



Office of Inspector General | United States Postal Service

Audit Report

Meter Revenue Refunds – West Sacramento, CA, Industrial Station

Report Number 21-202-R21 | August 23, 2021



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Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 23, 2021

MEMORANDUM FOR: MICHAEL S. MIRIDES
CALIFORNIA 2 DISTRICT

A handwritten signature in black ink, reading "Michelle Lindquist", is positioned above the "FROM:" field.

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Meter Revenue Refunds –
West Sacramento, CA, Industrial Station
(Report Number 21-202-R21)

This report presents the results of our audit of the Meter Revenue Refunds – West Sacramento, CA, Industrial Station.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Gregory Williams, Acting Operational Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Background

This report presents the results of our self-initiated audit of Meter Revenue Refunds – West Sacramento, CA, Industrial Station (Project Number 21-202). This site is located in the California 2 District of the WestPac 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 printed (indicia) with a Postal Service approved postage meter 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 stamp impressions or other evidence requested for refund along with 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 the Industrial Station had \$499,801 in postage affixed refunds recorded to account identification code (AIC)¹ 526, Refund Spoiled/Unused Customer Meter Stamps. This was 86 percent of California 2 District total refunds for this period (see Table 1).

Table 1. Meter Revenue Refunds – October 1, 2019 to June 8, 2021

Period	FY 2020	FY 2021	Total
Quarter (Q) ¹²	\$24,390	\$133,827	\$158,218
Q2	58,582	19,450	78,033

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

² Q1 is October 1 through December 31, Q2 is January 1 through March 31, Q3 is April 1 through June 30, and Q4 is July 1 through September 30,

³ As of June 8, 2021.

⁴ 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.

Period	FY 2020	FY 2021	Total
Q3	45,878	28,394 ³	74,272
Q4	189,279	NA	189,279
Total	\$318,130	\$181,671	\$499,801

Source: OIG analysis.

Objective, Scope, and Methodology

The objective of this audit was to determine whether meter revenue refunds were properly issued, supported, and processed at the West Sacramento, CA Industrial Station. The scope of this audit was October 1, 2019, through June 8, 2021.

To accomplish our objective, we reviewed the daily financial records for meter revenue refunds, and supporting documentation maintained by the unit. We reviewed all processed refund requests exceeding \$2,000 in a day, which was 95 percent of the dollar amount of the refunds processed during our scope period. We also interviewed unit management and other personnel responsible for the oversight and processing of meter revenue refunds.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW) system.⁴ 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 July through August 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 August 10, 2021 and included their comments where appropriate.

Finding #1: Surcharge Fees

Generally, metered postage refunds were properly issued, supported, and processed at the Industrial Station. However, we found the surcharge was incorrect on 115 refunds from January 16, 2020, through February 12, 2021, totaling \$37,482 (see Table 2).

Table 2. Refunds over \$500 with Processing Errors

Customers	Quantity	Percent	Refunded Amount	Overcharged
Customer 1	99	86%	\$319,242	\$28,819
Customer 2	14	12%	\$88,186	8,337
Others	2	2%	\$4,283	326
Total	115	100%	\$411,711	\$37,482

Source: OIG analysis.

Postal Service policy requires refunds greater than \$500, have a surcharge fee assessed at a \$50 hourly rate.⁵ The surcharge is applied to recover the cost of processing the refund.

A business mail entry unit supervisor stated they completed PS Form 3533 with the correct surcharge and forwarded the forms to the retail unit for processing. We discovered that a former lead sales associate at the retail unit incorrectly changed the surcharge fee, using a 10 percent surcharge fee on these 115 refunds, instead of the rate indicated on the form, overcharging the customers.

⁵ Domestic Mail Manual (DMM), Section 604.9.3.2 b2, June 2021.

⁶ Amounts the Postal Service may owe to customers who have overpaid for a service or product. A recommendation to correct a refundable revenue finding must result in a negative cash flow for the Postal Service, but is counted as a positive for monetary impact purposes.

The former lead sales associate no longer works at the unit, so we could not determine why the changes were made. Both unit management and the business mail entry unit supervisor stated they were unaware the changes were made for the refunds identified in this report.

If unit personnel and management do not ensure refund surcharge fees are properly calculated, then customers can be charged incorrectly. As a result, we consider the overcharged fees of \$37,482 as refundable revenue.⁶

Recommendation #1

We recommend the **Manager, California 2 District**, instruct unit management to review prior refunds processed to determine the correct surcharges and refund amounts to respective customers.

Finding #2: Unsecured Stamp Stock

Employees did not always properly secure and lock stamp stock. We observed about \$1,900 in stamp stock that was left overnight in an unsecured drawer at the retail window (see Figure 1).

Figure 1. Unsecured Stamp Stock



Source: OIG photo taken July 13, 2021.

Postal Service policy⁷ states stamps, and other accountable items must always be protected. They may be stored in a locked drawer or cabinet for short periods during the day; at all other times, they must be stored in the main vault or security container that affords the best available security. It is the responsibility of all unit personnel to keep the stamp inventory secured.

Unit personnel stated they normally secure stamp inventory in the vault after the unit closes, but they were in a hurry and forgot.

When employees do not properly secure stamp stock, there is an increased risk of undetected theft and losses.

Recommendation #2

We recommend the **Manager, California 2 District**, instruct unit management to reiterate the policy on ensuring the security of stamp stock to unit personnel.

Management's Comments

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

Regarding recommendation 1, management stated that they would process refunds for the OIG identified amounts. They also stated that local management would review selected dates outside of the OIG's scope and will process refunds

for any additional refundable amounts discovered. The target implementation date is September 24, 2021.

Regarding recommendation 2, management addressed the infraction with the responsible employee on July 26, 2021. In addition, management provided stamp security training to all sales and service associates at three units in West Sacramento on August 13, 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.

We consider management's corrective action for recommendation 2 sufficient; therefore, we consider recommendation 2 closed with the issuance of the report.

Recommendation 1 requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. The recommendation 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.

⁷ Handbook F-101 (DRAFT), Section 3-3.2, October 2020.

Appendix A: Management's Comments

DISTRICT MANAGER
CALIFORNIA 2



August 17, 2021

JOSEPH WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Meter Revenue Refunds – West Sacramento, CA, Industrial Station
OIG Report Number 21-202

The following is Management's response to findings and recommendations as reported in OIG Report 21-202 Meter Revenue Refunds – West Sacramento, CA, Industrial Station:

Finding #1: Surcharge Fees

Management agrees with this finding. The West Sacramento-Industrial Station over-charged customers during the period of January 16, 2021 through February 12, 2021, where a clerk received PS Form 3533 for processing at the West Sacramento-Industrial Station for refunds in excess of \$500.00 and improperly changed the calculated hourly rate for processing the meter postage, to the 10% calculation directed for charges less than \$500.00. Management agrees with the OIG calculated overcharges as summarized in excel file "OverCharges", totaling \$37,482.00. Management agrees with the OIG Finding #1 and the corresponding "Monetary Impact" statement indicating such overages are refundable revenue.

Recommendation #1: We recommend the Manager, California 2 District, instruct unit management to review prior refunds processed to determine the correct surcharges and refund amounts to respective customers

Management Response/Action Plan in response to Recommendation #1:

Management agrees with the recommendation to review prior refunds. The reported identified refunds in amounts more than \$500.00 where the calculated surcharge was adjusted for the timeframe of January 16, 2021 through February 12, 2021. However, the OIG report only reviewed PS Form 3533 on days where the unit reported refunds of \$2000.00 or more. The OIG report found that the overcharges were linked to a single clerk.

Management has identified the dates where refunds were issued from the unit in amounts of \$500.00 to \$2000.00 and will review those PS Form 3533 to determine if there are additional PS Form 3533 with incorrect surcharges. Management will process refunds for the OIG identified amounts as well as any refundable amounts discovered as a result of the local management review.

Target Implementation Date:

(A) District Finance Manager [REDACTED] and Postmaster of West Sacramento, [REDACTED] will complete this review by September 24, 2021.

Responsible Official: [REDACTED] Postmaster, West Sacramento PO

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Finding #2: Unsecured Stamp Stock

Management agrees with the finding that Stamp stock in the amount of approximately \$1900.00 was found left unsecured overnight in an unsecured drawer at the retail Window.

Recommendation #2: We recommend the Manager, California 2 District, instruct unit management to reiterate the policy on ensuring the security of stamp stock to unit personnel.

Management Response/Action Plan:

Management wholeheartedly agrees with the recommendation for the District Manager to instruct local management to reiterate the policy on ensuring the security of stamp stock to unit personnel.

Management, on August 13, 2021, provided the recommended instruction in the form of documented training. All SSA's at the West Sacramento-Industrial Station, West Sacramento MPO, and West Sacramento-Broderick Station received training on the requirements regarding the security of stamp stock. The policy, as expressed in the F101- Field Accounting Procedures, section 3-3.2a states:

"During the duty day, it is acceptable to store accountable paper and stamp credits in a locked drawer or cabinet. At all other times, store accountable paper and stamp credits in the main vault, safe, or security container that provides the best available protection."

The employee responsible for the unsecured stamp stock shown in the report has received appropriate corrective action for the infraction as of 7/26/2021.

Target Implementation Date:

Implemented prior to OIG report dated August 10, 2021

Responsible Official: [REDACTED] Postmaster, West Sacramento PO

 08-17-2021
Michael Mirides, District Manager, California 2 District

Attachment: Training Certification and Roster
OIG Monetary Impact statement

cc: Michelle Lindquist - Director, Financial Controls
Manager, Corporate Audit Response Management

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