



AUDIT REPORT

Meter Revenue Refunds - Hazelwood, MO, Main Post Office

October 31, 2019

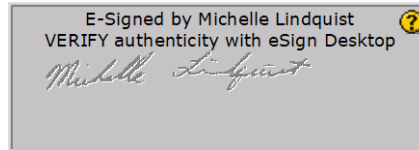


Project Number 19-019-R20



October 31, 2019

MEMORANDUM FOR: CHARLES A. SCIURBA
MANAGER, GATEWAY DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Meter Revenue Refunds - Hazelwood, MO,
Main Post Office (Project Number 19-019-R20)

This report presents the results of our audit of the Meter Revenue Refunds - Hazelwood, MO, Main Post Office.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna PruDe, Operational Manager, at dprude@uspsog.gov 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 Meter Revenue Refunds - Hazelwood, MO, Main Post Office (Project Number 19-019). The Hazelwood Main Post Office is in the Gateway District of the Great Lakes Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

The Postal Service retail employees may issue refunds for spoiled, unused customer meter stamps. To obtain a refund, the customer must submit the postage meter stamps impressions or other evidence requested for refund along with the required Postal Service (PS) Form 3533, *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*. The refunds are reported to account identification code (AIC)¹ 526, *Refund Spoiled or Unused Customer Meter Stamps*.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified the Hazelwood Main Post Office recorded \$87,165 to AIC 526 from April 1 to June 30, 2019. This represents a 542 percent increase of meter revenue refunds compared to the same period last year.² Further, meter revenue refunds at the Hazelwood Main Post Office were the highest in the Gateway District and in the nation for the scope period.

Objective, Scope and Methodology

The objective was to determine whether meter revenue refunds were valid, properly supported, and processed timely at the Hazelwood, MO, Main Post Office. To accomplish our objective, we reviewed the unit's daily financial records and all 49 postage meter refunds processed at the unit from April 1 to June 30, 2019. Additionally, we conducted observations of the refund certification and unit closeout processes, extracted and analyzed Enterprise Data Warehouse (EDW)³ electronic system data, and interviewed unit personnel.

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

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

² The Hazelwood Main Post Office meter revenue refunds from April 1 to June 30, 2018, totaled \$13,585.

³ 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 September through October 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 October 15, 2019, and included their comments where appropriate.

Finding #1: Destruction

Meter revenue refunds issued at the unit were not always valid for all 49 refunds reviewed, valued at \$81,259.⁴ While PS Forms 3533 included the proper signatures, the bulk mail technician did not actually include a witness or a supervisor in the destruction process. Postal Service policy requires a post office employee and a witness to verify and destroy the postage meter stamps on envelopes and other evidence submitted for a refund. It also requires a witness and the supervisor to certify in the Postage Affixed on Business Reply Mail (BRM)⁵ or Metered Stamps section of the PS Form 3533 that the metered impressions were destroyed.⁶

The bulk mail technician that verified and processed the unused postage envelopes for offsite destruction stated she was not informed by her supervisor that a second person was required to perform the process. In addition, the supervisor stated she did not actually witness the destruction process because her interpretation for signing the Postage Affixed section of the form meant the form was complete and the calculation was accurate. However, training records show the bulk mail technician completed the BRM Refresher training in March 2018, and the supervisor completed the same training in April 2018.

When witnesses are not present during the verification and destruction processes, the Postal Service has an increased risk for not being able to substantiate the validity of refunds. For example, on September 5, 2019, we observed spoiled or unused customer metered postage containing 6,467 mail pieces valued at \$821 that were verified and approved on the PS Form 3533 for refund on August 30, 2019. However, the postage was still in the spoiled mail staging area comingled with incoming mail (see [Figure 1](#)).

⁴ The initial data showed the refunds total valued as \$87,165; however, during audit we discovered one refund requisition was resubmitted due to a calculation error. We confirmed the refund was only paid once; no duplicate payment was made.

⁵ A domestic service that allows a mailer to receive First-Class Mail pieces back from customers and pay postage only for the pieces returned to the mailer from the original distribution of BRM pieces. These pieces must have a specific address and format. Postage and fees are collected when the mail is delivered back to the original mailer.

⁶ Handbook F-101, *Field Accounting Procedures* (DRAFT), May 2017, Section 21-2.2.c and d.

Figure 1. Comingled Mail



Source: Photo taken by OIG Auditor during fieldwork and unit personnel interviews.

We consider the meter revenue refunds processed at the Hazelwood Main Post Office from April 1 through June 30, 2019, valued at \$81,259 questionable⁷ because Postal Service policies were not followed.

On September 17, 2019, after our visit to the unit, the postmaster developed and implemented the Standard Operating Procedure (SOP): Spoiled Metered Postage. The SOP requires a witness to be present to verify and certify metered impressions were destroyed prior to authorizing a refund.

Recommendation #1: We recommend the Manager, Gateway District, instruct unit management to provide training to all employees at the Hazelwood Main Post Office responsible for verifying, destroying, and processing spoiled or unused postage meter refunds.

Finding #2: Timeliness

Meter revenue refunds were not always processed timely. Specifically, unit personnel did not process 23 of the 49 PS Forms 3533 reviewed within specified timeframes. We identified:

- 19 of 38 forms valued at \$1,000 or less, were processed between 1 and 448 days late (see [Table 1](#)).
- 4 of 11 forms valued at more than \$1,000, were processed between 2 and 31 days late (see [Table 2](#)).

⁷ 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.

Postal Service policy states postage meter stamp refunds of \$1,000 or less must be processed within 30 days, and refunds of more than \$1,000 must be processed within 60 days.⁸

Table 1. Refunds of \$1,000 or less Delayed Processing more than 30 Days

Number of Delayed Refunds	Acceptance Date	Refund Date	Refund Amount	Number of Days to Process	Number of Days Late
1	1/4/2018	4/27/2019	\$394	478	448
2	1/4/2018	4/27/2019	748	478	448
3	12/3/2018	5/7/2019	574	155	125
4	12/3/2018	5/7/2019	897	155	125
5	12/31/2018	4/27/2019	2	117	87
6	2/21/2019	5/31/2019	109	99	69
7	12/31/2018	4/4/2019	60	94	64
8	1/4/2019	4/4/2019	176	90	60
9	1/4/2019	4/4/2019	412	90	60
10	2/1/2019	4/4/2019	1	62	32
11	2/1/2019	4/4/2019	17	62	32
12	2/12/2019	4/4/2019	111	51	21
13	2/12/2019	4/4/2019	732	51	21
14	4/5/2019	5/9/2019	13	34	4
15	4/5/2019	5/9/2019	48	34	4
16	4/5/2019	5/9/2019	30	34	4
17	3/4/2019	4/4/2019	40	31	1
18	3/4/2019	4/4/2019	3	31	1
19	3/4/2019	4/4/2019	161	31	1
Total			\$4,527		

Source: EDW data, unit source documents and OIG auditor analysis.

⁸ Postal Operations Manual Issue 9, April 2019, Section 145.11.k and Handbook F-101, (DRAFT) Refund Quick Reference.

Table 2. Refunds more than \$1,000 Delayed Processing more than 60 Days

Number of Delayed Refunds	Acceptance Date	Refund Date	Refund Amount	Number of Days to Process	Number of Days Late
1	1/3/2019	4/4/2019	\$2,746	91	31
2	2/21/2019	4/27/2019	2,299	65	5
3	2/21/2019	4/27/2019	3,815	65	5
4	2/1/2019	4/4/2019	2,027	62	2
Total			\$10,887		

Source: EDW data, unit source documents and OIG auditor analysis.

The supervisor stated refunds were processed late due to staff shortages. In addition, the postmaster stated the unit is not authorized to have a full-time supervisor and this contributed to the non-compliance.

When the Postal Service does not process customer’s refunds timely, it could damage the Postal Service’s brand and customer loyalty. On September 17, 2019, the Postmaster developed and implemented a new process requiring meter refund requests to be processed within 14 days of arrival at the unit. As a result of the corrective actions taken, we are not making a recommendation for this issue.

Management’s Comments

Management agreed with the findings, recommendation, and monetary impact. Management developed and implemented a Standard Operating Procedure (SOP) after the OIG visit on September 17, 2019. The SOP requires a witness to be present to verify and certify metered impressions were destroyed prior to authorizing a refund. Management plans to train all employees at the Post Office responsible for verifying, destroying, and processing spoiled or unused postage meter refunds by November 15, 2019.

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

Evaluation of Management’s Comments

The OIG considers management’s comments responsive to the findings, recommendation, and monetary impact in the report. The recommendation requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are 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



10/25/2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

- SUBJECT: Meter Revenue Refunds – Hazelwood, MO, Main Post Office (Project Number 19-019, dated October 15, 2019).

Management agrees with each OIG finding that lead to the determination that meter revenue refunds issued can appear invalid due to improper processing, isolation and staging, having no witness during the process, and the untimely processing of the mail for verification and destruction process. Management also agrees the meter refunds processed from April 1 – June 30, 2019 at \$81, 259 are questionable because Postal Service Policies were not followed.

- Meter revenue refunds had the proper supervisor signature on PS Form 3533 but the bulk mail technician did not include a witness or supervisor in the verification and destruction process which is required Postal Service policy.
- Meter revenue refunds were not always processed timely by unit personnel. Postal Service policy states refunds of \$1,000 or less must be processed within 30 days and refunds over \$1,000 must be processed within 60 days. Twenty-three of the 49 refunds reviewed were not processed timely.

OIG Recommendation:

Unit management be instructed to provide training to all employees at the Hazelwood Main Post Office responsible for verifying, destroying and processing spoiled or unused postage meter refunds.

Management Response/Action Plan:

We agree that the controls at this unit were not adequate. The Postmaster developed and implemented a Standard Operating Procedure (SOP) after the OIG visit on September 17, 2019. The SOP requires a witness to be present to verify and certify metered impressions were destroyed prior to authorizing a refund. Management will train all employees at the Hazelwood, MO post office responsible for verifying, destroying and processing spoiled or unused postage meter refunds by November 15, 2019.

Target Implementation Date: SOP completed and implemented on October 1, 2019. Training will be completed by November 15, 2019.

Responsible Official: Postmaster Hazelwood MO [REDACTED].

A handwritten signature in cursive script that reads "Linda K. Kerr".

Linda K. Kerr
Manager Finance (District)



Gateway District

