



## AUDIT REPORT

# Refund Permit Postage – Memphis, TN, Main Office Window Service

September 17, 2019



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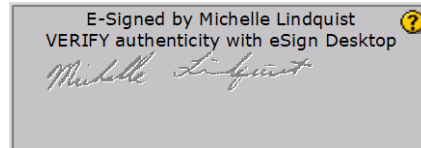
Report Number FCS-FM-19-030



September 17, 2019

**MEMORANDUM FOR:**

CHRISTOPHER L. ALEXANDER  
MANAGER, TENNESSEE DISTRICT



**FROM:**

Michelle Lindquist  
Director, Financial Controls

**SUBJECT:**

Audit Report – Refund Permit Postage – Memphis,  
TN, Main Office Window Service  
(Report Number FCS-FM-19-030)

This report presents the results of our audit of the Refund Permit Postage – Memphis, TN, Main Office Window Service (Project Number 19BFM032FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Mary Aleman, 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 Refund Permit Postage – Memphis, TN, Main Office Window Service, (Project Number 19BFM032FCS000). The Memphis Main Office Window Service is in the Tennessee District of the Eastern Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

Business Reply Mail (BRM) is a service provided by the Postal Service that enables a permit holder to provide a recipient a prepaid method for replying to a mailing. Permit holders request refunds when postage has been applied to the prepaid mailing. To obtain a refund, permit holders must submit postage-affixed BRM, and the required Postal Service (PS) Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts.

The Postal Service assesses fees to process the refunds and deducts them from the permit holder's refund amount. The postage-affixed BRM refunds are reported in account identification code (AIC)<sup>1</sup> 528, Refund Permit Postage and Fees Amount. The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified that the Memphis Main Office Window Service had \$68,892 recorded to AIC 528 from April 1 to June 30, 2019. Permit-postage refunds for the Memphis Main Office Window Service accounted for 93 percent of all refunds processed under AIC 528 within the Tennessee District for the same timeframe. Further, the permit-postage refunds for the Memphis Main Office Window Service were the third highest in the nation for the scope period.

## Objective, Scope, and Methodology

The objective of this audit was to determine whether permit-postage refunds were valid, properly supported, and processed at the Memphis, TN, Main Office Window Service. To accomplish our objective, we analyzed supporting documentation for six permit-postage refunds charged to AIC 528 between April 1 and June 30, 2019. We also interviewed unit personnel and Postal Service management responsible for the oversight and processing of permit-postage refunds.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).<sup>2</sup> 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 employees. We determined the data were sufficiently reliable for the purposes of this report.

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

<sup>2</sup> 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.

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 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 conclusion based on our audit objective. We discussed our observations and conclusions with management on August 26, 2019, and included their comments where appropriate.

## **Finding #1: Permit Postage Refunded**

Permit-postage refunds were valid and supported; however, the refunds were not always properly processed at the Memphis Main Office Window Service. Specifically, for the six PS Forms 3533 we reviewed, managers or a supervisor and a witness certified that postage affixed on BRM or meter stamps was destroyed before the BRM pieces were actually destroyed. Unit personnel believed the signature indicated the amounts were correct but not that the BRM pieces were destroyed. Unit personnel stated the BRM pieces were placed in the lower level of the unit awaiting destruction, which can take up to two weeks.

Postal Service policy states the supervisor and a witness certify the destruction by signing the Postage Affixed on the BRM or Meter Stamps section of PS Form 3533.<sup>3</sup> The section of the form also has the following statement above the supervisor or manager signature box: “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 listed above were destroyed.”

Based on our previous audit, the unit had similar issues reported.<sup>4</sup> In December 2018, management provided the OIG with planned corrective actions, which included providing applicable personnel BRM training; ensuring a manager or supervisor signed all PS Forms 3533; and following up on the destruction of the BRM pieces within a 24-hour period.<sup>5</sup> However, signing the form prior to the destruction of BRM pieces is in conflict with Postal Service policy. In addition, the unit personnel performing the destruction was different from the individuals who signed the form. Further, the manager or the witness who certified the destruction on the form is not notified when the BRM pieces are actually destroyed.

When personnel do not adhere to Postal Service policy regarding destruction of refunded customer postage affixed on BRM or meter stamps, the Memphis Main Office Window Service is at risk of permit postage being reused.

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<sup>3</sup> Handbook F-101, *Field Accounting Procedures*, (Draft), Section 21-2.2, May 2017.

<sup>4</sup> *Business Reply Mail Refunds – Memphis, TN, Main Post Office* (Report Number FCS-FM-19-005, dated March 26, 2019).

<sup>5</sup> *Improving BRM Refunds Process – Memphis Main Office Window*, dated December 2018.

We consider the \$68,892 as disbursements at risk<sup>6</sup> because the unit did not follow policy regarding certifying that the destruction occurred.

**Recommendation #1:** We recommend **the Manager, Tennessee District**, direct the **Postmaster, Memphis Post Office**, to revise the unit's destruction procedures to be consistent with Postal Service policy.

## Management's Comments

Management agreed with the recommendation. They implemented procedural changes to ensure all PS Forms 3533 are certified and signed by a witness, refund materials are destroyed prior to signing the PS Form 3533, and the employee performing the destruction certifies the PS Form 3533.

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

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the finding and recommendation in the report. The corrective action should resolve the issues identified in the report.

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

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<sup>6</sup> Disbursements made where proper Postal Service internal controls and processes were not followed.

## APPENDIX A. MANAGEMENT'S COMMENTS

DISTRICT MANAGER  
TENNESSEE DISTRICT



09/11/2019

LAZERICK POLAND  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Refund Permit Postage Memphis, TN, Main Office Window Service  
(Project Number 19BFM032FCS000)

### WHAT THE OIG FOUND:

#### Finding #1: Permit Postage Refunded:

Permit-postage refunds were valid and supported; however, the refunds were not always properly processed at the Memphis Main Office Window Service. Specifically, for the six PS Forms 3533 we reviewed, managers or a supervisor and a witness certified that postage affixed on BRM or meter stamps was destroyed before the BRM pieces were actually destroyed. Unit personnel believed the signature indicated the amounts were correct but not that the BRM pieces were destroyed. Unit personnel stated the BRM pieces were placed in the lower level of the unit awaiting destruction, which can take up to two weeks.

Postal Service policy states the supervisor and a witness certify the destruction by signing the Postage Affixed on the BRM or Meter Stamps section of PS Form 3533.<sup>1</sup> The section of the form also has the following statement above the supervisor or manager signature box: "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 listed above were destroyed."

Based on our previous audit, the unit had similar issues reported.<sup>2</sup> In December 2018, management provided the OIG with planned corrective actions, which included providing applicable personnel BRM training; ensuring a manager or supervisor signed all PS Forms 3533; and following up on the destruction of the BRM pieces within a 24-hour period.<sup>3</sup> However, signing the form prior to the destruction of BRM pieces is in conflict with Postal Service policy. In addition, the unit personnel performing the destruction was different from the individuals who signed the form. Further, the manager or the witness who certified the destruction on the form is not notified when the BRM pieces are actually destroyed.

When personnel do not adhere to Postal Service policy regarding destruction of refunded customer postage affixed on BRM or meter stamps, the Memphis Main Office Window Service is at risk of permit postage being reused.

#### **Recommendation #1**

We recommend the Manager, Tennessee District, direct the Postmaster, Memphis Post Office, to revise the unit's destruction procedures to be consistent with Postal Service policy.

<sup>1</sup> Handbook F-101, *Field Accounting Procedures*, May 2017 (Draft), Section 21-2.2.

<sup>2</sup> *Business Reply Mail Refunds – Memphis, TN, Main Post Office*, Report Number FCS-FM-19-005, dated March 26, 2019.

<sup>3</sup> *Improving BRM Refunds Process – Memphis Main Office Window*, dated December 2018.

**Management Response/Action Plan:**

Management agrees with the recommendation set forth by this audit.

In order to satisfy the proposed recommendations, we will implement the following procedural changes solutions:

- Ensure that all PS Form 3533s are certified and signed by a witness.
- Ensure refund materials are destroyed prior to signing of the PS Form 3533.
- Ensure that the employee performing the destruction certifies the PS Form 3533.

**Target Implementation Date:**

The aforementioned procedural changes were implemented on September 02, 2019

**Responsible Official:**

[REDACTED] is responsible for the implementation of the proposed recommendations.



Christopher L. Alexander

District Manager  
Tennessee District

*cc: copy those that were copied on the OIG draft audit report, plus  
Manager, Corporate Audit Response Management*