



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

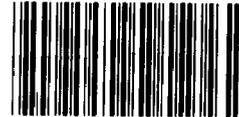
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GENERAL GOVERNMENT
DIVISION

B-214663

MAY 1, 1984

The Honorable John Tower
United States Senate



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Dear Senator Tower:

Subject: Information on Shortages in Stamp Stock
at the Main Post Office and the Carl Range
Station in Irving, Texas (GAO/GGD-84-67)

In your letter of June 7, 1983, you requested that we review the matters contained in a May 21, 1983, letter to you from a former supervisor at the Main Post Office in Irving, Texas. In his letter the former supervisor questioned the circumstances surrounding claims against him and another employee for losses of stamps worth \$2,000 from the Main Post Office and stamps worth \$6,000 from the Carl Range Station, respectively. These losses were discovered in June 1982.

The former supervisor's letter stated that (1) the Postal Inspection Service was notified that a local investigation had not located the stamps, but it would not investigate the losses; (2) the local postmaster would not file a claim to relieve the accountable employees from paying for the losses; and (3) the Postmaster applied some window clerks' overages¹ to reduce the loss, but he had not applied one overage of \$1,600. As a result, the former supervisor said he and the other accountable employee had to pay for these losses, less applied overages. Finally, the supervisor's letter requested that you have the Postal Service (Service) further investigate the losses to determine what happened to the missing stamps, or have the Service accept liability for the losses, as provided for in its guidelines.

We found that the Service did not extensively investigate the two losses because the accountable employees had not followed required Postal procedures for stamp accountability; therefore, under Postal regulations, they were personally liable for the losses. The local postmaster did not file a claim in

¹An overage occurs whenever the balance of a window clerk's account exceeds the accountable amount. It can result from errors made by a window clerk in selling stamps, money orders, etc.

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either case to effectively relieve the accountable employees from liability for the losses because he did not believe the claims would be relieved under the Service's criteria for relief. If such claims for relief were denied at a higher level, he would be personally liable for the losses. Also, window clerks' overages of \$2,201.54 were applied to the losses, but the postmaster did not apply an additional \$1,600 overage to the losses because he did not believe the overage was directly related to the losses.

Postal procedures concerning charging losses to accountable employees were followed. The two accountable employees have paid or are paying the losses from their salaries.

Because our review was limited to the two cases discussed in this report, we are not able to determine whether these cases are representative of the Service's handling of such matters. Therefore, we are not able to reach conclusions as to the overall adequacy of the Service's policies and procedures with respect to investigating stock losses, relieving accountable employees of losses, and using employees' overage accounts to offset claims.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our review were to determine the facts and circumstances surrounding the matters contained in the former supervisor's letter and to determine whether postal procedures for investigating the losses, charging the employees responsible for the losses, requiring payment by the employees, and applying other employees' overages were followed in connection with the losses described in that letter.

To determine the facts and circumstances surrounding the two cases we interviewed the following current or former Postal Service employees who were directly involved in the cases:

- Former Supervisor, Main Post Office, Irving, Texas.
- Postmaster, Main Post Office, Irving, Texas.
- Station Manager, Downtown Post Office (formerly the Carl Range Station Manager), Irving, Texas.
- Manager of Mail Processing, Main Post Office, Irving, Texas.
- Postal Systems Examiner, Sectional Center, Dallas, Texas.

--Postal Inspector, Team Leader of Internal Crimes,
Postal Inspection Service, Fort Worth Division, Fort
Worth, Texas.

--Postal Inspector, Internal Crimes Specialist, Postal
Inspection Service, Fort Worth District, Fort Worth,
Texas.

We also reviewed available documentation on the two cases; however, our review of documentation was limited because, according to the Postal Inspectors, it is standard procedure for them to destroy information gathered on potential cases which they determine warrant no further attention. The Postal Systems Examiner had given his reports to the Postal Inspection Service and all the Inspection Service files on the cases had been destroyed. Therefore, our review consisted of inspecting those documents maintained by the Irving postmaster.

To obtain information on the Postal Service policies we interviewed the Sectional Center Manager/Postmaster and the Director of Finance in Dallas, Texas. In addition, to determine if postal procedures were followed in connection with the losses, we reviewed the stamp accountability, claims, and employee overage account regulations; discussed the handling of investigations, claims, and employee overage accounts with all persons interviewed; and made independent verification of the requisition forms used by the clerks to obtain stamps and ledgers which maintain running records of the office's stamps on hand. To obtain information on the Inspection Service's policies and procedures we interviewed the Postal Inspector-In-Charge, Fort Worth Division, Fort Worth, Texas, as well as the Team Leader of Internal Crimes for the Fort Worth Division. The Inspection Service has no written procedures or regulations concerning when or how to conduct investigations of employee negligence.

Our work, conducted during September and October 1983, was performed in accordance with generally accepted government auditing standards.

BACKGROUND

The Main Post Office in Irving, Texas, receives its stamp stock from the Bureau of Engraving and Printing in Washington, D.C., or from the Management Sectional Center in Dallas, Texas. A supervisor at the Main Post Office is delegated accountability for the stamp stock, which he distributes to the window clerks at the Main Post Office or to the managers at post office stations. In turn, the station managers disperse stamp stock to station window clerks by requisition. The cases discussed in the supervisor's letter to you involve two losses of stamp stock at the Irving Post Office--one at the Main Post Office and the

other at the Carl Range Station. Circumstances surrounding the two losses are detailed below.

Loss of \$2,000 from the Main
Post Office stamp stock

In June 1982, the supervisor at Irving's Main Post Office, who was accountable for the \$411,460.43 stamp stock, discovered a shortage of 100 twenty-dollar coils of 20-cent stamps. The supervisor discovered this shortage when he made the quarterly balance of the stock on hand against the Daily Record of Stamps, Stamped Paper, and Nonpostal Stamps on Hand. He notified the postmaster and a local audit was conducted, which verified the shortages. In July 1982, a Postal Systems examiner reviewed the supervisor's records at the request of the Postal Inspection Service. The examiner found no errors in recordkeeping; however, he did determine that the supervisor had not followed required procedures for verifying stamp stock received and for filling window clerks' stamp requisitions. On November 19, 1982, the Postal Inspector-in-Charge notified the Irving postmaster that no investigation would be conducted.

On December 20, 1982, the Irving postmaster denied the supervisor's November 8, 1982, request that he file a claim to write off the loss as an unexplained loss of stock and directed the supervisor to pay for the missing stamps. The supervisor appealed this decision, first to the Dallas Management Sectional Center and then to the Regional Employee and Labor Relations Department in Memphis, Tennessee, both of which denied the appeal. The necessary forms to make payroll deductions to recover the loss were issued in May 1983; however, because the supervisor voluntarily resigned on June 24, \$1,333.35 (the \$2,000 was reduced by window clerks' overages of \$666.65) was deducted from his final salary check.

Loss of \$6,000 from the Carl
Range Station stamp stock

On May 31, 1982, the manager of mail processing replaced the Carl Range Station manager while the Station manager took 2 weeks' leave. The Station manager did not, as required by Postal regulations, count his accountable stock of \$35,781 before he left on vacation, nor did he transfer accountability to his replacement. After the termination of his 2-week assignment as Station manager, the manager of mail processing also did not count the stock, although he was aware of this requirement. On his second day back from vacation the Station manager counted the stock and found that 300 twenty-dollar coils of 20-cent stamps were missing. The Station manager reported the loss to the Irving postmaster and after a local audit did not locate the stamps, the Inspection Service was notified of the loss.

At the Postal Inspection Service's request, a Postal Systems examiner reviewed the recordkeeping and found no errors. He attributed the loss to the Station manager's failure to follow procedures for transferring accountability and on the basis of this determination, the Postal Inspection Service decided not to investigate the situation further.

On December 20, 1982, the Irving postmaster denied the Station manager's November 24, 1982, request that he file a claim for the Postal Service to absorb the loss as an unexplained loss of stock and demanded repayment of the \$6,000. The Station manager filed an appeal on December 29, 1982, with the Regional Employee and Labor Relations Department, but the appeal was denied on April 6, 1983. The Station manager's \$6,000 liability was reduced to \$4,465.11 by applying window clerks' overages of \$1,534.89. Since June 3, 1983, biweekly deductions of \$171 have been made from the Station manager's salary. The biweekly deduction will continue for 26 installments.

POSTAL INSPECTION SERVICE
ENDED ITS INQUIRY AFTER
EMPLOYEE NEGLIGENCE WAS ESTABLISHED

The Postal Inspection Service ended its inquiry into these stamp shortages once local investigations and reviews by the Postal Systems examiner established employee negligence in the handling of stamp stock. The Team Leader of Internal Crimes, Fort Worth Division, Postal Inspection Service, said that further criminal investigations were not conducted because the inspector, on the basis of his experience and expertise, had determined that these were administrative problems and not criminal cases.

The inspectors at the Fort Worth Division Office of the Postal Inspection Service told us it has no written procedures or guidelines for determining when to initiate a criminal investigation of stamp stock shortages. The Inspection Service is routinely notified of stamp stock discrepancies (overages or shortages) of \$100 or more. When notified, the internal crimes specialist decides whether or not an investigation is warranted on the basis of a number of subjective factors, including the number of past discrepancies reported for the accountable employee and his office, comparison of the discrepancy amount and the total amount for which the employee is accountable, and the employee's level of responsibility.

According to the inspectors, an initial inquiry is made to determine whether the facts would warrant a criminal investigation of the accountable employee. If it is determined that the employee did not have criminal intent but was negligent, generally no further investigation is made and the case is turned

over to Postal Service management. Investigations are continued only if indications of theft or burglary exist, or if Postal Service management specifically requests further investigation and offers good reasons for the request.

The internal crimes specialist also said he was not overly concerned about the losses because the loss at the Main Post Office was less than one-half of 1 percent of that office's total stock, and the loss at the Carl Range Station was only about 5 percent of its total stock. Further, he said the employees involved were supervisors with no personal history of losses, in offices with no extensive history of losses. The Inspection Service requested the Postal Systems examiner to review the records to determine whether the losses had resulted from errors in recordkeeping. After considering all factors involved, the inspectors concluded the accountable employees had no criminal intent and closed their inquiries after receiving the examiner's report that, although there were no errors in the recordkeeping, neither employee had followed Financial Handbook procedures.

We found, however, that in making the loss-to-accountability comparison for the Carl Range Station, the inspectors used the maximum amount for which the Station could be held accountable, \$120,000, rather than \$35,781, the actual amount for which the Station was accountable at the time of the loss. (The \$120,000 ceiling is used by the Post Office to limit the amount of stock that can be requisitioned from the main stock.) Therefore, the loss at the Carl Range Station was about 17 percent of its actual accountability, rather than 5 percent. The internal crime specialist told us that the \$6,000 loss was the largest loss of this type he had seen (losses were generally between \$200 to \$500).

During subsequent discussions the Inspection Service officials questioned whether the use of the actual accountability rather than the maximum limit for calculating the loss-to-accountability ratio would be a more accurate measure of loss. However, we noted that in the former supervisor's case, the internal crimes specialist used the actual accountability and not the maximum limit. The Team Leader also said that even at 17 percent, the \$6,000 loss would not have been investigated because the employees had not followed Postal procedures for transferring stamp accountability.

The Inspection Service did not interview the accountable employees or other Postal Service employees in either case. During our interviews with Postal employees we were told of circumstances which, in the employees' opinion, should have been investigated. For example:

- One employee questioned whether the Carl Range Station safe was large enough to hold the 950 twenty-dollar coils of 20-cent stamps, as well as other stock, shown in the Station ledger as being on hand at the time the Station manager left on vacation.
- The former supervisor said that a clerk's June 1982 requisition for 100 twenty-dollar coils of 20-cent stamps may have been filled twice from his accountable stock.
- The Station manager said that one of the Station's employees was living beyond his means after the loss, which indicated he had another source of income, possibly money from the sale of the stamps.

Once the Inspection Service determined the subject cases should be handled administratively, they believed that they had no reason to interview either the accountable Postal employees or other employees who may have had knowledge of the circumstances surrounding the losses. They considered interviewing any employees in situations where the accountable employee had been negligent an unacceptable investigative technique. The team leader also said that even though the Inspection Service did not interview any Postal employees, this did not preclude the Postal management from doing so as part of their administrative actions.

In commenting on a draft of this report, the Assistant Chief Inspector, Criminal Investigations, informed us that Inspection Service investigative philosophy allows for flexibility at the actual investigative level. This flexibility allows the investigating inspector to evaluate all known information relating to a particular matter and does not require the investigation/interview of employees and verification of reported information in all instances. He said that Inspection Service policy regarding a discrepancy in financial responsibility does not dictate that an investigation will be conducted solely to confirm the discrepancy. An investigation of the reported discrepancy will be conducted if there is strong evidence of criminality or other unusual circumstances.

After the Inspection Service determined that these were administrative matters, the subject cases were turned over to Post Office management for administrative action. According to the Sectional Center Manager/Postmaster, the Director of Finance, and the Irving postmaster, the administrative action taken, i.e., requiring employees to pay back money, is a customary action and is provided for in the Financial Handbook. Although these management officials and the Irving postmaster were aware that the Inspection Service had made no investigation

beyond determining that the losses should be handled administratively, none of them were aware that the Inspection Service had limited its investigation to determining criminality on the part of the accountable employees. Furthermore, they also told us they were not aware that they could request a further investigation or whether such a request would be honored. The Sectional Center Manager/Postmaster did point out however, that the employees could have questioned the adequacy of the Inspection Service's investigation during their appeals, but neither employee did so. The Irving postmaster also said he did not believe further investigation by the Inspection Service would have disclosed any other information or resulted in different outcomes.

POSTMASTER DID NOT FILE CLAIMS
TO WRITE OFF STOCK LOSSES

The Irving postmaster did not file a claim in either of the cases to effectively relieve the accountable employees from repaying the losses because he did not believe the losses met the Postal Service Financial Handbook's criteria for relief. In addition, if the postmaster had relieved the employees from these losses and his resulting claims for loss were denied at a higher level, he would become personally liable for the losses.

Both the former supervisor at the Main Post Office and Carl Range Station manager requested the Irving postmaster to file claims for the losses as unexplained losses of stock. The postmaster denied both requests. In his letter denying the supervisor's request, the postmaster stated that the request was denied because (1) the reasons for the loss could not be explained, (2) evidence of burglary or theft did not exist, (3) stock received in coil containers was not verified prior to the shortage, and (4) the supervisor admitted that he might have made an error in filling stock requisitions. The denial letter to the Carl Range Station manager said his request was denied because (1) he had failed to follow proper procedures transferring unit accountability, (2) no documentation of burglary or theft or any other documentation to support a claim existed, and (3) no evidence existed making it reasonable to assume that the Postal Service should accept liability for the loss. In both cases the postmaster's decision was upheld on appeal by the Regional Employee and Labor Relations Department in Memphis, Tennessee.

The Financial Handbook for Post Offices defines two types of claims: claims for stock loss and claims for cash losses. Stock loss claims are confined to stock destroyed or mutilated by natural causes such as fire and flood. Cash loss claims are made for all accountable financial losses other than stock losses, including burglary, theft, robbery, and unexplained

losses of stock. Since neither of the losses met the definition of a stock loss, they could only be claimed as cash losses. Both accountable employees suggested that the losses were "unexplained losses of stock."

The Irving postmaster said that he had decided not to relieve the accountable employees' claims for the losses as "unexplained losses of stock" when the Management Sectional Center's financial personnel pointed out to him that, under Section 453 of the handbook, he would become liable for the losses if his resulting claims were denied. As shown below, Section 453 places a restriction on claims for losses which are disapproved.

"A claim should be filed only after a determination is made that an employee other than the postmaster is not to be held responsible for the loss. When a claim for loss is disapproved, the postmaster should not make a money demand on an employee."

Since both the postmaster and the Management Sectional Center officials believed this section made the postmaster personally liable for the losses if his claims were denied, the postmaster said that although he felt sorry for the employees, he considered it unacceptable to be held personally liable for \$8,000. An official of the Service's Headquarters Accounting Division agreed that the postmaster would be held personally liable for the losses if his claims were denied.

IRVING POSTMASTER
REFUSED TO APPLY A \$1,600
OVERAGE TO REDUCE ONE LOSS

The Irving postmaster refused to apply \$1,600 from an employee's overage to the \$2,000 loss at the Main Post Office because he found no direct connection between the overage and the loss. Overages from other employees' accounts were, however, applied to both the \$2,000 loss and \$6,000 loss at the Carl Range Station.

The Financial Handbook provides that when an overage is found in an employee's account, it will be recorded in the employee's "trust account." Any subsequent shortages for that employee will then be deducted from the trust account. The postmaster also has the prerogative to request employees to contribute funds from their trust account credits to cover shortages in other employees' accounts if he finds a direct connection between the shortages and the credits in the trust account.

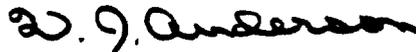
The \$1,600 overage the supervisor said should have been applied to his shortage was the overage accumulated by a self-service postal center technician. The postmaster concluded that no connection existed between the \$1,600 overage and the \$2,000 loss of 100 twenty-dollar coils of 20-cent stamps because the self-service postal centers use only coils of 500 twenty-cent stamps. The postmaster also stated that the overages from the self-service postal center are put in a special overage account and are not available for offset against shortages in stamp stock accounts.

However, the \$2,000 loss was reduced by \$666.65 and the \$6,000 loss by \$1,534.89 from employees' trust accounts. The Irving postmaster said that since the employees had agreed to applying their trust account overages to the losses, he had done so by applying the entire trust account balance wherever he found that an employee had requisitioned twenty-dollar coils of 20-cent stamps from either of the accountable employees. He said that he realized that the direct connection between some of the overages and the losses was tenuous.

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A draft of this report was reviewed by Postal Service headquarters officials who generally concurred with the information. As arranged with your Dallas office, copies of this report will be sent to the Postmaster General and other Postal Service officials. We will make copies available to other interested parties upon request.

Sincerely yours,



William J. Anderson
Director