



Office of Inspector General | United States Postal Service

Audit Report

Postage, Fees, and Meter Revenue Refunds - Ft. Lauderdale, FL Main Post Office

Report Number 21-145-R21 | June 28, 2021



Table of Contents

- Cover
- Transmittal Letter 1
- Results..... 2
 - Background..... 2
 - Objective, Scope, and Methodology..... 2
 - Findings Summary 3
 - Finding #1: Cash Refund Eligibility 3
 - Recommendation #1..... 3
 - Finding #2: PS Form 3533 Processing Requirements 3
 - Recommendation #2..... 5
 - Finding #3: Timeliness of Processing Refunds 5
 - Recommendation #3..... 6
 - Finding #4: Accounting Issues 6
 - Recommendation #4..... 6
- Management’s Comments..... 6
- Evaluation of Management’s Comments 7
- Appendix A: Management’s Comments..... 8
- Contact Information 10

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

June 28, 2021

MEMORANDUM FOR: RICHARD FERMO
(A) MANAGER, FLORIDA 3 DISTRICT

A handwritten signature in black ink, reading "Michelle Lindquist", is positioned below the recipient information.

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Postage, Fees, and Meter Revenue Refunds -
Ft. Lauderdale, FL Main Post Office
(Report Number 21-145-R21)

This report presents the results of our audit of Postage, Fees, and Meter Revenue Refunds - Ft. Lauderdale, FL Main Post Office

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Frank McElligott, Acting 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 Postage, Fees, and Meter Revenue Refunds - Ft. Lauderdale, FL Main Post Office (Project Number 21-145). The Ft. Lauderdale Main Post Office is in the Florida 3 District of the Southern Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

Metered mail is any mail class or product with postage that was printed using a Postal Service-approved postage meter or PC Postage¹ product/system. Unused metered indicia are postage amounts (which may include fees) already imprinted onto any mailpiece, shipping label or meter strip (stamp) that was never mailed. Such meter indicia are considered for refund only if complete, legible, and valid. 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 recorded to account identification code (AIC)² 526, Refund Spoiled or Unused Customer Meter Stamps, or to AIC³ 553, Refund Postage and Fees, for refunds to customers of postage and fees paid for special services not received.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified that the Ft. Lauderdale Main Post Office had issued \$126,196 in refunds for spoiled/unused postage meter stamps and customers postage and fees paid for special services from February 1, 2020 to January 1, 2021. The Ft. Lauderdale Main Post Office was the ninth largest in the nation for refunds in these categories.

Objective, Scope, and Methodology

The objective of this audit was to determine whether postage, fees, and meter revenue refunds are valid and properly supported and processed at the Ft. Lauderdale Main Post Office.

To accomplish our objective, we reviewed daily financial records for all PS Forms 3533 and attached supporting documentation maintained by the unit for AICs 526 and 553 during fiscal year (FY) 2020.⁴ We analyzed supporting documentation for 33 refund transactions totaling \$83,612 charged to AIC 526 and 80 refund transactions totaling \$50,679 charged to AIC 553. We also interviewed unit management and other personnel responsible for overseeing and processing meter revenue and postage and fee refunds.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW) system.⁵ 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 March through June 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 June 7, 2021, and included their comments where appropriate.

1 Online commercial providers of postage products and services in cooperation with the Postal Service (i.e., Endicia.com, Stamps.com and Pitney Bowes).

2 AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account. AIC 526 is for refunds of spoiled/unused postage meter stamps from customer postage meter and AIC 553 is used to record refunds of customers postage and fees paid for special services not received.

3 AIC 553 is used to record refunds of customers postage and fees paid for special services not received.

4 October 1, 2019 through September 30, 2020.

5 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.

Findings Summary

Postage, fees, and meter revenue refunds were not always valid, properly processed, or supported at the Ft. Lauderdale Main Post Office. We identified improper refunds issued, refunds that were not timely or properly processed, PS Forms 3533 that were not separated by individual meter numbers, destruction of mailpieces that were not witnessed, and incomplete forms.

Finding #1: Cash Refund Eligibility

We identified 27 refund requests totaling \$22,220 that were not eligible for a cash refund (for one mailer) for the scope period. Unit personnel improperly processed the refunds using PS Forms 3533 for precanceled stamped envelopes rather than exchanging them at 90 percent of postage value.

According to Postal Service policy,⁶ this type of returned postage is not eligible for a cash refund. This policy also states the postage should have been processed as redeemed stamp stock using PS Form 3210, Receipt for Stamp Stock Submitted for Redemption, and PS Form 17, Stamp Requisition/Stamp Return. Further, policy⁷ states that stamped paper (cards and envelopes) may be exchanged only for an equal number of the same denomination (ordinary or precanceled) at 90 percent of postage value.

Unit management stated they were unaware of the policy regarding exchange of precanceled stamped mail.

If management at the Ft. Lauderdale Main Post Office does not ensure that refunds are valid and exchanges are properly processed, the Postal Service risks issuing incorrect or unauthorized refunds. We consider the \$22,220 unsupported questioned costs.⁸

Recommendation #1

We recommend the **Manager, Florida 3 District**, provide training and reiterate policy to all employees at the Ft. Lauderdale Main Post Office who are responsible for properly refunding postage, fees, and meter revenue.

Finding #2: PS Form 3533 Processing Requirements

Postage, fees, and meter revenue refunds were not always properly processed at the unit. We identified issues with failure to witness destruction of mailpieces refunded, PS Forms 3533 not being separated by individual meter numbers, and incomplete forms.

- No one witnessed the destruction of mailpieces submitted for refunds totaling about \$90,440⁹ during our scope period. One employee is verifying metered mailpieces and this employee acts as the certifying signatory on the PS Form 3533. The witness signature is obtained from the supervisor who only reviews the total calculation. After the mailpieces submitted for refund are verified, they are placed in a wiretainer¹⁰ on the unit work floor until a postal support employee picks it up for destruction.

Postal Service policy¹¹ requires the supervisor and a witness to certify the destruction by signing the Postage Affixed on the BRM or Meter Stamps section of PS Form 3533.

Unit management stated they did not know witnessing the destruction was required.

- PS Forms 3533 for metered mail refunds were not separated by individual meter numbers.

Postal Service policy¹² states that refund requests for unused metered indicia, already imprinted onto any mailpiece, shipping label or meter strip (stamp)

⁶ Handbook F-101, *Field Accounting Procedures* (Draft), Section 11.6.2.2, October 2020 and *Domestic Mail Manual* (DMM), Section 604.9.1.2, October 18, 2020

⁷ DMM, Section 604.9.1.2 & 9.2.4.d.

⁸ An unsupported cost is a questioned cost because of missing or incomplete documentation, or because of failure to follow required procedures.

⁹ Amount represents AIC 526 total of \$83,612 and AIC 553 total of \$29,048 less the precanceled stamped mailpieces recognized as MI totaling \$22,220.

¹⁰ A special purpose container constructed of sturdy wire mesh with a post at each corner for stability. The container is primarily used for small parcels and bundles and for mail transport within a performance cluster.

¹¹ Handbook F-101, *Field Accounting Procedures* (Draft), Sections 21-2.2.c and d.

¹² DMM, Section 604.9.3.2.b.

that were never mailed should be submitted with a separate PS Form 3533 for each meter for which a refund is requested.

The PS Forms 3533 did not have different meter numbers because the clerk, who performs the verification, did not check for different meter numbers on the forms. The clerk stated the forms are submitted for the total of all the customers' metered mail refund transactions and was not aware of the requirement to separate them. The clerk does verify the count and value of the metered envelopes submitted.

- Personnel did not properly complete 14 of 30 PS Forms 3533 for AIC 526 and 65 of 80 PS Forms 3533 for AIC 553. Specifically, the forms did not always have key customer or no-fee money order information. In addition, we found instances where the AIC was either blank or was different from the AIC code on the account entered into the Retail Systems Software (RSS).¹³

Postal Service policy¹⁴ requires the retail associate (RA) to ensure that the PS Form 3533 is properly completed.

Unit management did not know why there were lapses in completion of PS Forms 3533.

When witnesses are not present during the verification and destruction processes, the Postal Service has an increased risk of not being able to substantiate the validity of refunds. For example, on March 31, 2021, we observed an All-Purpose Container (APC)¹⁵ half-full of precanceled stamps that was maintained on the unit work room floor (see Figure 1). According to a clerk, this mail had been sitting out on the unit work floor, with no supporting paperwork, for over a year (see Figure 2). Management stated they were unaware of the mail in the APC.

Figure 1. Mail on Work Room Floor



Source: OIG photograph taken on March 31, 2021.

Figure 2. Precanceled Mail in APC



Source: OIG photograph taken on March 31, 2021.

¹³ The hardware and software retail transaction system used in post offices.

¹⁴ Handbook F-101 (DRAFT), Section 21-1.

¹⁵ A wheeled multipurpose container.

In addition, when PS Forms 3533 are not properly completed, incorrect information could impact the unit's administrative and financial records. We consider the \$90,440 as assets at risk because the unit did not follow policy regarding certifying or witnessing that destruction occurred.

Recommendation #2

We recommend the **Manager, Florida 3 District**, instruct unit management to develop guidance for unit personnel to properly witness the destruction of mailpieces returned.

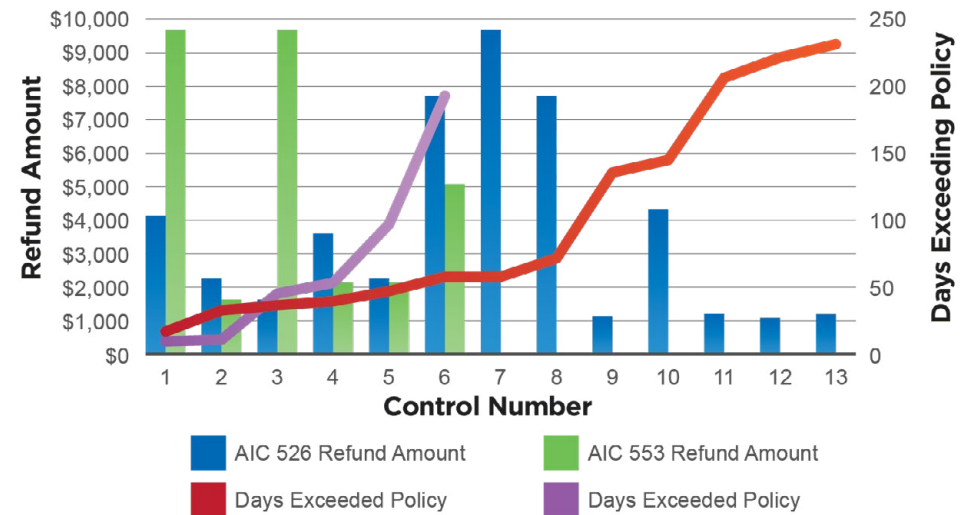
Finding #3: Timeliness of Processing Refunds

Postage, fees, and meter revenue refunds were not always processed timely at the Ft. Lauderdale Post Office. Specifically:

We reviewed the dates for submission of the refund form, destruction date documented, and the payment date. Based on the submission date of the refund form and the payment date we identified the following:

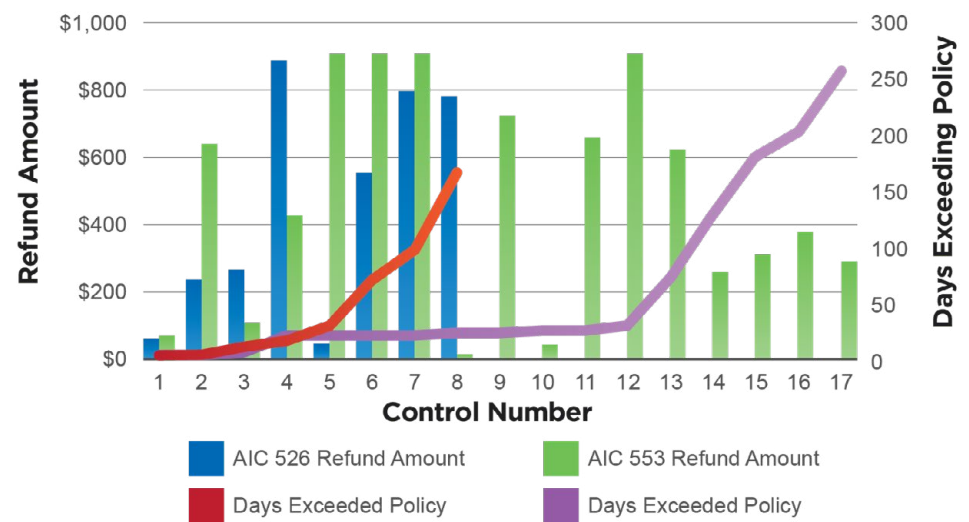
- We were unable to determine how long it took to process 20 PS Forms 3533 since there was no submission date on the form.
- Transactions over \$1,000 (see Figure 3):
 - Thirteen of 18 (72 percent) PS Forms 3533, totaling \$47,264, for AIC 526 exceeded 60 days.
 - Six of nine (67 percent) PS Forms 3533, totaling \$29,994, for AIC 553 exceeded 60 days.
- Transactions of \$1,000 and under (see Figure 4):
 - Eight of 12 (67 percent) PS Forms 3533, totaling \$3,597, for AIC 526 exceeded 30 days.
 - Seventeen of 55 (31 percent) PS Forms 3533, totaling \$8,048, for AIC 553 exceeded 30 days.

Figure 3. Refunds Greater Than \$1,000 Exceeding 60-Day Policy



Source: OIG analysis.

Figure 4. Refunds of \$1,000 or Less Exceeding 30-Day Policy



Source: OIG analysis.

Postal Service policy¹⁶ states that spoiled and unused postage meter stamp refunds of more than \$1,000 must be processed within 60 days and refunds of \$1,000 and under must be processed within 30 days.¹⁷

Unit personnel stated that timely processing of refunds is a result of staffing shortages at the unit. Metered and precanceled stamped mail scheduled for refund are maintained on the unit work floor until the responsible employee has time to process it.

If processing is delayed, it creates a backlog of work for unit personnel. We consider the delayed refund transactions a risk to the Postal Service's goodwill and branding.

Recommendation #3

We recommend the **Manager, Florida 3 District**, instruct unit management to identify additional personnel that can assist in the processing and verifying of Postal Service Form 3533, Application for Refund of Fees, Products, Withdrawal of Customer Accounts.

Finding #4: Accounting Issues

During our review, we identified an overstatement of refund expenses in the amount of \$63,725. Specifically, 12 refund transactions, totaling \$63,725, were for resubmissions of previously rejected refund amounts. These were amounts charged to AIC 526 (\$29,147) and AIC 553 (\$34,578) but not paid through Accounting Services due to some processing or input problem. These refund amounts were never reversed or adjusted at the unit following rejection of the amount, therefore refund expenses for AICs 526 and 553 were overstated at this unit.

Postal Service policy¹⁸ states that the PRU manager is responsible for identifying the cause of discrepancies, whether it resulted from an RA's transaction or a unit-level adjustment. The unit manager or designated employee must research the discrepancy thoroughly, initiate a financial adjustment memorandum (RSS

system-generated or PS Form 1908), and ensure the adjusting entries are performed on the RA's individual PS Form 1412 or the unit's PS Form 1412 on the following business day.

Accounting Services stated that in cases where transactions are not complete when they receive them, a phone call and an email notification is sent to the retail unit notifying them to correct the deficiency. If Accounting Services do not receive the additional information, the transaction is cancelled or rejected in the system and not processed. However, unit management was not aware they should contact Accounting Help Desk regarding correcting the cancelled entries.

If management at the Ft. Lauderdale Main Post Office does not ensure correcting entries are made at the unit regarding the financial records, the Postal Service risks inaccurate reporting.

Recommendation #4

We recommend the **Manager, Florida 3 District**, instruct unit management to contact the Accounting Help Desk to identify corrective action needed regarding resolution of refunds rejected by Accounting Services.

Management's Comments

Management agreed with the findings, recommendations, and monetary impact.

Regarding recommendation 1, management stated it will provide training and reiterate policy to all employees at the Ft. Lauderdale Main Post Office responsible for properly refunding and exchanging postage, fees, and meter revenue.

Regarding recommendation 2, management will instruct unit management to develop guidance for unit personnel to properly witness the destruction of mail pieces returned for refund.

¹⁶ POM Issue 9, Section 145.11.k, July 2002.

¹⁷ Based on a prior audit titled *Financial Controls Policy for Retail Units* (Report Number 20-264-R20, dated August 13, 2020). The Postal Service is updating policy to reflect a change in the amount from \$500 to \$1,000. The update is planned for completion by April 30, 2021.

¹⁸ Handbook F-101 (DRAFT), Section 8-6.1.1.

Regarding recommendation 3, management will instruct unit management to identify additional personnel that can assist with processing and verifying PS Form 3533.

Regarding recommendation 4, management will instruct unit management to contact the Accounting Help Desk to identify corrective action needed for resolution of refunds rejected by Accounting Services. Additional training will be provided to postal retail unit management in the proper reporting of financial transactions and use of Enterprise Imaging and Workflow System Online Forms.

In a subsequent email, the target implementation date for all recommendations was adjusted to August 16, 2021.

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 and corrective actions should resolve the issues identified in the report.

The recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. The 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

A/DISTRICT MANAGER
FLORIDA 3 DISTRICT



June 21, 2021

JOSEPH WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: DRAFT, Audit Report- Postage, Fees, and Meter Revenue Refunds - Ft. Lauderdale, FL
Main Post Office
(Project Number 21-145- DRAFT)

Thank you for the opportunity to respond to the findings of the audit of Postage, Fees, and Meter Revenue Refunds - Fort Lauderdale, FL Main Post Office. Florida 3 District Management agrees with the OIG findings, recommendations, and monetary impacts.

Finding #1: Cash Refund Eligibility

Management agrees with the findings that the Fort Lauderdale Main Office did not properly issue or process exchanges.

Recommendation 1:

We recommend the Manager, Florida 3 District, provide training and reiterate policy to all employees at the Fort Lauderdale Main Post Office who are responsible for properly refunding postage, fees, and meter revenue.

Management Response/Action Plan:

A/Florida 3 District Manager agrees with the recommendation and will provide training and reiterate policy to all employees at the Fort Lauderdale Main Post Office who are responsible for properly refunding and exchanging postage, fees, and meter revenue.

Target Implementation Date:

August 15th, 2021

Responsible Official:

Supervisor, Customer Service, Fort Lauderdale Main Office

Finding #2: PS Form 3533 Processing Requirements

Management agrees with the findings that the Fort Lauderdale Main Office did not properly process Postage, fees, and meter revenue refunds.

Recommendation 2:

We recommend the Manager, Florida 3 District, instruct unit management to develop guidance for unit personnel to properly witness the destruction of mail pieces returned.

Management Response/Action Plan:

A/Florida 3 District Manager agrees with the recommendation and will instruct unit management to develop guidance for unit personnel to properly witness the destruction of mail pieces returned.

Target Implementation Date:

August 15th, 2021

Responsible Official:

Supervisor, Customer Service, Fort Lauderdale Main Office

1900 W OAKLAND PARK BLVD
FORT LAUDERDALE, FL 33310

A/DISTRICT MANAGER
FLORIDA 3 DISTRICT



Finding #3: Timeliness of Processing Refunds

Management agrees with the findings that the Fort Lauderdale Main Office did not process Postage, fees, and meter revenue refunds timely.

Recommendation 3:

We recommend the Manager, Florida 3 District, instruct unit management to identify additional personnel that can assist in the processing and verifying of Postal Service Form 3533, Application for Refund of Fees, Products, Withdrawal of Customer Accounts.

Management Response/Action Plan:

A/Florida 3 District Manager, agrees with the recommendation and will instruct unit management to identify additional personnel that can assist in the processing and verifying of Postal Service Form 3533, Application for Refund of Fees, Products, Withdrawal of Customer Accounts

Target Implementation Date:

August 15th, 2021

Responsible Official:

Supervisor, Customer Service, Fort Lauderdale Main Office

Finding #4: Accounting Issues

Management agrees with the findings that the Fort Lauderdale main office did not process Postage, fees, and meter revenue refunds properly by submitting incomplete and inaccurate requests for payments which were rejected. Management agrees the PRU manager is responsible for reviewing the daily financial documents to ensure accurate reporting.

Recommendation 4:

We recommend the Manager, Florida 3 District, instruct unit management to contact the Accounting Help Desk to identify corrective action needed regarding resolution of refunds rejected by Accounting Services.

Management Response/Action Plan:

A/Florida 3 District Manager, agrees with the recommendation and will instruct unit management to contact the Accounting Help Desk to identify corrective action needed regarding resolution of refunds rejected by Accounting Services. In addition, additional training will be provided to the PRU management in the proper reporting of financial transactions and use of eIWS Online Forms.

Target Implementation Date:

August 15th, 2021

Responsible Official:

Supervisor, Customer Service, Fort Lauderdale Main Office

If you have any questions, please contact me.

A handwritten signature in blue ink that reads "R. Fermo".

Richard Fermo A/Florida 3 District Manager

cc: [REDACTED] Kirkland, Stephan; [REDACTED]
[REDACTED] Manager, Corporate Audit Response Management

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