



AUDIT REPORT

Meter Revenue Refunds - St. Paul, MN, New Brighton Branch

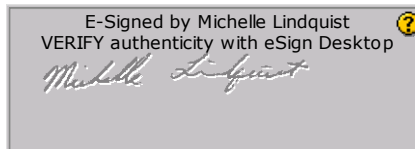
August 22, 2019





August 22, 2019

MEMORANDUM FOR: ANTHONY C. WILLIAMS
MANAGER, NORTHLAND DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Meter Revenue Refunds – St. Paul, MN, New
Brighton Branch (Report Number FCS-FM-19-022)

This report presents the results of our audit of the Meter Revenue Refunds – St. Paul, MN, New Brighton Branch (Project Number 19BFM029FCS000).

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

Attachment

cc: Postmaster General
Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of Meter Revenue Refunds – St. Paul, MN, New Brighton Branch (Project Number 19BFM029FCS000). The New Brighton Branch is in the Northland District of the Western 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 Postal Service uses Account Identifier Code (AIC)¹ 526, Refund Spoiled/Unused Customer Meter Stamps, to record refunds of spoiled/unused postage meter stamps from customer postage meters. U.S. Postal Service Office of Inspector General (OIG) data analytics identified that the New Brighton Branch recorded \$50,125 to AIC 526 from April 1 to September 30, 2018. Meter revenue refunds at the New Brighton Branch accounted for 28 percent of all refunds processed under AIC 526 in the Northland District for the same timeframe, making the New Brighton Branch the facility with the most refunds in the Northland District for the scope period.

One mailer submits large amounts of meter refunds for processing by the New Brighton Branch. In the past, the mailer dropped off the unused meter postage and Postal Service (PS) Forms 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts, directly at the New Brighton carrier annex;² however, the annex and branch did not have enough staff to process such a large volume of refunds on a regular basis. About three years ago, the Western Area developed a centralized meter revenue refund process for certain high-volume customers in the Northland District. The new process requires the mailer to drop off the PS Form 3533 and unused meter stamped material directly at the Minneapolis Main Office,³ where they are verified by a clerk and sent to the on-site shredder for destruction.⁴ A Western Area field financial specialist at the Minneapolis Main Office reviews the documentation and sends it to the New Brighton Branch for processing and payment of the refund.

Objective, Scope, and Methodology

The objective of this audit was to determine whether meter revenue refunds were properly issued, supported, and processed at the St. Paul, MN, New Brighton Branch. To accomplish our objective, we reviewed daily financial records, PS Forms 3533, and attached supporting documentation maintained by the unit related to 101-meter refunds from April 1 to September 30, 2018. We also extracted and analyzed Enterprise Data Warehouse (EDW)⁵ data for these transactions, traced meter refund source documents

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

² This facility is located a half-mile away from the New Brighton Branch and unit management for the branch are domiciled at the annex.

³ Personnel responsible for the centralized meter revenue refund process are domiciled at the Minneapolis Main Office.

⁴ The shredder and pending refunds are kept in a secured locked room.

⁵ 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.

to entries made in accounting records, and interviewed unit personnel and Postal Service managers.

We relied on computer-generated data from EDW. 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 June through August 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 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 August 2, 2019, and included their comments where appropriate.

Finding #1: Postal Service Form 1412 Daily Review

New Brighton Branch personnel did not reconcile information on PS Forms 1412, Daily Financial Report,⁶ to PS Forms 3533 as required by Retail Systems Software (RSS)⁷ unit closeout procedures. Specifically, the closeout employee⁸ did not verify and certify in the RSS that entries on PS Forms 1412 matched the amounts on PS Forms 3533, and unit management did not verify AIC 526 or 280⁹ entries on PS Forms 1412 to those on PS Forms 3533.

Postal Service policy requires the closeout employee to verify that entries on PS Forms 1412 match the amounts on PS Forms 3533.¹⁰ Policy also requires field unit managers to review supporting documentation for all entries on daily PS Forms 1412, including reviewing PS Forms 3533 to ensure they are completed properly and have the appropriate signatures.¹¹

The New Brighton Branch Manager, Customer Services, stated that he believed the closeout employee was comparing PS Forms 3533 to the appropriate AICs on PS Forms 1412. He also stated that he would receive an automated email if PS Forms 1412 did not balance. The New Brighton Branch supervisor, Customer Services, stated that he had compared PS Forms 3533 to PS Forms 1412 in the past at other stations but did not do it at New Brighton because no one ever told him to do so. The closeout employee stated that he stopped comparing PS Forms 3533 to PS Forms 1412 when

⁶ Provides individual Sales and Service Associates (SSA) and retail units with a uniform method to report financial transactions.

⁷ The primary hardware and software system used to conduct retail sales transactions at post offices.

⁸ For the New Brighton Branch, the SSA was responsible for verifying the PS Form 1412, preparing the bank deposit, and completing all the supporting documentation that accompanies it.

⁹ AIC 280, Disbursement Sent to ASC, is used to record funds due to a customer and processed through the Accounting Services with an authorized PS Form 3533.

¹⁰ Handbook F-101, *Field Accounting Procedures* DRAFT, Section 5-3, RSS-Unit Closeout (j)(3), May 2017.

¹¹ Handbook F-101, Sections 2-4.1 and 2-4.1(e).

another employee took over the task of processing the majority of the refunds because he trusted the other employee knew what he was doing.

When unit management and employees do not ensure that refunds reported on daily PS Forms 1412 are properly supported, the Postal Service risks issuing incorrect or unauthorized refunds.

Recommendation #1: We recommend the **Manager, Northland District**, provide refresher training for the Retail Systems Software unit closeout process to all unit personnel, reiterating the requirements for reconciling information on Postal Service Form 1412, Daily Financial Report, to Postal Service Forms 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts.

Finding #2: Meter Refund Documentation

New Brighton Branch unit personnel did not properly process and maintain PS Forms 3533 or supporting documentation for all 101 meter refunds processed from April 1 to September 30, 2018. Specifically, of the PS Forms 3533 reviewed:

- One form totaling \$1,459 was missing both supervisor and witness signatures — which certify the destruction of the refunded postage — in Part 3 (Postage or Meter Stamps) and processing charges were calculated incorrectly due to an oversight by the SSA. The processing charge is 10 percent of the face value of the refund, or \$50 per hour if the refund is over \$500. The processing charges for this refund were erroneously calculated at 10 percent of the face value even though the value of the refund exceeded \$500. Postal Service policy states that retail unit employees calculate the amount to be refunded and complete Part 3, Postage or Meter Stamps, of PS Form 3533.¹²
- One form totaling \$17 was missing a witness signature to certify destruction of the refunded postage in Part 3, and another form totaling \$6 could not be located. The Western Area field financial specialist who coordinates with unit personnel on the primary customer requesting meter refunds stated that the missing signature was an oversight on the part of the mailing requirements clerk at the Minneapolis Main Office. The clerk verified the destruction of refunded postage for the specialist prior to sending the form to the unit for processing. The Customer Services supervisor stated that the missing PS Form 3533 was an oversight and could simply have been misplaced.

Postal Service policy requires that the supervisor and a witness certify the destruction of refunded postage and both sign Part 3 of PS Form 3533.¹³ Policy also

¹² Handbook F-101, Section 21-2.2b.

¹³ Handbook F-101, Section 21-2.2d.

requires employees to retain PS Forms 3533 for a period of two years plus the current fiscal year.¹⁴

- Eight forms totaling \$117 were processed using incorrect reason codes for the money orders.¹⁵ The SSA selected Code 35, Refunds-PO Box Fees & Miscellaneous Revenue, instead of Code 34, Refunds-Spoiled/Unused Meter Postage, as required. In addition, two of these refunds were not recorded properly to AIC 526, as we were unable to match these refunds to a PS Form 1412. The SSA stated that he followed the instructions provided by the Western Area field financial specialist and the prompts in the RSS system, so he is unsure why the wrong code was used and why the two refunds were not recorded properly in the system.

Postal Service policy states that the reason code to be used for no-fee money orders for AIC 526 refunds is Code 34.¹⁶ Policy also states the SSA must enter the amount of the refund in the appropriate refund AIC on PS Form 1412.¹⁷

- Although 101 PS Forms 3533 totaling \$50,125 and PS Forms 1412 were available at the unit, they were not maintained together. This occurred due to a miscommunication between the Customer Services supervisor and the Western Area field financial specialist.

Postal Service policy states the SSA must submit a PS Form 3533 as supporting documentation for PS Form 1412.¹⁸

If New Brighton Branch employees do not ensure that refunds are properly supported, the Postal Service risks issuing incorrect or unauthorized meter revenue refunds. In addition, refunds not properly recorded in the RSS impact the Postal Service's ability to report accurate financial records.

We consider the refunds with missing and incomplete documentation valued at \$1,459, to be unsupported questioned costs.¹⁹

Recommendation #2: We recommend the **Manager, Northland District**, provide refresher training on the refund process to all unit personnel, reiterating the requirements for processing meter revenue refunds, maintaining supporting documentation, and properly completing Postal Service Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts.

¹⁴ Handbook F-101, Appendix D, Forms and Retention Periods.

¹⁵ All eight refunds were under \$25.

¹⁶ Handbook F-101, Exhibit B-4.

¹⁷ Handbook F-101, Section 21-1.1d.

¹⁸ Handbook F-101, Sections 21-1.1f and 21-1.2f.

¹⁹ A subset of questioned costs. Claimed because of failure to follow policy or required procedures, but does not necessarily connote any real damage to the Postal Service.

Management's Comments

Management agreed with the findings and recommendations. In subsequent correspondence, management stated that they agreed with the monetary impact.

Regarding recommendation 1, the lead SSA and supervisor will notate and initial both PS Forms 1412 and 3533 to show their review and file the forms in a folder together daily. Local management will provide refresher training by August 31, 2019.

Regarding recommendation 2, management will re-train SSAs by August 31, 2019. Training will ensure the accuracy of codes AIC 526 and no-fee money-order reason code 34. In addition, the supervisor will review PS Forms 3533 for mistakes prior to signing them.

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. The corrective actions planned should resolve the issues identified in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when the corrective actions are completed. Both recommendations 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

Anthony C. Williams
District Manager, Customer Service and Sales
Northland District



August 19, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Meter Revenue Refunds
St. Paul, MN - New Brighton Branch
FT-FM-19-DRAFT

Management agrees with the OIG finding that the New Brighton Branch personnel did not reconcile information on PS Forms 1412, Daily Financial Report, to PS Forms 3533, Application for Refund of Fees, Products, and Withdrawal of Customer Accounts, as required by Retail Systems Software (RSS) unit closeout procedures.

Although the New Brighton Branch Manager, Customer Services, stated that he believed the closeout employee was comparing PS Forms 3533 to the appropriate AICs on PS Forms 1412, he agrees that the Lead Sales and Services Associate (SSA) did not physically verify PS Form 3533 to the 1412 to ensure AIC 526 matched the amount on PS Form 3533 and 1412 during this audit. The Lead SSA relied solely on RSS software during the daily closeout.

Recommendation #1:

We recommend the **Manager, Northland District**, provide refresher training for the Retail Systems Software unit closeout process to all unit personnel, reiterating the requirements for reconciling information on Postal Service Form 1412, Daily Financial Report, to Postal Service Forms 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts.

Management Response/Action Plan:

Management agrees that refresher training is warranted; however, the training will be given by the local Management team; not the Manager, Northland District. The course of action is outlined below:

- The Lead SSA will circle and initial the amount on the PS Form 1412 and the total of associated PS Form 3533 to indicate it was compared and that it matches.
- The supervisor will initial the amount on the PS Form 1412 and the amount on PS Form 3533 to show oversight of the process.
- PS Form 1412 and PS Form 3533 will be kept together and filed daily in a folder labeled by the date it was completed.

Anthony C. Williams
District Manager, Customer Service and Sales
Northland District

Target Implementation Date:
August 31, 2019

Responsible Official:
Manager, Customer Service – New Brighton, MN

Management agrees with the OIG finding that the New Brighton Branch personnel did not properly process and maintain PS Forms 3533, Application for Refund of Fees, Products, and Withdrawal of Customer Accounts or supporting documentation for all 101-meter refunds processed from April 1 to September 30, 2018.

The PS Form 3533 for \$1,459 was missing signatures from a supervisor and a witness certifying destruction of the refunded postage. The processing charges were incorrectly calculated. All new PS Forms 3533 will be check for the required signature prior to the form being processed.

Recommendation #2:

We recommend **the Manager, Northland District**, provide refresher training on the refund process to all unit personnel, reiterating the requirements for processing meter revenue refunds, maintaining supporting documentation, and properly completing Postal Service Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts.

Management Response/Action Plan:

Management agrees that refresher training is warranted; however, the training will be given by the local Management team; not the Manager, Northland District. The course of action is outlined below:

- Management has made the SSA aware of the missed calculation.
- Prior to signing the PS Form 3533, the supervisor will verify it for mistakes.
- All SSAs will be re-trained, by local management, to ensure the accuracy of codes AIC 526 and Code 34 – Refunds-Spoiled/Unused Meter Postage are entered for customer refunds and that the amount of the refund is entered in the appropriate AIC on PS Form 1412.

Target Implementation Date:
August 31, 2019

Responsible Official:
Manager, Customer Service – New Brighton, MN

Anthony C. Williams
District Manager, Customer Service and Sales
Northland District



Anthony C. Williams
District Manager, Customer Service and Sales
Northland District

cc: [REDACTED] A/Controller, Western Area
[REDACTED] Manager, Accounting, Western Area
[REDACTED] A/Postmaster, St Paul, MN
[REDACTED] Manager, Finance, Northland District
[REDACTED] Manager, Customer Service Operations, St Paul, MN
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