



Office of Inspector General | United States Postal Service

Audit Report

Stamp Inventory, Financial Differences, and Voids – Panorama City, CA, Branch Office

Report Number 21-271-R22 | January 31, 2022



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Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

January 31, 2022

MEMORANDUM FOR: AL SANTOS JR.
MANAGER, DISTRICT CALIFORNIA 3

Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Stamp Inventory, Financial Differences,
and Voids – Panorama City, CA, Branch Office
(Report Number 21-271-R22)

This report presents the results of our audit of the Stamp Inventory, Financial Differences, and Voids – Panorama City, CA, Branch Office.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Monique Packer, 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 cash and stamp inventory, financial differences, and postage validation imprinter (PVI) label voids – Panorama City, CA, Branch Office (Project Number 21-271). This site is located in the California 3 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 Panorama City Branch Office had \$100,734 in refunds recorded to account identification code (AIC)¹ 509, *Voided Postage Validation Imprinter (PVI) Labels* for fiscal year (FY) 2021. This was the highest in the nation for FY 2021. In addition, they had variances in financial activities as shown in Table 1.

Table 1. FY 2021 Financial Activities Variances

Description	Shortage	Overage	Net
Retail Floor Stamp Stock ² Counts	\$180	\$0	(\$180)
Daily Activity Financial Differences ³	\$6,790	\$5,424	\$(1,365)

Source: OIG analysis of data from Enterprise Data Warehouse (EDW).

Objective, Scope, and Methodology

The objective of this audit was to determine whether personnel at the Panorama City, CA, Branch Office properly accounted for cash and stamp inventory, financial differences, and PVI label voids. The scope of this audit was October 1, 2020, through September 30, 2021.

To accomplish our objective, we conducted independent counts of all cash and stamp inventories; reviewed financial differences to determine if they were properly researched and resolved; and reviewed and analyzed documentation for PVI voids and financial differences to determine causes and actions taken to resolve them. We reviewed all PVI voids where the amount exceeded \$500 in a day (62 days out of 302 days for FY 2021). We also interviewed unit management and other personnel responsible for the financial oversight of the unit to understand processes and reviewed available supporting documentation.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW) system.⁴ 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 2021 through January 2022 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 January 14, 2022 and included their comments where appropriate.

Finding #1: Cash and Stamp Inventories

We determined the unit did not always properly account for cash and stamp inventories. Specifically, we conducted an independent count of cash and stamp

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

² Stamps sold on the retail floor. There is a zero tolerance when retail floor stock difference is less or greater than .1 percent of sales.

³ Financial differences include variances between banking deposits and receipts, errors with transmitted sales and money order data, and stock shipments not received by the unit.

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.

stock and identified cash and stamp balances outside of tolerance levels.⁵ The results of our independent counts are in Table 2.

Table 2. Independent Count Results

Inventory Area	Overage	Shortage
Retail Associate cash drawers ⁶	\$141 ⁷	
Unit Cash Reserve ⁸ Overage	\$13	
Unit Reserve Stamp Stock ⁹ Shortage		\$(660)
Retail Floor Stamp Stock Shortage		\$(706)

Source: OIG counts on October 26, 27, and 28, 2021.

In addition, we identified the following:

- One retail associate kept personal money in her cash drawer to make change when the unit cash reserve custodian was unavailable.
- Unit personnel could not locate a cash drawer containing \$100 that was assigned to a prior mobile unit.

Postal Service policy states unit managers are responsible for monitoring inventory levels, remitting funds more than authorized reserves, and monitoring overall unit operations.¹⁰ A manager or designee must identify the cause of differences, adjust the financial records, maintain detailed records, and ensure differences are resolved timely. A reason must be annotated for any unresolved differences. Further, unit personnel must keep Postal Service funds separate from personal funds and never store personal funds in cash drawers.¹¹ Finally, policy

requires retail associates to deposit all postal funds more than the authorized cash retained amount into a Postal Service bank account.¹²

Current unit management stated they were in their positions for less than six months and had not received financial training. They were unaware of policies and procedures regarding cash and stamp inventories, including the missing cash drawer. They could not explain why the unit reserve stamp stock inventory and the retail floor stamp stock inventory had shortages, except for \$210 of retail floor stock that was transferred to unit reserve stamp stock. Unit personnel forgot to enter the transfer in the retail system.

When employees do not properly account for cash and stamp inventories or adhere to policies and procedures, there is an increased risk of undetected theft and losses.

Recommendation #1

We recommend the **Manager, District CAL 3**, train unit management on policies and procedures relating to proper handling of cash and stamp inventory.

Finding #2: Financial Differences and Postage Validation Imprinter Voids

Unit personnel did not properly account for financial differences or PVI label voids. Specifically, they did not monitor or maintain proper records and did not always attach supporting documentation for them to Postal Service (PS) Forms 1412, Daily Financial Report, as part of daily closeout activities. Further, the unit used PVI labels past their expiration dates. The two largest financial differences at the unit resulted in a net shortage of \$1,340. One was for a \$2,000 replacement

⁵ Tolerance is the allowed difference for individually accountable inventory segments.

⁶ Retail associates are authorized a cash retained amount of up to \$100 for which they are individually accountable Handbook F-101 (DRAFT), *Field Accounting Procedures*, Section 13-8.4, October 2020. Policy allows a tolerance of \$25 either over or short of the \$100 cash drawer amount.

⁷ The two overages were \$103 and \$38.

⁸ Authorized funds on hand for making change. There is no tolerance for unit cash reserve shortages or overages.

⁹ Stamps used to replenish those sold on the retail floor. Stamp stock inventory, for which the unit reserve custodian is accountable for the value of all items in the unit reserve stock. Tolerance is from \$50 to \$150 based on the value of the balance.

¹⁰ Handbook F-101, *Field Accounting Procedures*, Section 2-4.

¹¹ Handbook F-101, Section 3-2.2 and 3-2.4.

¹² Handbook F-1, *Accounting and Reporting Policy*, Section 3.1.1.1.1, January 2015.

money order that was lost by a retail sales associate. The other difference was an overage in the amount of \$660, with no supporting documentation.

Postal Service policy requires field unit managers to review supporting documentation for all entries included on PS Forms 1412. Policy also requires unit management to maintain a file for all financial differences¹³ and requires PS Forms 1412 and supporting documentation for all entries to be retained for at least 2 years.¹⁴ In addition, policy requires that, to account for PVI labels erroneously printed, damaged, or spoiled after tendering the transaction, the retail associate must use the refund functionality in the retail system software and a receipt is generated. The PVI label is then attached to the receipt, and it is required to be attached as supporting documentation to PS Forms 1412. Finally, the unit manager is required to monitor PVI voids for trends.¹⁵

These issues occurred because unit management did not always verify amounts on PS Forms 1412 to supporting documentation. Also, they did not retain PS Form 1412 documentation for two months during our scope period. We found the remaining files for our scope period were scattered and disorganized. Further, as previously stated, current unit management were in their positions for less than six months and had not received financial training. Finally, unit personnel stated the increase in voided PVI labels was due to constant label jamming in the printers.

During our audit, the City-Wide Postmaster took corrective action and sent a finance supervisor to train unit management on the end of day closeout procedures and supporting documentation requirements. Therefore, we are not making a recommendation on the daily closeout activities at this time. When unit management does not review financial documentation or adhere to policies and procedures, there is an increased risk of undetected theft and losses.

Recommendation #2

We recommend the **Manager, California 3 District**, resolve issues with printing postage validation imprinter labels.

¹³ Handbook F-101, Section 2-4-1.

¹⁴ Handbook F-101 (DRAFT), Section 13-1.3 and Section 2-4.1.

¹⁵ Handbook F-101, Section 2-4-1.

Management's Comments

Management agreed with the findings and recommendations. Regarding recommendation 1, Panorama City post office management will receive documented refresher training including daily financial reporting, stamp stock management, security of Postal Service funds, and segmented inventory accountability. Upon completion, a field accounting analyst will conduct a cash and stamp audit to ensure the unit complied with accounting policies and procedures.

Regarding recommendation 2, Panorama City post office management will provide and review the Toshiba printer cleaning instructions with each sales and service associate. In addition, local management will monitor printer label voids daily, validate the voided label refund process, and ensure sales and service associates document the refund process in accordance with Postal Service criteria. Further, a field accounting analyst will follow up to ensure the unit complied with cleaning and voided label printer processes and properly documented transactions.

The target implementation date for these actions is April 30, 2022. See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report and corrective actions should resolve the issues identified in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. Recommendations 1 and 2 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Management's Comments

DISTRICT MANAGER
CALIFORNIA 3



January 24, 2022

TO: JOHN CIHOTA
DIRECTOR, AUDIT OPERATIONS

SUBJECT: STAMP INVENTORY, FINANCIAL DIFFERENCES, AND VOIDS -
PANORAMA CITY, CA, BRANCH OFFICE
(REPORT NUMBER 21-271-DRAFT)

Management has reviewed the results of the OIG Audit: Stamp Inventory, Financial Differences, and Voids – Panorama City, CA Branch Office (Report Number 21-271-Draft) and recognizes there is an opportunity for improvement in the proper handling of cash and stamp inventory, resolving issues with printing postage validation imprinter (PVI) labels and identifying/remediating potential financial control risks.

In addition, Management found an error on page 2 – Table 2: The Unit Cash Reserve Overage and is asking that the draft be changed to reflect \$13 vs 13 to ensure consistency in formatting within this table.

Otherwise, below are the written responses to each recommendation:

Recommendation # 1:

The Manager, District CA 3, train unit management on policies and procedures relating to proper handling of cash and stamp.

Management Response / Action Plan:

Management agrees

Local management will reinforce policies and procedures relating to the proper handling of cash and stamp stock. All Panorama City PO management personnel will receive documented refresher training. The training will include Daily Financial Reporting, Stamp Stock Management, Security of USPS Funds, and Segmented Inventory Accountability.

Upon completion of training, a Field Accounting Analyst will conduct a cash and stock audit to ensure the unit is properly following Postal accounting policies and procedures.

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STAMP INVENTORY, FINANCIAL DIFFERENCES, AND VOIDS –
PANORAMA CITY, CA, BRANCH OFFICE (PROJECT NUMBER 21-271-DRAFT)

Responsible Official: Host Postmaster, Van Nuys, CA and Manager, Field Accounting Support, WestPac-B.

Target Implementation Date: April 30, 2022

Recommendation # 2:

The Manager, California 3 District, resolve issues with printing postage validation imprinter labels.

Management Response / Action Plan:

Management agrees with this recommendation

Management at the Panorama City Post Office will provide and review the cleaning instructions for the TOSHIBA Label Printer on USPS systems with each SSA to ensure they are aware of their responsibility and procedures for cleaning the printers as required.

Additionally, label printer voids will be monitored by local management daily. Management will validate the voided label refund process and ensure SSAs are attaching unused, damaged, spoiled, or misprinted label to the receipt from the Multifunctional Receipt printer, as proper documentation and in accordance with Postal Handbooks.

A Field Accounting Analyst will review the cleaning and voided label printer process to ensure the unit is following the proper procedure and documenting all transactions correctly.

Responsible Official: Host Postmaster, Van Nuys, CA, Manager, Customer Service Panorama City, CA and Manager, Field Accounting Support, WestPac-B.

Target Implementation Date: April 30, 2022



Al Santos
District Manager
California 3 District

STAMP INVENTORY, FINANCIAL DIFFERENCES, AND VOIDS –
PANORAMA CITY, CA, BRANCH OFFICE (PROJECT NUMBER 21-271-DRAFT)

Cc: Host Postmaster, Van Nuys, CA
Manager, Customer Service, Panorama City, CA
Manager, Field Accounting Support, WestPac-B
Chief Retail & Delivery Officer
Manager, Corporate Audit Response Management
Manager, Operation Integration
Manager, Integration & Support
Manager, Finance & Budget
Manager, Field Accounting Support
Sr. Director Revenue & Field Accounting
Project Management Specialist
Manager Retail & PO Policy & Practices
Sr. Executive Administrative Assistant
Manager, Retail Experience
Manager Operation Integration (District -CA3)
Retail Support Specialist
Field Accounting Team Lead
Exec Manager Field Accounting
Audit Tracking Analyst

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