



Office of Inspector General | United States Postal Service

## Audit Report

# Refunds of Permit Postage and Fees - Merrifield, VA, Post Office

Report Number 21-115-R21 | April 14, 2021



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# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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April 14, 2021

**MEMORANDUM FOR:** GERALD ROANE  
MANAGER, VIRGINIA DISTRICT

*Michelle Lindquist*

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

**SUBJECT:** Audit Report – Refund of Permit Postage and Fees –  
Merrifield, VA, Post Office (Report Number 21-115-R21)

This report presents the results of our audit of Refunds of Permit Postage and Fees – Merrifield, VA, Post Office.

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: Postmaster General  
Corporate Audit and Response Management

# Results

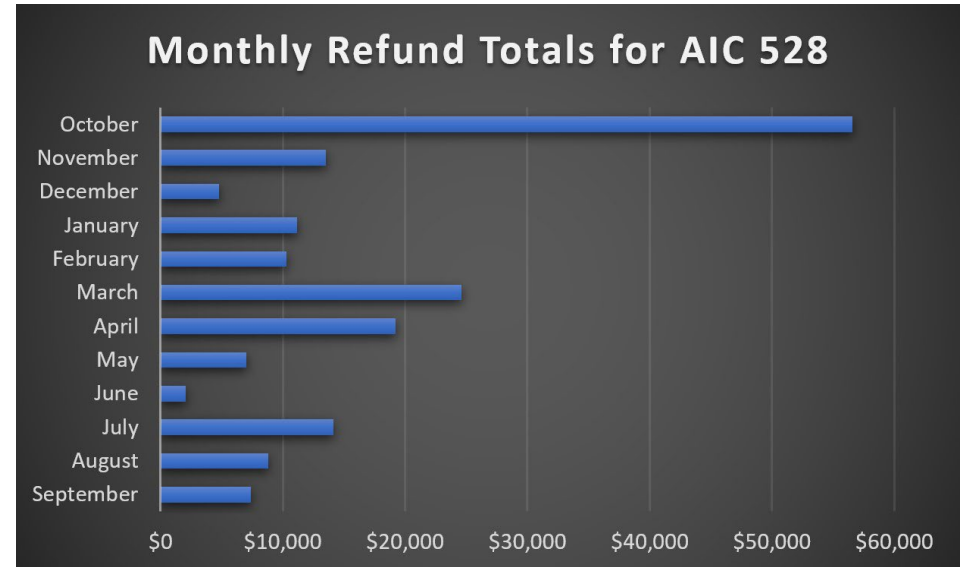
## Background

This report presents the results of our self-initiated audit of Refunds of Permit Postage and Fees - Merrifield, VA, Post Office (Project Number 21-115). The Merrifield, VA, Post Office is in the Virginia District of the Atlantic Area.<sup>1</sup> 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. Permit holders request refunds when postage has been applied to the prepaid mailing. To obtain a refund, permit holders 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 Merrifield, VA, Post Office permit postage refunds totaling about \$179,613<sup>2</sup> for fiscal year (FY) 2020.<sup>3</sup> In addition, we identified some months with unusually high refunds (see Figure 1).

Figure 1. Monthly Refund Totals for AIC 528



Source: OIG analysis.

## 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 Merrifield, VA, Post Office.

To accomplish our objective we analyzed refund data, including supporting documentation, identified at the Merrifield, VA, Post Office, for FY 2020 which were recorded in Account Identifier Code (AIC) 528, Refund Permit Postage and Fees.<sup>4</sup> We randomly selected 83 of 133 refunds (62.4 percent) recorded in AIC 528. In addition, we observed responsible personnel to determine the process for issuing BRM refunds and conducted interviews with Postal Service management and unit personnel.

<sup>1</sup> This unit was previously in the Northern Virginia District, Capital Metro Area prior to reorganization of the Postal Service Areas, Districts, Divisions, and Regions which was initiated in August 2020.  
<sup>2</sup> Amount recorded in Account Identifier Code (AIC) 528 for this unit.  
<sup>3</sup> October 1, 2019 through September 30, 2020.  
<sup>4</sup> AIC is used to classify financial transactions to the proper general ledger account. AIC 528 is used to record refunds related to postage affixed to a BRM envelope.

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

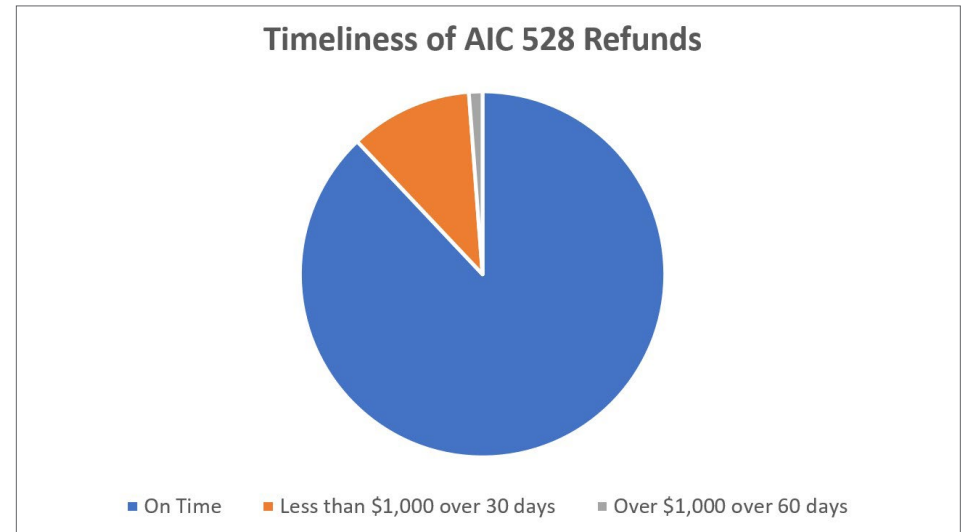
We conducted this audit from February through April 2021 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, 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 March 30, 2021 and included their comments where appropriate.

### Finding #1: Business Reply Mail Refunds

Refunds for postage affixed BRM were valid; however, unit personnel did not always process refunds timely and properly. Specifically, we found that:

- Ten of the 83 refund transactions reviewed (12 percent) exceeded policy guidelines for timely payment. Specifically, nine of the refund transactions exceeded 30 days from the date of the refund request to the payment date, while one refund transaction exceeded 60 days from the refund request date to the payment date (see Figure 2).

**Figure 2. Timeliness of AIC 528 Refunds.**



Source: OIG analysis.

Postal Service policy<sup>6</sup> states that spoiled and unused postage meter stamp refunds of \$1,000 and under must be processed within 30 days. Spoiled and unused stamp refunds of more than \$1,000 must be processed within 60 days.<sup>7</sup>

- No PS Form 3533 had a supervisor/manager signature in Part 3 as required. Instead of a supervisor/manager signing the form, an employee signed, indicating verification and destruction of meter impressions. However, these employees did not witness the destruction.

Postal Service policy<sup>8</sup> requires post offices to destroy customer postage on BRM or meter stamps to prevent reuse. In addition, the supervisor/manager and a witness must sign to certify that the meter impressions listed were destroyed.

<sup>5</sup> 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.

<sup>6</sup> Postal Operations Manual, POM Issue 9, July 2002, Section 145.11.K

<sup>7</sup> Based on prior audit Financial Controls Policy for Retail Units, Report Number 20-264-R20, August 2020. 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.

<sup>8</sup> POM, Section 145.11 and Handbook F-101, Field Accounting Procedures (Draft), May 2017, Section 21-1.

Unit management stated the delay in processing was due to designated BRM clerks on leave at the same time. Regarding the supervisor/manager signature on Part 3 of PS Form 3533, management stated that a supervisor must approve an override to process a BRM refund. According to unit management, this supervisory override provides the necessary oversight to ensure accuracy of the refund processing. Therefore, they thought the supervisor/manager signature was not needed on the forms.

Unit management also stated after the verification of the returned meter impression the letter trays are placed in an orange hamper. When the hamper is full, it is tagged as Undeliverable Bulk Business Mail (UBBM)<sup>9</sup> and a mail handler picks up the hamper and tows it to a recycle area within the post office. The employees signing the form did not witness the destruction. According to unit management, there is no requirement for a BRM clerk to follow this mail and observe the destruction of the envelopes.

If processing is delayed, it creates a backlog of work for unit personnel. In addition, when refunds are not destroyed timely or destruction of stamps is not witnessed, the stamps could be reused, or a duplicate refund could occur. We consider the delayed refund transactions a risk to the Postal Service's goodwill and branding.<sup>10</sup>

### Recommendation #1

We recommend the **Manager, Virginia District**, reiterate policy to unit management at the Merrifield, VA, Post Office on witnessing the destruction and timely processing of the meter impressions.

## Management's Comments

Management agreed with the finding and recommendation.

Regarding recommendation 1, district management directed unit personnel at the Merrifield, VA, Post Office on April 7, 2021 to follow proper handling procedures for BRM refunds. The directions included proper procedures for timely handling of PS Forms 3533, proper verification procedures of mailpieces refunded, and proper destruction procedures that include a witness and properly including all required signatures on PS Form 3533.

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

## Evaluation of Management's Comments

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

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

<sup>9</sup> UBBM provides the majority of paper available for recycling and diverts a significant portion of waste and cost from trash disposal.

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

# Appendix A: Management's Comments



April 7, 2021

JOSEPH E. WOLSKI  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Refund of Permit Postage and Fees -  
Merrifield, VA, Post Office (Project Number 21-115-DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report, "Refund of Permit Postage and Fees - Merrifield, VA, Post Office".

Management agrees with the findings noted in the audit report.

Management does agree with the recommendation as outlined in the audit per the response below.

**Recommendation #1**

We recommend the Manager, Northern Virginia District, reiterate policy to unit management at the Merrifield, VA, Post Office on witnessing the destruction and timely processing of the meter impressions.

**Management Response/Action Plan**

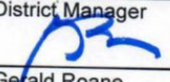
Management agrees with this recommendation and has implemented by directing management at the Merrifield, VA Post Office to follow proper handling procedures of BRM and other mail presented for refunds. This direction includes timely handling of PS Form 3533 and verification of the mail presented, proper destruction of the mail with a witness and all required signatures on PS Form 3533. To request closure of this recommendation a copy of the email sent to management at the Merrifield, VA post office will be submitted.

**Target Implementation Date**

April, 7, 2021

**Responsible Official**

District Manager

  
\_\_\_\_\_  
Gerald Roane  
Manager, Virginia District

cc: Manager, Corporate Audit & Response Management

OFFICE OF  
**INSPECTOR  
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