



AUDIT REPORT

Meter Revenue Refunds - Daphne, AL, Post Office

September 13, 2019

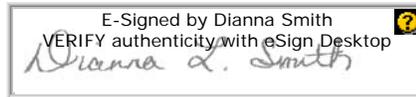


Report Number FCM-FM-19-029



September 13, 2019

MEMORANDUM FOR: SAMUEL E. JAUDON
MANAGER, ALABAMA DISTRICT



FROM: *for*
Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Meter Revenue Refunds – Daphne, AL, Post Office (Report Number FCS-FM-19-029)

This report presents the results of our audit of Meter Revenue Refunds – Daphne, AL, Post Office (Project Number 19BFM033FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Mary Aleman, Operational 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 - Daphne, AL, Post Office (Project Number 19BFM033FCS000). The Daphne Post Office is located in the Alabama District of the Southern 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 Daphne Post Office had \$60,161 recorded to account identifier code (AIC)¹ 526, Refund Spoiled or Unused Customer Meter Stamps, from January 1 to March 31, 2019. Meter revenue refunds for the Daphne Post Office accounted for 76 percent of all refunds processed under AIC 526 within the Alabama District for the same timeframe. This percentage ranked the Daphne Post Office as the highest in the Alabama District and the third highest in the nation for the scope period.

Customers submit Postal Service (PS) Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts, to request a refund. The sales and services associate (SSA) reviews and issues the refund if it under \$1,000. SSAs issue cash (up to \$25) or a no-fee money order (from \$25.01 up to \$1,000) refund. Refunds greater than \$1,000 are issued by the San Mateo, CA, Accounting Services.

Objective, Scope, and Methodology

The objective of the audit was to determine whether meter revenue refunds were properly issued, supported, and processed at the Daphne Post Office. We reviewed daily financial records, PS Forms 3533, and attached supporting documentation maintained at the unit from January 1 to March 31, 2019. In addition, we interviewed unit and management personnel.

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 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 July through September 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 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 resources.

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 August 27, 2019, and included their comments where appropriate.

Finding #1 Meter Revenue Refunds

Meter revenue refunds were not always properly issued, supported, and processed at the Daphne Post Office. On January 30, 2019, unit personnel recorded one refund to AIC 526 valued at \$60,161,³ which unit personnel processed through the San Mateo Accounting Services.⁴ We determined the Postage Affixed on Business Reply Mail (BRM) or Meter Stamps section of the PS Form 3533 was not properly completed. Specifically,

- The SSA did not properly calculate the charges assessed for processing the meter revenue refund based on PS Form 3533. The SSA assessed a 10 percent charge to process the refund. Both the SSA and the postmaster thought the unit assessed a charge of 10 percent of the total amount of the meter revenue refund request, regardless of the total amount. In addition, the postmaster stated the instructions for calculating the refund on PS Form 3533 is confusing. The SSA had never received formal training on the process. Postal Service policy states that charges for postage affixed BRM pieces or meter stamps are assessed at 10 percent of face value if the total is \$500 or less. If the total face value is more than \$500, a charge of \$50 per hour is assessed for the actual hours used to process postage affixed on BRM pieces or meter stamps refunds; the minimum charge is \$50.⁵
- The postmaster signed the PS Form 3533 certifying the destruction of the unused meter revenue postage pieces without having witnessed the actual destruction. The postmaster stated he signed the Postage Affixed on BRM or Meter Stamps section of the PS Form 3533 because he thought he was verifying the refund amount and not certifying the destruction of unused metered revenue postage pieces. According to the SSA and the postmaster, instead of destroying the unused meter revenue pieces immediately, they were placed in an unlocked storage room for about six weeks. The unused meter postage pieces were kept in case additional verification was needed. This was the first meter revenue refund the postmaster processed for a large amount. The SSA stated he disposed of the unused meter postage when a recycling truck visited the unit.

Postal Service policy states post offices must destroy customer postage affixed on BRM or meter stamps to prevent reuse. The manager and a witness must sign to certify that the meter impressions submitted for refund were destroyed.⁶

³ Refund request amount \$66,845 less the processing fee charge of \$6,684.

⁴ A local mailer set its postage meter for the wrong postage dollar value, which resulted in printing excess postage on mailing envelopes. The mailer set its postage meter for \$50.00, \$65.00, and \$80.00 instead of \$0.50, \$0.65, and \$0.80.

⁵ *Postal Operations Manual (POM)*, Issue Number 9, July 2002, Section 145.11, and PS Form 3533, Part 3.

⁶ POM, Section 145.11, and Handbook F-101, *Field Accounting Procedures – Draft*, Section 21-1, May 2017.

When meter revenue refunds are not properly calculated, including the processing fee, the Postal Service risks issuing an incorrect refund to the customer. In addition, when meter revenue postage pieces are not properly destroyed, the Postal Service risks having the postage used for mailings. While we did not identify any revenue loss, we consider the \$60,161⁷ in meter postage not properly destroyed and stored in an unsecure location as unsupported questioned costs.⁸

During the audit, we also determined the unit was not using the most recent PS Forms 3533, dated December 2016, but was instead using the August 2008 version. The unit took corrective action and ordered updated PS Forms 3533; therefore, we will not be making a recommendation on this issue.

Recommendation #1: We recommend the **Manager, Alabama District**, direct the **Postmaster, Daphne Post Office**, to reiterate and train applicable unit personnel on issuing meter revenue refunds, including calculating the appropriate processing fee; destroying meter postage pieces; and properly completing Postal Service Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts.

Management's Comments

Management agreed with the finding, recommendation, and monetary impact. The District Manager directed the District Marketing Manager to provide PS Form 3533 training to Daphne Post Office personnel and management. This training took place on September 6, 2019. In addition, the postmaster stated the management staff will receive training from Alabama District subject matter experts regarding closeout procedures that include training on refunds.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation in the report and corrective actions should resolve the issues identified in the report. Although the closeout procedures were more than we requested in recommendation 1, we believe it would benefit the management staff to complete as will. We reviewed management's correspondence supporting recommendation 1 and found it adequate to resolve the issues identified in this report. We consider recommendation 1 closed with the issuance of this report.

⁷ The value of the metered postage refund request was \$66,845. The unit charged a 10 percent processing fee valued at \$6,684.50, resulting in a net refund amount of \$60,160.50

⁸ A weaker claim and a subset of questioned costs. Claimed because of failure to follow policy or required procedures, but does not necessarily connote any real damage to Postal Service.

APPENDIX A. MANAGEMENT'S COMMENTS

DISTRICT MANAGER
ALABAMA DISTRICT



September 3, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Postage, Fees, and Meter Revenue Refunds
Daphne, AL, Daphne Post Office (Report # FCS-FM-19-DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report "Postage, Fees, and Meter Revenue Refunds, Daphne, AL, Daphne Post Office (Report Number FCS-FM-19-DRAFT)."

Management agrees with the findings, monetary impacts, and recommendations of the OIG pertaining to the Daphne Post Office.

Recommendation #1:

We recommend the Manager, Alabama District, direct the Postmaster, Daphne Post Office, to reiterate and train applicable unit personnel on issuing meter revenue refunds, including calculating the appropriate processing fee; destroying meter postage pieces; and properly completing Postal Service Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts.

Management Response/Action Plan:

District Manager Samuel Jaudon directed the [REDACTED] on September 3rd, 2019 to provide immediate and sufficient training regarding postal refunds to the management staff and window clerks at the Daphne Post Office.

[REDACTED] will make available the management staff and clerks at the Daphne Post Office to receive training from the Alabama District subject matter experts (SMEs) regarding closeout procedures that included training on postal refunds (PS Form 3533).

Target Implementation Date:

September 9th, 2019

Responsible Official:

[REDACTED] is the responsible official.

A handwritten signature in blue ink that reads "Samuel Jaudon".

Samuel Jaudon

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