



AUDIT REPORT

Refunds of Permit Postage - Washington, D.C. Main Office Window

February 3, 2021



Report Number 21-065-R21



February 3, 2021

MEMORANDUM FOR: WENDY MCLLWAIN
ACTING MANAGER, CAPITAL DISTRICT

Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Draft Report – Refunds of Permit Postage - Washington,
D.C. Main Office Window (Project Number 21-065)

This report presents the results of our audit of Refunds of Permit Postage - Washington, D.C. Main Office Window.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna Smith, 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 Refunds of Permit Postage - Washington, D.C. Main Office Window (MOW) (Project Number 21-065). The Washington, D.C. MOW is located in the Capital District of the Atlantic Area.¹ 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 sender to provide a recipient with a convenient, prepaid method for replying to a mailing. Customers request refunds when postage has been applied to the prepaid mailing. To obtain a refund, customers 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 customer's refund amount.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified Washington, D.C. MOW permit postage refunds totaling about \$978,640² for fiscal year (FY) 2020³ which is 98 percent of the district total and the highest in the nation. The office issued more BRM refunds compared to other post offices because companies located in other states purchased their BRM permits with a Washington, D.C. address. The refund total for this account is 46 percent of the unit's year-end total revenue of about \$2 million for Washington, D.C. MOW. In addition, we identified several months with little or no refund activity (see [Table 1](#)).

Table 1. Monthly Refund Totals for AIC 528

FY 2020 Month	AIC 528 Amount
October	\$80,790
November	40,213
December	162,746
January	77,222
February	98,208
March	151,779
April	44,208
May	88,107
June	0
July	67,295
August	6
September	168,074
TOTAL	\$978,648

Source: OIG analysis.

¹ Capital District was previously in the Capital Metro Area prior to reorganization of Postal Service Areas, Districts, Divisions, and Regions which was initiated in August 2020.

² Account Identifier Code (AIC) is used to classify financial transactions to the proper general ledger account. AIC 528, *Refund Permit Postage and Fees*, is used to record refunds related to postage affixed to a BRM envelope.

³ October 1, 2019 through September 30, 2020.

Objective, Scope and Methodology

The objective of this audit was to determine whether postage affixed BRM refunds were properly issued, supported, and processed at the Washington, D.C. MOW.

To accomplish our objective we analyzed refund data, conducted interviews with unit personnel and Postal Service management, and observed responsible personnel to determine process for issuing BRM refunds. In addition, we randomly selected 122 of 309 refunds, over \$1,000 for a review of supporting documentation.⁴ The 309 refunds over \$1,000 represents 85 percent of the total refunds for FY 2020 at this unit.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW)⁵ system. 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 that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from December 2020 through February 2021 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 January 22, 2021, and included their comments where appropriate.

Finding 1: Business Reply Mail Refunds

Refunds for postage affixed BRM were valid and properly supported using PS Form 3533; however, unit personnel did not always timely process the refunds. We reviewed the dates for submission of the refund form, destruction date documented, and the payment date (see [Table 2](#)).

⁴ PS Forms 3533.

⁵ A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

Table 2. Aging of Processed PS Forms 3533

Number of Days to Process Forms	Number of Refund Forms Processed	Amount	Forms Processed Timely
0-30 Days	4	\$19,647.05	Yes
31-60 Days	86	256,367.38	Yes
61-90 Days	19	44,586.99	No
91-120 Days	2	3,462.15	No
121-150 Days	7	22,120.68	No
151-180 Days	4	7,707.04	No
TOTAL	122	\$353,891.29	

Source: OIG analysis.

We identified that 32 of 122 (26.2 percent) PS Forms 3533 exceeded 60 days from submission of the refund request to the payment date. Postal Service policy⁶ states spoiled and unused postage meter stamp refunds for more than \$1,000 must be processed within 60 days.⁷

Management stated the delay in processing is due to their reliance on the Government Mail Annex⁸ that performs the destruction. Washington, D.C. MOW does not have a shredder to destroy the stamped BRM. Therefore, after the unit receives and verifies the PS Form 3533, the form and the stamped BRM envelopes are sent to the Government Mail Annex Station. Personnel at that facility perform the destruction and complete the portion of the PS Form 3533 pertaining to the destruction of the stamped BRM.⁹ Once the signed form is returned to the Washington, D.C. MOW, the clerk proceeds with processing the payment. The Washington, D.C. MOW clerk stated they often need to call the personnel at the Government Mail Annex Station to expedite receipt of the necessary forms. Variance in amounts by month are based on number of customers submitting BRM envelopes at any one time and the turnaround for processing time for the destruction of the envelopes prior to payment.

If processing is delayed, it creates a backlog of work for the personnel at the unit. In addition, the Postal Service's image¹⁰ can be harmed when customers experience lengthy delays in refunds.

⁶ *Postal Operations Manual*, POM Issue 9, July 2002, Section 145.11.k.

⁷ Based on prior audit *Financial Controls Policy for Retail Units*, Report Number 20-264-R20, August 2019 Postal Service is updating policy to reflect change in amount from \$500 to \$1,000. It is planned to be updated by April 30, 2021.

⁸ A neighboring station with a commercial shredder located approximately 3 miles from the unit.

⁹ The refund form is signed by the person performing the destruction and the person who witnessed the envelope destruction.

¹⁰An actual or potential event or problem that could harm the reputation of the Postal Service.

Recommendation #1: We recommend the Manager, Capital District, evaluate alternatives for shredding or destroying refunded Business Reply Mail envelopes.

Management's Comments

Management agreed with the finding and recommendation.

Regarding recommendation 1, management agreed alternatives for shredding should be evaluated; however, at this time it is not feasible to install an industrial shredder at the Washington, D.C. Main Office Window. Management will establish dispatches to the Government Mail Annex Station, Monday through Friday. The Customer Service Manager will monitor dispatches to ensure timely destruction of the mail sent and the timely completion of Part 3 of the PS Form 3533. In addition, a log will be established to track dispatches of mail sent to the Government Mail Annex Station and when the mail was received and shredded. Management further stated two employees will be trained to serve as backup for the principal employee responsible for processing refunds to avoid lapses in processing of Business Reply Mail refunds.

The target implementation date is February 28, 2021.

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 and corrective actions should resolve the issue identified in the report. The recommendation requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. The recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendix A: Management's Comments



February 1, 2021

JOSEPH E. WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Refunds of Permit Postage - Washington,
D.C. Main Office Window (Project Number 21-065)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report, "Refunds of Permit Postage- Washington D.C. Main Office Window". Management agrees with the findings as outlined in the report. Management agrees with the recommendation and will address per the response below.

Recommendation #1

We recommend the Manager, Capital District, evaluate alternatives for shredding or destroying refunded Business Reply Mail envelopes.

Management Response/Action Plan

Management agrees that alternatives for shredding should be evaluated however at this time, it is not feasible to reposition the industrial shredder to the physical location of the Main Office Window Unit. There will be dispatches from the MOW put in place to the V Street location Monday through Friday. The Supervisor, Customer Service will monitor the dispatches to ensure daily destruction takes place. The Supervisor, Customer Service will also ensure Part 3 of PS Form 3533 is completed in a timely manner. In addition, we will train two back up employees to ensure coverage at the MOW to avoid lapses in processing of BRM. A log is being put in place to record mail being sent to the V Street location for shredding and when the mail was received and shredded. A copy of this log will be provided to request closure.

Target Implementation Date

February 28, 2021

Responsible Official

Supervisor, Customer Service, Main Office Window

A handwritten signature in cursive script, appearing to read "Dr. Wendy McIlwain".

Dr. Wendy McIlwain, District Manager (a), Capital District

cc: Manager, Corporate Audit & Response Management