



AUDIT REPORT

Postage and Fee Refunds - Boston, MA, Fort Point Station

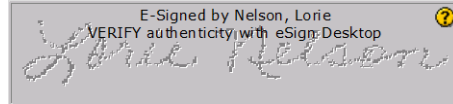
April 1, 2019





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MEMORANDUM FOR: MICHAEL W. RAKES
MANAGER, GREATER BOSTON DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Postage and Fee Refunds - Boston, MA, Fort Point Station (Report Number FCS-FM-19-006)

This report presents the results of our audit of Postage and Fee Refunds - Boston, MA, Fort Point Station (Project Number 19BFM007FCS000).

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

Attachment

cc: Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of Postage and Fee Refunds - Boston, MA, Fort Point Station (Project Number 19BFM007FCS000). The Boston, MA, Fort Point Station is located in the Greater Boston District of the Northeast 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 (OIG) data analytics identified Boston, MA, Fort Point Station had refunds by money order exceeding \$37,000 for June through August of fiscal year (FY) 2018, for Account Identifier Code (AIC)¹ 553, *Refund Postage and Fees*. Subsequent research disclosed refunds, issued by money order as well as those disbursed through Accounting Services Center, for June 2018, totaled \$281,129, the highest in the nation for that month. Except for June, prior months of Quarter (Q)3 and the subsequent months of Q4 were all less than \$500.

From June 4 through June 6, 2018, personnel processed 177 transactions at the Boston, MA, Fort Point Station for the North Reading Post Office due to a lack of resources at the North Reading Post Office. The refunds, recorded on Postal Service (PS) Forms 3533, *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*, produced at the North Reading Post Office, were for unused postage from FYs 2016 and 2017.

Objective, Scope and Methodology

The objective of this audit was to determine whether refunds for postage and fees were valid and properly supported at the Boston, MA, Fort Point Station.

The unit processed refund transactions on 60 separate days from April 1 to September 30, 2018. We selected all 10 days where refunds totaled more than \$100. In addition, we judgmentally selected one day for each of the six months in the scope period where the transaction total was less than \$100. This represented 16 days, or 27 percent, of the total days, and \$281,774, or 99.76 percent of the \$282,442 refunds processed during the scope period. To determine whether refunds for postage and fees were valid and properly supported, we reviewed daily financial records; PS Forms 3533, and attached supporting documentation maintained by the unit. We also interviewed unit personnel and Postal Service management.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).² 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

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

² 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.

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 November 2018 through April 2019 in accordance with generally accepted government auditing standards. 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 discussed our observations and conclusions with management on March 8, 2019, and included their comments where appropriate.

Finding #1: Postage and Fees Refunds

Postage and fees refunds at the Boston, MA, Fort Point Station were not always properly supported and processed. We sampled 201 transactions for review, including 24 that were initiated and processed at the Boston, MA, Fort Point Station, and 177 that were initiated at the North Reading Post Office but processed at the Boston, MA, Fort Point Station. Of the 201 transactions reviewed:

- Personnel did not properly complete 145 PS Forms 3533, for refunds totaling \$94,959. Specifically, the forms did not always have key customer or employee information or signatures, or no-fee money order information. In addition, we found instances where the AIC was either blank or was different from the account entered into Retail Systems Software.³ See [Table 1](#) for details.

Table 1. PS Form 3533 Errors

Type of Error	Instances
Customer information missing or incomplete	16
Employee name not printed or signed	62
Signature for destruction authorization missing	6
Payee signature or money order number missing	117
Witness Did Not Sign the form (if applicable)	9
AIC Blank or Different from AIC in RSS	8

Source: OIG analysis of PS Forms 3533.

- Two transactions initiated and processed at Boston, MA, Fort Point Station, totaling \$158, did not have a PS Form 3533 or other supporting documentation. We could not locate supporting documentation during our site visit and the Customer Service Manager and Supervisors have not located it to date.

³ RSS is the primary hardware and software system used to conduct retail sales transactions in post offices.

- Refund amounts on the PS Form 3533 for two transactions differed from the information on the PS Form 1412, *Daily Financial Report*. We did not find documentation explaining the difference.
- For all of the 177 refund transactions processed for the North Reading Post Office, personnel input the transactions into AIC 553 when they should have used AIC 526, Refund Spoiled or Unused Customer Meter Stamps. The district finance manager, input clerk, and supervisors at the Boston Fort Point Station could not explain why AIC 553 was used but agreed AIC 526 was proper because the refunds were for postage meter stamps or meter impressions.
- Refund transactions processed for the North Reading Post Office were not processed timely. Personnel processed refunds June 4 through June 6, 2018, for refunds initiated during FYs 2016 and 2017, for unused postage.

The Customer Service Supervisor stated the forms were not properly completed due to oversight. In addition, the Customer Service Manager stated he did not initially realize the payee signature or money order serial number needed to be completed if the form and refund had been accepted and approved.

According to the Business Mail Entry Unit (BMEU) supervisor at the North Reading Post Office, the majority of the refund requests were from a large mailer serviced by the BMEU. While he was on detail, his replacements continued to accept refunds but did not confirm processing. Also, North Reading Post Office clerks sent refund forms back to the BMEU clerks due to the large volume and lack of an online connection to Accounting Services at the time, so they remained there without processing.

Postal Service policy⁴ requires the Retail Associate (RA) ensure that the PS Form 3533 is properly completed and states that RAs must submit supporting documents to the closeout employee.⁵ Further, the correct AIC must be input in PS Form 1412 and personnel should follow guidelines in the “Disbursement For” section, which includes selection of AIC.⁶ Postal Service policy⁷ also requires that the Postal Service record revenue when earned and expenses when incurred, regardless of when the related assets and liabilities are collected or paid. Accordingly, field units are expected to record or report all accounting activity within the same month the activity occurs.

If employees at the Boston, MA, Fort Point Station do not ensure refunds are properly supported, the Postal Service risks issuing incorrect or unauthorized refunds. We consider the 145 refund transactions valued at \$94,959 as disbursements at risk.⁸

The Postal Service’s image can be harmed when customers experience lengthy delays in refunds.

⁴ Handbook F-101, *Field Accounting Procedures*, May 2017 (Draft), Section 21-1.1a-c.

⁵ Handbook F-101, May 2017 (Draft), Section 5-3.1f (1).

⁶ Handbook F-101, May 2017 (Draft), Sections 21-1.1.d and 21-1.2.d.

⁷ Handbook F-1, *Accounting and Reporting Policy*, January 2015, Section 2-1.2.

⁸ Disbursements made where proper Postal Service internal controls and processes were not followed.

As a result of our audit, the BMEU supervisor at the North Reading Post Office stated they implemented a new process at the BMEU for processing refunds. Specifically, in addition to verifying completion of PS Forms 3533 to the postage amounts and witnessing destruction of the postmarked items, the supervisor verifies, when at the North Reading Post Office, that there is no backlog. He also scans the PS Form 3533 at the BMEU and sends those files to the North Reading Post Office, so they can be processed, timely.

Recommendation #1: We recommend the Manager, Greater Boston District, reiterate to unit personnel the procedures for properly refunding stamps and postage labels and for retaining supporting documentation.

Recommendation #2: We recommend the Manager, Greater Boston District, eliminate the backlog of refund requests at the North Reading Post Office and verify implementation of a new process at the Business Mail Entry Unit for timely processing refunds.

Management's Comments

Management agreed with the findings and recommendations. However, management stated the OIG did not acknowledge that the refund transactions identified may have been legitimate or that the refunds were valid reimbursements for postage with no dollar loss.

Regarding recommendation 1, management provided employees at the Boston Fort Point Station and North Reading BMEU with procedures for properly refunding stamps and postage labels and retaining documentation as required by Handbook F-101. Management provided a copy of the procedures and sign-off sheets, dated March 15, 2019, to support their discussions.

Regarding recommendation 2, management stated the backlog of refunds at the North Reading BMEU has been abated and the office is current with all refunds. In addition, management implemented a new process at the BMEU for timely processing of refunds and provided a copy of the process as support. In subsequent correspondence, management informed us the process was implemented on January 9, 2019.

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

Evaluation of Management's Comments

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

We reviewed management's subsequent documentation and found it adequate to resolve the issues identified in this report. We consider recommendations 1 and 2 closed with the issuance of this report.

Appendix A: Management's Comments



March 25, 2019

LAZERICK POLAND
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Postage and Fee Refunds – Boston MA,
Fort Point Station – Report Number FCS-FM-19-DRAFT

The findings and recommendation outlined in the above noted audit report have been reviewed and the response is as follows.

While Management fully supports the requirement that employees complete all information fields found on PS Form 3533, it does not agree with the OIG that the \$94,959 identified in the Audit should be considered a disbursement risk. The report failed to acknowledge that these transactions may have indeed been legitimate amounts or that the refunds were valid reimbursements for postage – with no monies lost.

Recommendation #1

We recommend the Manager, Greater Boston District, reiterate to unit personnel the procedures for properly refunding stamps and postage labels and for retaining supporting documentation.

Management Response/Action Plan:

We agree with the recommendation. The Fort Point Station and the North Reading BMEU were provided with the procedures for properly refunding stamps and postage labels as well as retaining supporting documentation. The procedures were obtained from Section 21 (Refunds and Exchanges) and Appendix E (Refunds Quick Reference) from the F-101 Handbook. The procedures and signoff sheet are attached.

Target Implementation Date:

Completed

Responsible Official:

Greater Boston District Marketing Manager

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Recommendation #2:

We recommend the Manager, Greater Boston District, eliminate the backlog of refund requests at the North Reading Post Office and verify implementation of a new process at the Business Mail Entry Unit for timely processing refunds.

Management Response/Action Plan:

We agree with the recommendation. The backlog of refund requests at the North Reading Post Office has been abated and the office is current with all refunds. A new step by step process has been implemented at the Business Mail Entry Unit for timely processing of refunds. The new process is attached.

Target Implementation Date:

Completed

Responsible Official:

Greater Boston District Marketing Manager



Michael W. Rakes
District Manager, Greater Boston District

cc: VP Area Operations (Northeast)
(A) Controller (Northeast)
Finance Manager (Greater Boston)
Manager, Corporate Audit Response Management