



AUDIT REPORT

Postage and Fee Refunds – Rockville, MD, Post Office

October 28, 2019



Report Number 19-010-R20



October 28, 2019

MEMORANDUM FOR: SALVATORE VACCA
MANAGER, CAPITAL DISTRICT

E-Signed by Dianna Smith
VERIFY authenticity with eSign Desktop
Dianna A. Smith

FROM: *for*
Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Postage and Fee Refunds – Rockville, MD,
Post Office (Report Number 19-010-R20)

This report presents the results of our audit of the Postage and Fee Refunds – Rockville, MD, Post Office (Project Number 19-010).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna PruDe, Operational Manager, or me at 703-248-2323.

Attachment

cc: Corporate Audit Response Management

Background

This report presents the results of our self-initiated audit of Postage and Fee Refunds – Rockville, MD, Post Office (Project Number 19-010). The Rockville Post Office is in the Capital District of the Capital Metro 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 the Rockville Post Office with an unusually high total in account identifier code (AIC)¹ 553, *Refund Postage and Fees*, during fiscal year 2019 quarter (Q) 3.² AIC 553 is used to record refunds of customers postage and fees paid for unreceived special services. During this period, the unit reported a total of \$12,565 in AIC 553, the highest amount in the Capital District. This total exceeded the same period last year by \$12,173, an increase of more than 3,108 percent. Further, postage and fee refunds for the Rockville Post Office were nearly 47 percent of the total refunds for postage and fees within the Capital District during this period.

Objective, Scope and Methodology

The objective of this audit was to determine whether postage and fee refunds were valid, properly supported, and properly processed at the Rockville Post Office. We reviewed daily financial records; Postal Service (PS) Forms 3533, *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*; and supporting documentation maintained by the unit from April 1 through June 30, 2019. While on-site, we observed and documented unprocessed refunds for postage-affixed Business Reply Mail (BRM),³ and unused metered post cards and envelopes. In addition, we interviewed unit personnel and management.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).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 personnel. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from August through October 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

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

² April 1 through June 30, 2019.

³ A service provided by the Postal Service that enables a permit holder to provide a recipient a prepaid method for replying to a mailing.

⁴ 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.

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 conclusions based on our audit objective. We discussed our observations and conclusions with management on October 9, 2019 and included their comments where appropriate.

Finding #1: Locally Paid Claim

We determined postage and fee refunds at Rockville Post Office were valid, and properly supported; however, they were not properly processed. We identified the increase in AIC 553 was due to erroneous entries on May 31, 2019, totaling \$12,516.

The district manager authorized a local payment of \$4,172 to a customer for 30 uninsured packages that were accepted at Rockville Post Office but never delivered. The amount was for the content value of the packages and the postage and fees. This was after an 8-month long investigation including a congressional inquiry into the matter, and the Postal Services Consumer Affairs denying the request to reimburse for the value of the packages since they were not insured. Unit personnel made three attempts to process this payment⁵ locally as a refund using AIC 553. However, entries to AIC 553 for amounts greater than \$1,000 are automatically offset in the Retail System Software⁶ with AIC 280, *Disbursement Sent to Accounting Services Center (ASC)*. When refunds are posted to AIC 280, local payments cannot be generated; instead, it triggers the ASC to process the refund. After not receiving documentation to support the refund, the ASC contacted unit management who explained that the entries to AIC 280 were errors, and that the refund had been made locally.⁷ To pay the claim locally and facilitate the refund to the customer, the unit posted five transactions to AIC 624, *Refund of Miscellaneous Non-Postal Revenue*, and issued five money orders for \$834.40 each, totaling \$4,172. The refund was documented on five PS Forms 3533, and the money orders were issued to the customer.

Postal Service policy states refunds for more than \$1,000 are issued by the ASC, and the customer will receive a commercial check in the mail.⁸ Further, Postal Service policy limits local payments to invoices of \$1,000 or less for a one-time emergency payment to a vendor not in eBuy2.⁹

District management decided, in the interest of customer service, to reverse Consumer Affairs' decision and directed Rockville Post Office personnel to process and pay this claim locally as a refund and to issue multiple no-fee money orders to pay the claim to avoid the \$1,000 limit.

⁵ The payment was for \$4,172; the erroneous transactions equaled \$12,516 (3 x \$4,172).

⁶ The primary hardware and software system used to conduct retail sales transactions at post offices.

⁷ Eagan Accounting Services processed an adjusting entry on July 16, 2019, to reverse the erroneous entries.

⁸ Handbook F-101, *Field Accounting Procedures*, Draft, May 2017, Section 21-1.2.

⁹ Handbook F-101, Draft, Section 19 -1.5. eBuy2 is the Postal Service's web-based electronic requisitioning and approval workflow for supplies, services, or equipment.

Because the Rockville Post Office followed the guidance and direction of the district, we are not making a recommendation on this issue at this time. Our continuous financial control audits show an increasing number of occurrences where units made local payments using no-fee money orders when the amounts were over \$1,000, and the events were not emergencies. We will follow up on these issues in the future as part of related work at the district, area, or headquarters levels.

Finding #2: Additional Refund and Security Observations

Although outside our audit scope, we observed 12 unprocessed PS Forms 3533 for postage affixed BRM, and post cards and envelopes with metered indicia totaling \$2,642 in an unsecured office. The customer refunds requests were received between July 2018 and April 2019.

Additionally, we observed the registry room door with accountable mail¹⁰ in an unlocked cabinet, and the retail floor stock¹¹ safe with accountable paper¹² and cash drawers left open during business hours.

After the OIG discussed the issues with local management, corrective action was taken and the registry room, accountable mail cabinet, and retail floor safe were secured throughout the day. In addition, on September 13, 2019, management sent us documentation that the backlog of unprocessed refunds was completed.

Management's Comments

Regarding the findings, management agrees that the refund was valid and proper, and while it was ultimately paid out via money orders instead of the online process to generate a check to the customer, it was done to expedite payment. Management also stated that this was a unique situation that required immediate restitution to the valued customer. To assure policy will be adhered to in the future, the Capital Metro Area has issued a financial payment policy letter including a reference guide to provide that local payments and refunds are made through the appropriate channel.

In addition, management addressed the findings related to unprocessed refunds and unsecured doors. District management also followed up to make certain that refunds were processed timely and that appropriate security measures were used to protect assets.

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

¹⁰ Mail that requires the signature of the addressee or addressee's agent upon receipt to provide evidence of delivery or indemnification for loss or damage. Accountable mail includes Priority Mail Express service and Special Service mail such as Certified Mail, Collect on Delivery, Insured Mail for more than \$200, Registered Mail, Return Receipt, and Signature Confirmation.

¹¹ A common inventory for use by retail employees who are not directly accountable for that inventory.

¹² Paper in a postal facility that holds monetary value and must be accounted for, including postage stock, international Reply Coupons, migratory bird hunting and conservation stamps, philatelic products, blank money order forms, and items awaiting destruction.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the findings in the report. The actions resolved the issues identified in the report.

Appendix A. Management's Comments



October 25, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Postage and Fee Refunds- Rockville, MD
Post Office (Report Number FCS-FM-20- DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report, "Postage and Fee Refunds- Rockville, MD Post Office". Regarding the findings, management agrees that the refund was valid and proper, and while it was ultimately paid out via money orders instead of the online process to generate a check to the customer, it was done to expedite payment.

A total of 30 individual packages were mailed at the Rockville Post Office and scanned accepted but had no subsequent scans. As the report mentions, an eight-month long investigation, culminating in a congressional inquiry, into the whereabouts of the packages ultimately resulted in the district taking ownership of the issue. This is a unique situation that necessitated immediate restitution to the mailer, a valued customer that leadership wants to avoid loss of his business to competitors. While it did not follow policy it did allow us to help rectify the situation with our customer.

To assure policy will be adhered to in the future, the Capital Metro Area has issued a financial payment policy letter including a reference guide to provide that local payments and refunds are made through the appropriate channel.

Regarding the findings related to unprocessed refunds and unsecured doors, management did address these during the audit. District leadership has also followed up to make certain that refunds are processed timely and that appropriate security measures are used to protect our assets.


Sal Vacca, District Manager, Capital District

cc: Manager, Corporate Audit & Response Management