



## AUDIT REPORT

# Permit and Postage Validation Refunds - Topeka, KS, Northpark Station

April 13, 2018



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Report Number FCS-FM-18-012



April 13, 2018

**Permit and Postage Validation Refunds -  
Topeka, KS, Northpark Station**  
Report Number FCS-FM-18-012

**OBJECTIVE:**

The objective of this audit is to determine whether permit postage and fees, and voided Postage Validation Imprinter (PVI) label refunds were properly issued, supported, and processed at the Topeka, KS, Northpark Station. The PVI is a printing device attached to a point-of-sale terminal that produces a postage label for payment of postage and fees.

U.S. Postal Service Office of Inspector General (OIG) data analytics identified the Northpark Station had a 93 percent increase in dollars for refunds and voids from April 1 to September 30, 2017, compared to the same period in fiscal year 2016. Of the \$24,371 in refunds and voids, \$21,469, or 88 percent, were recorded to the refund permit postage and fees account. An additional \$2,522, or 10 percent, of the refunds and voids were recorded in the voided PVI labels account.

**WHAT THE OIG FOUND:**

Refunds for permit postage and fees and voided PVI labels were not always properly issued, supported, and processed at the Northpark Station. Specifically, unit personnel:

- Did not properly process all 35 refunds reviewed for permit reply mail returned with postage affixed, totaling \$21,469. The supervisor did

not witness the destruction of the reply mail or properly verify the refunds.

- Issued 36 refunds totaling \$326 for voided PVI labels without a required witness certification or a notation that a witness was unavailable.
- Issued refunds totaling \$179 for voided PVI labels on eight of 91 dates without proper supporting documentation.
- Did not review the daily financial report supporting documentation for refund entries during the April 1 to September 30, 2017, timeframe.

Management stated they were unaware of their responsibilities to ensure refunds were properly issued, supported and processed; were assigned for limited hours each day at the Northpark Station; or had other areas of responsibilities at this station.

The Postal Service is at risk for issuing incorrect, invalid, or duplicate refunds when disbursements are not properly witnessed and verified. In addition, improper PVI refunds may not be detected without supervisory review.

As a result of this audit, management informed us that effective March 20,

2018, they implemented procedures to verify the dollar amount of permit reply mail with postage affixed and its destruction. Further, a supervisor is now reviewing the daily financial report supporting documentation for permit postage and PVI refunds.

***WHAT THE OIG RECOMMENDED:***

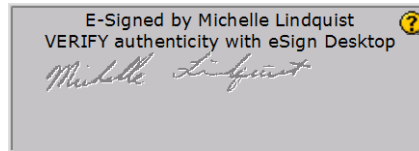
Because management took corrective actions, we are not making any recommendations at this time. However, we may follow up in the future as part of our ongoing financial controls audits.

*[Link to review the entire report](#)*



April 13, 2018

**MEMORANDUM FOR:** RICHARD L. PIVOVAR  
MANAGER, CENTRAL PLAINS DISTRICT



**FROM:** Michelle Lindquist  
Director, Financial Controls

**SUBJECT:** Audit Report – Permit and Postage Validation  
Refunds - Topeka, KS, Northpark Station  
(Report Number FCS-FM-18-012)

This report presents the results of our audit of the Permit and Postage Validation Refunds - Topeka, KS, Northpark Station (Project Number 18BFM010FCS000).

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

Attachment

cc: Corporate Audit Response Management

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## Introduction

This report presents the results of our self-initiated audit of the Permit and Postage Validation Refunds - Topeka, KS, Northpark Station (Project Number 18BFM010FCS000). The Topeka Northpark Station is located in the Central Plains 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.

To determine whether permit and postage validation refunds were properly issued, supported, and processed, we extracted and analyzed Enterprise Data Warehouse (EDW)<sup>1</sup> system data for refunds issued at the Northpark Station between April 1 and September 30, 2017. We conducted interviews of personnel and examined the unit's supporting documentation related to permit and postage validation refunds. We reviewed all recorded entries to account identifier code (AIC)<sup>2</sup> 528, Permit Postage and Fees, and to AIC 509, Voided Postage Validation Imprinter (PVI) label refunds, during that timeframe. Each AIC 528 refund requires a completed and properly authorized Postal Service (PS) Form 3533, *Application for Refund of Fee, Products and Withdrawal of Customer Accounts*. Each AIC 509 requires an unused, damaged, or spoiled PVI label attached to a point-of-sale receipt as support for the refund.

We relied on computer-generated data from the 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 was sufficiently reliable for the purposes of this audit and report.

We conducted this performance audit from February through April 2018 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 audit 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 March 9, 2018, and included their comments where appropriate.

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<sup>1</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.

<sup>2</sup> The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

## Finding #1: Permit and Postage Validation Refunds

Refunds for permit postage and fees and voided PVI labels were not always properly issued, supported, and processed at the Northpark Station. Specifically:

- Unit personnel did not properly process all 35 PS Forms 3533 reviewed for permit postage and fees totaling \$21,469. All the refunds were for business reply mail (BRM)<sup>3</sup> with postage affixed. Specifically, the supervisor signed the forms without witnessing the destruction of the BRM pieces with postage affixed and also signed the forms authorizing the disbursement without ensuring the refund was warranted.<sup>4</sup>

Postal Service policy<sup>5</sup> for processing refunds requires:

- A post office employee and a witness destroy the postage stamps on BRM pieces with postage affixed.
  - A supervisor and a witness certify the destruction.
  - The employee calculates the refund amount and enter the amount for disbursement on the form.
  - The postmaster or a supervisor review the form to ensure the refund disbursement is warranted.
- Unit personnel did not always properly issue, support, and process voided PVI refunds. Of the \$2,522 in PVI refunds identified during the 91 dates reviewed, we found:
    - Thirty-six refunds, totaling \$326, were issued without a required witness certification or notation that a witness was unavailable.
    - Refunds totaling \$179 on eight dates did not have the required point-of-sale receipt with the unused, damaged, spoiled, or misprinted PVI label attached as supporting documentation.
  - Management did not review documentation supporting refund entries included on the daily financial report.<sup>6</sup>

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<sup>3</sup> BRM is a service that enables a permit holder to receive First-Class and Priority Mail items back from customers and pay postage and a per piece fee only for the pieces returned. A permit holder may request a credit (refund) to an advanced deposit account for postage affixed to returned BRM pieces.

<sup>4</sup> PS Form 3533 is completed with signatures for verification of disbursements and certification of the postage affixed pieces destruction.

<sup>5</sup> Postal Operations Manual, Issue Number 9, October 30, 2017, Section 145.11 and Handbook F-101, *Field Accounting Procedures*, June 2016, Section 21-1.

<sup>6</sup> PS Form 1412, *Daily Financial Report*, provides individual retail associates and retail units with a uniform method to report financial transactions.

Postal Service policy requires retail associates (RA) to print a point-of-sale receipt and attach the PVI label as supporting documentation for a refund. If the dollar amount of the PVI cannot be determined, a witness certification is required for support, or a notation must be made on the receipt that no witness was available.<sup>7</sup> Policy also requires field unit managers to review the refund supporting documentation for all entries included on the daily financial report.<sup>8</sup>

The unit manager and supervisors stated they were unaware of their responsibilities to provide supervision of the refund process including the review of daily financial report. In addition, the Northpark Station did not have an assigned supervisor to provide on-site supervision of the RA during window retail hours.<sup>9</sup> Management assigned supervisors from the Topeka Sherwood Station for limited hours each morning and evening to the Northpark Station; however, their focus was related to mail carrier management. Additionally, management attributed the significant increase in permit postage and fees refunds to a BRM permit holder increased use of attaching four or five 1 cent stamps to the BRM pieces. However, they could not provide an explanation for the increase in voided PVI refunds.

The morning supervisor stated he signed the refund forms without witnessing the postage affixed destruction and ensuring the refund was warranted because he trusted the RA. The evening supervisor stated she was never directed to review the daily financial reports, believing it was the responsibility of the clerk that prepared it, or she often arrived at the Northpark Station after the clerk left for the day.

The Postal Service is at risk for issuing incorrect, invalid, or duplicate refunds when disbursements are not verified and refunded BRM postage affixed pieces are not destroyed. In addition, improper PVI refunds may not be detected without supervisory review.

As a result of this audit, management informed us that effective March 20, 2018, they implemented procedures to verify the dollar amount of the BRM pieces with postage affixed and their destruction. Further, a supervisor is now reviewing the daily financial report supporting documentation for permit postage and PVI refunds. In addition, they are in the process of hiring of two supervisor positions to manage retail operations.

Because management took corrective actions, we are not making any recommendations at this time. However, we may follow up in the future as part of our ongoing financial controls audits.

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<sup>7</sup> Handbook F-101, Section 21-4.

<sup>8</sup> Handbook F-101, Section 2-4.1.

<sup>9</sup> The retail unit is open Monday through Friday from 12 p.m. until 7 p.m.



## **Management's Comments**

Management agreed with the findings and detailed specific instructions provided to the unit manager on March 20, 2018, that addressed the refund issues in the report.

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

## **Evaluation of Management's Comments**

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

## Appendix A: Management's Comments



TOPEKA NORTH PARK STATION  
1410 NW GAGE BLVD  
TOPEKA, KS 66618  
785-231-3553

April 10, 2018

I agree with the findings and recommendations, and have implemented the following procedures as discussed during the exit review.

**RESPONSE TO: PERMIT AND POSTAGE VALIDATION REFUNDS AT NORTH PARK STATION IN TOPEKA KANSAS.**

**IMPLEMENTATIONS PROCEDURES PUT IN PLACE MARCH 20, 2018:**

- a) Supervisor and witness will verify proper destruction of BRM with postage affixed.
- b) Supervisor and witness will certify the destruction of postage of BRM with postage affixed
- c) Supervisor will verify that proper refund amount is annotated on Form 3533.
- d) Supervisor or Manager reviews the Form 3533 prior to refund entries.
- e) Supervisor will verify the Form 3533 with a witness signature or notate if not available..
- f) Supervisor verifies that the receipts are attached to the Form 3533.
- g) Supervisor will review supportive documentation for all refund entries on the Daily Financial Report 1412.
- h) The Supervisor of the Retail unit has the Unit Closeout Procedures from the F-101 to use as a guide when reviewing the daily Form 1412.

Manager, David James, has been given these instructions, and will confirm proper completion of all the actions put into place on March 20, 2018. The Manager was also given a copy of Unit Closeout Procedures from the F-101.

This information is to the best of my knowledge.

A handwritten signature in black ink that reads "Sheryl Stark".

Sheryl Stark, Topeka Postmaster