. This was completed on May 5, 2021.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation in the report. Management's corrective action for recommendation 1 is sufficient; therefore, we consider recommendation 1 closed with the issuance of the report.

⁸ Domestic Mail Manual, Section 507.1.9.1a., January 24, 2021.

Appendix A: Management's Comments

RETAIL AND DELIVERY OPERATIONS – ARIZONA/NEW MEXICO DISTRICT
DISTRICT MANAGER



May 20, 2021

JOSEPH E WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Report – Stamps, Money Orders, and Cash – Phoenix, AZ, Main Office and Northeast Station (Project Number 21-141-DRAFT)

Management agrees with the audit findings and recommendation on the subject audit.

Recommendation 1: We recommend **the Manager, Arizona – New Mexico District**, reiterate policies and procedures relating to properly handling cash and stamps to Phoenix, AZ Main Office and Northeast Station unit management and personnel.

Management Response/Action Plan: Policies and procedures involving proper handling of cash and stamps were reiterated with Phoenix Main and Northeast Station Management and Retail Associates on several meetings starting May 5. Audits out of tolerance were adjudicated and cleared through the appropriate channels (see attached documentation). All SSA's and EAS have been given expectations to follow financial policies provided to them.

Target Implementation Date:

May 20, 2021

Responsible Official:

██████████ Postmaster/A, Phoenix

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PHOENIX, AZ 85026-9900
██████████
www.USPS.COM

Finding item #2 implementation – Although no recommend was given I viewed this as an opportunity to share and address all units. May 5, 2021 all Phoenix City Stations met by Zoom and were given the DMM 507 language and verified all units were current on handling lost and found items in their units.



John S. Morgan

cc: Corporate Audit and Response Management

Eduardo Ruiz, Vice President, Retail & Delivery Operations – WestPac Area

Kangcong Zhang, Controller -WestPac Area: Denver Domicile

OFFICE OF
**INSPECTOR
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