



No-Fee Money Order Refunds for Business Reply Mail – Washington, DC, Main Office Window

May 4, 2017



Report Number FT-FM-17-017



May 4, 2017

**No-Fee Money Order Refunds for Business Reply
Mail – Washington, DC, Main Office Window**
Report Number FT-FM-17-017

BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) used data analytics to identify offices that issued large amounts of no-fee money order refunds for business reply mail (BRM). We identified the Washington, DC, Main Office Window (MOW) issued refunds totaling \$171,555, the largest amount compared to other offices nationally, from March 11, 2016, to January 6, 2017.

BRM is a service provided by the Postal Service that enables a sender to provide a recipient with a prepaid method for replying to their mailing. Customers request refunds when postage has been applied to the prepaid mailing. To obtain a refund, customers must submit the mailpiece with postage affixed, and the required refund application. The Postal Service assesses charge fees to process the refunds and deducts those fees from the customer's refund amount.

The objective of this audit was to determine if internal controls were in place and effective for issuing no-fee money order refunds for postage applied BRM at the Washington, DC, MOW.

WHAT THE OIG FOUND:

The Washington, DC, MOW issued more BRM refunds compared to other post offices because companies in other states purchased their BRM permits with a Washington, DC, address. However, internal controls for issuing no-fee

money order refunds needed improvement. Specifically:

- The employee responsible for processing refunds did not include a witness in the process or obtain a supervisor's certification signature prior to sending the mail for destruction because a supervisor was not always available. She keeps the refund form until the supervisor returns when both a witness and supervisor sign and backdate it. Also, the employee did not properly calculate charge fees for processing the refunds. The employee was not properly trained and was instructed to use a locally-developed process for calculating charge fees.
- Another employee responsible for the daily financial closeout did not verify information on the daily financial reports matched the customer's refund applications. The employee was not aware of the requirement.

If controls over no-fee money order refunds for BRM are not followed, improper payments may occur and go undetected. We referred this to the OIG's Office of Investigations for review.

WHAT THE OIG RECOMMENDED:

We recommended district management reiterate the processes for charge fees and mail destruction related to BRM refunds to all Washington, DC, MOW

employees. We also recommended management train employees on the daily closeout process and monitor it to ensure policies are followed.

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



May 4, 2017

MEMORANDUM FOR: SALVATORE N. VACCA
MANAGER, CAPITAL DISTRICT

E-Signed by Lorie Nelson 
VERIFY authenticity with eSign Desktop
Lorie Nelson

FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – No-Fee Money Order Refunds for Business
Reply Mail – Washington, DC, Main Office Window
(Report Number FT-FM-17-017)

This report presents the results of our audit of the No-Fee Money Order Refunds for Business Reply Mail at the Washington, DC, Main Office Window (Project Number 17BFM010FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Asha Mede, deputy director, Financial Controls, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction	1
No Fee Money Order Refunds	2
Mail Destruction	2
Daily Financial Closeout	3
Charge Fees	3
Recommendations	3
Management’s Comments	4
Evaluation of Management’s Comments	4
Appendix A: Management’s Comments	5

Introduction

This report presents the results of our self-initiated audit of No-Fee Money Order Refunds for Business Reply Mail (BRM)¹ at Washington, DC, Main Office Window (MOW) (Project Number 17BFM010FT000). The Washington, DC, MOW is in the Capital District of the Capital Metro Area. This audit is designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

We reviewed no-fee money order refunds for postage affixed on BRM identified at the Washington, DC, MOW from March 11, 2016, through January 6, 2017. To determine whether internal controls were in place and effective for issuing no-fee money order refunds for postage affixed on BRM, we analyzed no-fee money order refund data for the scope period. We interviewed and observed responsible personnel to determine the process for issuing no-fee money orders for BRM refunds. We randomly selected 131 of 357 no-fee money order refunds within our scope period and reviewed available supporting documentation based on policy.

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 confirming our analysis and results with Postal Service managers. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from January through May 2017, 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 objectives. 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 February 8, 2017, and included their comments where appropriate.

¹ 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. BRM service enables a permit holder to receive First-Class Mail and Priority Mail back from customers. The permit holder guarantees payment of the applicable Retail First-Class Mail or Priority Mail postage, plus a per piece fee, on all returned BRM

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 sources.

No Fee Money Order Refunds

The Washington, DC, MOW, issued no fee money order refunds for BRM valued at \$171,555.07, the largest amount compared to other offices nationwide from March 11, 2016, to January 6, 2017. We determined the office issued more BRM refunds compared to other post offices because companies located in other states purchased their BRM permits with a Washington, DC address. However, we reviewed the office's BRM refund process and determined internal controls for issuing no-fee money order refunds at the office needed improvement. If controls for processing no-fee money order refunds for BRM are not followed, unauthorized or improper refunds may go undetected. We referred this to the U.S. Postal Service Office of Inspector General's Office of Investigations for further review.

We considered the refunds valued at \$171,555.07 as unsupported questioned costs³ because employees did not follow the requirements for mail destruction, daily closeout and charge fees assessment.

Mail Destruction

We reviewed 131 Postal Service (PS) Forms 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts, completed from March 11, 2016, to January 6, 2017, and all forms were complete.⁴ However, during our site visit, we found several stacks of PS Forms 3533 on the clerk's desk without the required supervisor's signature that certifies that the postage stamps affixed on BRM were destroyed.⁵ We also observed the retail associate processing refunds without including a witness or a supervisor in the process.

The clerk explained that she processes the refunds and sends the BRM pieces to another location for destruction without a supervisor's certification signature because she was instructed to do it that way and the supervisor was not always available. She keeps PS Forms 3533 until the supervisor returns when both a witness and supervisor backdate the form.

Postal Service policy requires an employee and a witness to destroy postage stamps affixed on BRM pieces, and an employee and a supervisor to certify the destruction, and sign in Part 3 of PS Form 3533.⁶

³ 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.

⁴ We did not validate the accuracy of the information or the timeliness of supervisor signatures.

⁵ These forms were separate from the 131 forms already reviewed.

⁶ Handbook F-101, *Field Accounting Procedures -Draft*, June 2016, Section 21-2.2.(d).

Daily Financial Closeout

During our observation of the daily closeout process, the employee responsible for the closeout did not verify the refund information on the daily financial report⁷ matched the PS Form 3533. In addition, we reviewed the employee's closeout files and found they did not contain any PS Forms 3533. Instead the forms were maintained by another employee in a separate office and were not provided to the closeout employee to properly conduct the daily closeout.

According to Postal Service policy, the completed PS Form 3533 must be presented to the closeout employee as supporting documentation for the daily financial report.⁸ The closeout employee must verify that the entries on the daily financial report match the PS Form 3533.⁹

The employee stated she was unaware of the policy to reconcile the information on both documents. In addition, management stated they had a high employee turnover and did not properly train their employees on the closeout process requirements.

Charge Fees

The employee responsible for processing refunds for postage affixed to BRM did not properly calculate charge fees assessed for processing. The employee was not aware of the requirements and was instructed to use a locally adopted policy to calculate the fees. Specifically, the employee divided the amount of the refund by the pieces of mail to get a rounded number. Then, based on the number, the employee used a price scale to determine the refund fees.

According to Postal Service policy, charges for postage affixed on BRM pieces or meter stamps are assessed at 10 percent of the face value of the indicia, 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; the minimum charge is \$50.¹⁰

Recommendations

We recommend the manager, Capital district:

1. Reiterate the processes for mail destruction and charge fees assessment as they relate to business reply mail refunds to all employees at the Washington, DC, Main Office Window.

⁷ Provides individual retail associates and postal retail units with a uniform method to report financial transactions.

⁸ Draft Handbook F-101, Section 21-1.1.f.

⁹ Draft Handbook F-101, Section 5-3.j.(3).

¹⁰ PS Form 3533, Part 3.

2. Train employees on the daily closeout process and monitor the process to ensure policies are followed.

Management's Comments

Management agreed with the findings and recommendations, but disagreed that the \$171,555.07 in refunds is unsupported.

District management stated they will train all personnel handling BRM mail on standard work procedures. Management will document the training and provide details on the process used to accept and process refunds, including properly counting stamped envelopes, recording the amount of time spent working on a refund request, witness procedures, and management participation. The training will also include instructions on the proper and timely completion of PS Form 3533 for each refund and the requirement to provide these documents to closeout personnel for verification that the refund amounts recorded on the daily financial report match the documents submitted. Management plans to implement these actions by May 31, 2017.

Regarding the unsupported refunds, management stated that while the process used in the Capital District does not fully comply with the necessary witness and supervisor for every transaction, it did reveal that steps were followed. Management stated the mail is counted when received, shipped to a separate location where personnel not involved in the refund transaction handle the mail, and the supervisor reviews the paperwork. Management verified that the mail in question is received on a regular basis by the shredding facility and is handled as required.

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. Regarding the unsupported refunds, we acknowledge that the mail is counted and shipped to another location for destruction, but the Washington, DC, MOW supervisor reviews, signs, and backdates the documents after the mail has already been sent for destruction. Subsequent certification and backdated signatures do not comply with Postal Service policy and cannot detect unauthorized or improper refunds. Accordingly, we continue to believe the BRM refunds are unsupported.

Both recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when 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



May 2, 2017

Lori Lau Dillard
Director Audit Operations
Office of Inspector General
United States Postal Service

Subject: Response to Draft Audit Report – No-Fee Money Order Refunds for Business Reply Mail – Washington, DC, Main Office Window (Report Number FT-FM-17-DRAFT)

Thank you for the opportunity to respond to the OIG Audit of No-Fee Money Order refunds in Washington, DC. Capital District management agrees with the findings as noted in the audit including the lack of oversight by the supervisor to ensure the paperwork was verified at the time the refund request was certified and failure to check the documentation nightly against the daily financial report. Management also agrees the fee calculation used at the time of the audit does not conform to postal policy and time spent processing the stamped envelopes must be tracked and billed accordingly. We also agree that communication must be established between the facility shredding the envelopes and the Main Office Window to provide confirmation that any items received for destruction were properly handled allowing the supervisor to certify. Management does agree with the recommendations made based on these findings.

Regarding Monetary Impacts- Unsupported Questioned Costs, Capital District does not agree that \$171,555.07 in refunds provided is unsupported as the process used in Capital District, while not fully in compliance with the necessary witness and supervisor for every transaction, did reveal that steps were followed to count the mail when received, the mail is shipped to a separate location where personnel not involved in the refund transaction handle the mail and the supervisor does review the paperwork. Questioning the full amount of all refunds provided indicates the audit team did not feel any mail was presented for destruction and that nothing was actually shredded. Management has verified that the facility housing the shredder has confirmed that the mail in question is received on a regular basis and is handled as required.

Recommendation #1

We recommend the manager, Capital district reiterate the processes for mail destruction and charge fees assessment as they relate to business reply mail refunds to all employees at the Washington, DC, Main Office Window.

Management Response/ Action Plan

Capital District management does agree with this recommendation and will implement reminders of standard work procedures to all personnel including management and craft that handle BRM mail. The standard work will be presented as training and will include details on properly counting the stamped envelopes presented, recording the amount of time spent by employee(s) working on a refund request, witness procedures and management participation

- 2 -

and verification of the refund. Training will be provided to all employees involved and documented in LMS.

Target Implementation Date

5/31/2017

Responsible Official

Supervisor, Customer Service- Washington, DC

Recommendation #2

We recommend the manager, Capital District train employees on the daily closeout process and monitor the process to ensure policies are followed.

Management Response/ Action Plan

Capital District management agrees with this recommendation and will implement reminders of standard work procedures to all personnel including management and craft that handle BRM mail. In addition to the process used to accept and process the refund, the training will include instructions on proper and timely completion of PS Form 3533 for each refund and requirement to provide these documents to the closeout supervisor or T-7 for verification that the refund amounts recorded on the daily financial report match the documents submitted. Training will be provided to all employees involved and documented in LMS.

Target Implementation Date

5/31/2017

Responsible Official

Supervisor, Customer Service- Washington, DC



Sal Vacca
Capital District Manager