



AUDIT REPORT

Miscellaneous Non-Postal Revenue Refunds - South Hackensack, NJ, Annex

August 21, 2019

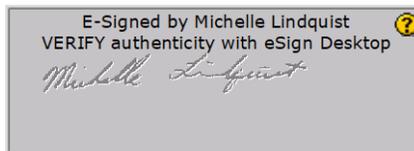


Report Number FCS-FM-19-021



August 21, 2019

MEMORANDUM FOR: MICHAEL DEIGNAN
MANAGER, NORTHERN NEW JERSEY DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Miscellaneous Non-Postal Revenue Refunds
– South Hackensack, NJ, Annex
(Report Number FCS-FM-19-021)

This report presents the results of our audit of Miscellaneous Non-Postal Revenue Refunds – South Hackensack, NJ, Annex (Project Number 19BFM023FCS000).

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: Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of Miscellaneous Non-Postal Revenue Refunds – South Hackensack, NJ, Annex (Project Number 19BFM023FCS000). The South Hackensack Annex is in the Northern New Jersey District of the Northeast Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

Account Identifier Code (AIC)¹ 624, Refund of Miscellaneous Non-Postal Revenue, is used to refund amounts previously collected and recorded in AIC 126, Miscellaneous Non-Postal Revenue.² To obtain a refund, customers must submit the required Postal Service (PS) Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts. U.S. Postal Service Office of Inspector General (OIG) data analytics identified that the South Hackensack Annex's refunds for miscellaneous non-postal revenue for fiscal year (FY) 2019, Quarter (Q) 2 totaled \$28,142. This is a significant change from having no activity during the same period last year. In addition, miscellaneous non-postal revenue refunds for the unit was 92 percent of the overall amount refunded in the Northern New Jersey District in Q2, FY 2019. Further, the South Hackensack Annex had the second highest amount of miscellaneous non-postal revenue refunds nationwide.

The South Hackensack, NJ Annex processes customer master trust account³ deposits for the attached Business Mail Entry Unit (BMEU). The BMEU is where mailers present bulk, presorted, and permit mail for acceptance. The BMEU includes dedicated platform space, office space, and a staging area on the workroom floor.¹

Objective, Scope, and Methodology

The objective of this audit was to determine whether refunds for miscellaneous non-postal revenue were valid and properly supported at the South Hackensack, NJ Annex. To accomplish the objective, we analyzed miscellaneous non-postal revenue refund data and examined supporting documentation for transactions that occurred from January 1 through March 31, 2019. We also interviewed unit personnel and Postal Service management.

¹ The AIC consists of three digits and is used to classify financial transactions to the proper general ledger account.

² Funds collected from weighted-average Business Reply Mail monthly fees, undeliverable customer account funds, loss of postal property, lost badges, money found loose in the mail, unclaimed money from the Mail Recovery Center, fines and penalties, jury duty fees, jury or witness fees received while on court leave, personal telephone calls, telephone related taxes, and Office of Workers' Compensation Programs (OWCP) check payable to the Postal Service.

³ An advance deposit account maintained for the payment of postage or a service such as permit imprint, Periodicals, Business Reply Mail, postage due, and Priority Mail Express services.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).⁴ 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 employees. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from June through August 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 findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on July 26, 2019, and included their comments where appropriate.

Finding #1: Miscellaneous Non-Postal Revenue Refunds

We could not determine if miscellaneous non-postal revenue refunds were valid and properly supported at the South Hackensack Annex because the one recording in AIC 624 was to correct an error and not an actual refund. From January 1 through March 31, 2019, the unit recorded one transaction to AIC 624 valued at \$28,142. Specifically, we found that:

- On February 15, 2019, the South Hackensack Annex BMEU received a deposit for \$28,142 for a customer's master trust account. The deposit was received at the retail window and input into the Retail Systems Software (RSS)⁵ system, which interfaces with the PostalOne!⁶ system. However, when the retail window personnel entered the deposit in RSS, it remained in the PostalOne! system as "pending" due to a computer system problem. This resulted in the master trust account being out of balance between the two systems.
- On February 19, 2019, the South Hackensack Annex received a computer-generated email from the Accounting Help Desk (AHD).⁷ The email contained the *Master Trust Exception* report, which identifies units that have been out of balance for three consecutive days by comparing the PostalOne! balance with RSS balance. The report also provides the unit with steps to reconcile discrepancies.
- On February 20, 2019, in response to the email from the AHD, the unit made another transaction for \$28,142 into the customer's master trust account to clear the

⁴ 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.

⁵ The primary hardware and software system used to conduct retail sales transactions at post offices.

⁶ An integrated electronic system that records mailing transactions, receives payments, and simplifies recordkeeping and the retrieval of mailing data. It is the foundation of seamless acceptance and the submission of electronic documentation for Intelligent Mail.

⁷ The single point of contact for accounting/financial issues.

pending transaction caused by the computer issue. This resulted in having a duplicate entry in the customer's master trust account, which remained out of balance.

- From February 20 through March 6, 2019, the South Hackensack Annex financial records were out of balance by \$28,142. During that time, the unit received the *Master Trust Exception* report from the AHD daily.

The AHD issued additional instructions to the unit on February 25, 2019, on how to correct the out-of-balance situation. Since the unit did not make the entries after instructions were issued, an accounting specialist from the St. Louis Accounting Services (Accounting Services) assisted the unit by correcting the out-of-balance situation on March 6, 2019.

The customer service supervisor stated that she did not recall receiving instructions for correcting the pending deposit via email from the AHD. She stated that she thought when a deposit is pending there is nothing the retail unit can do to correct it and that it would self-correct. In addition, she was unaware that the *Retail Systems Software (RSS) Procedures Guide* had instructions for correcting pending deposits.⁸ Finally, she stated that she did not always review PS Forms 1412, Daily Financial Report, but was aware that she should be reviewing them.

According to Postal Service policy,⁹ master trust account balances should be reconciled if there are differences identified in the *Master Trust Exception* report upon receipt of the report. In addition, field unit managers must review supporting documentation for all entries included on PS Forms 1412 and concur with the overall presentation.¹⁰ In addition, the *RSS Procedures Guide* has detailed instructions on how to correct a pending deposit in the RSS system.

The procedures taken by the Accounting Services and the South Hackensack Annex were sufficient to ensure the master trust balances were properly corrected. However, while the deficiency was corrected with the assistance of Accounting Services and the computer issues are infrequent, the unit was not aware of the process to correct pending transactions. When pending transactions are not timely resolved, there is a risk of incorrect financial data being reported.

During the audit, we also identified that the unit was not using the most recent PS Form 3533 dated December 2016 but was instead using the August 2008 version.

The unit took corrective action and ordered the updated PS Form 3533; therefore, we will not be making a recommendation on this issue.

⁸ *RSS Procedures Guide*, Section 3.11.1.5, July 2017.

⁹ Handbook F-101, *Field Accounting Procedures*, DRAFT, Section 16-4.2, May 2017.

¹⁰ Handbook F-101, Section 2-4.1.

Recommendation #1: We recommend the **Manager, Northern New Jersey District**, direct the **Postmaster, South Hackensack Annex**, to reiterate and train applicable unit personnel on the importance of timely resolution of differences identified in the *Master Trust Exception* report.

Management's Comments

Management agreed with the recommendation. The postmaster provided a service talk to all personnel on August 14, 2019, reiterating the importance of identifying differences in the *Master Trust Exception* report on a timely basis. Management did state; however, that the South Hackensack Annex completed the AIC 624 transaction at the direction of the Accounting Help Desk. Management stated the transaction was completed to correct an out-of-balance situation created by a system problem. With no refund to the customer, there would be no validation available for the audit team to confirm.

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

Appendix A. Management's Comments



August 19, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Miscellaneous Non-Postal Revenue Refunds – South Hackensack, NJ,
Annex – Report Number FCS-FM-19-DRAFT

The findings and recommendation outlined in the above noted audit report have been reviewed and the response is as follows.

Recommendation #1

We recommend the **Manager, Northern New Jersey District**, direct the **Postmaster, South Hackensack Annex**, to reiterate and train applicable unit personnel on the importance of timely resolution of differences identified in the *Master Trust Exception* report.

Management Response:

We agree with the recommendation; however, the South Hackensack Annex completed the AIC 624 transaction at the direction of the Accounting Help Desk. The transaction was completed to correct an out-of-balance situation created by a system problem. With no refund to the customer, there would be no validation available for the audit team to confirm.

To satisfy the Recommendation, the Postmaster provided a Service Talk to all EAS personnel reiterating the importance of identifying differences in the Master Trust Exception report on a timely basis.

Target Implementation Date:
Completed – August 14, 2019

Responsible Official:
Postmaster, South Hackensack

Handwritten signature of Michael P. Deignan in black ink.

Michael P Deignan
District Manager, Northern New Jersey

cc: VP Area Operations (Northeast)
Controller (Northeast)
Area Accounting Manager (Northeast)
Finance Manager (Northern New Jersey)
Manager, Corporate Audit Response Management