



Office of Inspector General | United States Postal Service

Audit Report

Postage and Fees Refunds – Norristown Tri-County Post Office

Report Number 21-204-R21 | August 30, 2021



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Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 30, 2021

MEMORANDUM FOR: GARY VACCARELLA
DE-PA2 DISTRICT MANAGER

Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Postage and Fees Refunds – Norristown
Tri-County Post Office (Report Number 21-204-R21)

This report presents the results of our audit of Postage and Fees Refunds – Norristown Tri-County Post Office.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

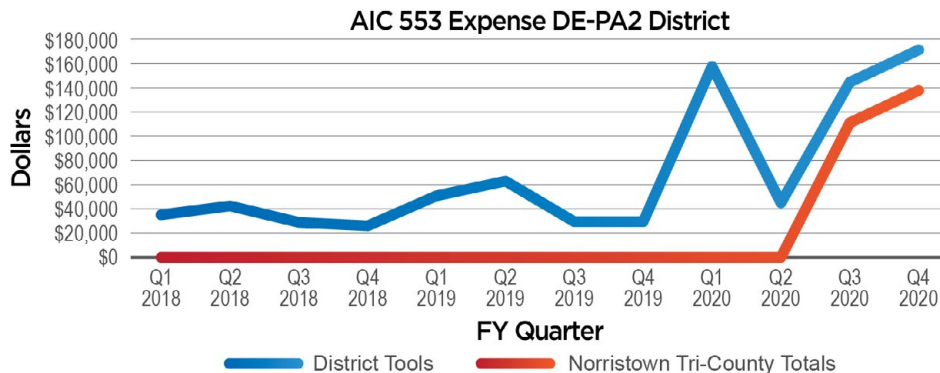
Results

Background

This report presents the results of our self-initiated audit of Postage and Fees Refunds – Norristown Tri-County, PA Post Office (Project Number 21-204). The Norristown Tri-County Post Office is in the DE-PA2 District of the Atlantic Retail and Delivery 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)¹ 553, Refund Postage and Fees, is used to record refunds of customers postage and fees paid for special services not received. The U.S. Postal Service Office of Inspector General’s (OIG) data analytics identified the Norristown Tri-County Post Office had about \$266,790 recorded to AIC 553 from January 1, 2020, to December 31, 2020, the highest in the nation. For fiscal year (FY) 2020,² the total was \$248,298 — 48 percent of the total for the DE-PA2 district.³ For FYs 2018 and 2019, the totals for AIC 553 were only \$691 and \$967 (0.53 percent and 0.58 percent of the district total), respectively (see Figure 1).

Figure 1. Norristown and District Comparison FYs 2018-2020



Source: OIG analysis.

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

2 October 1, 2019, through September 30, 2020.

3 The Norristown Tri-County Post Office was previously located in the Philadelphia District prior to reorganization of Postal Service Areas, Districts, Divisions, and Regions, which was initiated in August 2020. It is now in the Delaware-Pennsylvania2 (DE-PA2) District. Information is based on the DE-PA2 District.

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.

Objective, Scope, and Methodology

The objective of this audit was to determine whether postage and fee refunds are valid and properly supported and processed at the Norristown Tri-County Post Office.

To accomplish our objective, we reviewed daily financial records for all Postal Service (PS) Forms 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts, and attached supporting documentation maintained by the unit for AIC 553 during FY 2020. We analyzed supporting documentation for 44 refund transactions totaling \$248,298 charged to AIC 553. We also interviewed unit management and other personnel responsible for overseeing and processing postage and fee 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 12, 2021, and included their comments where appropriate.

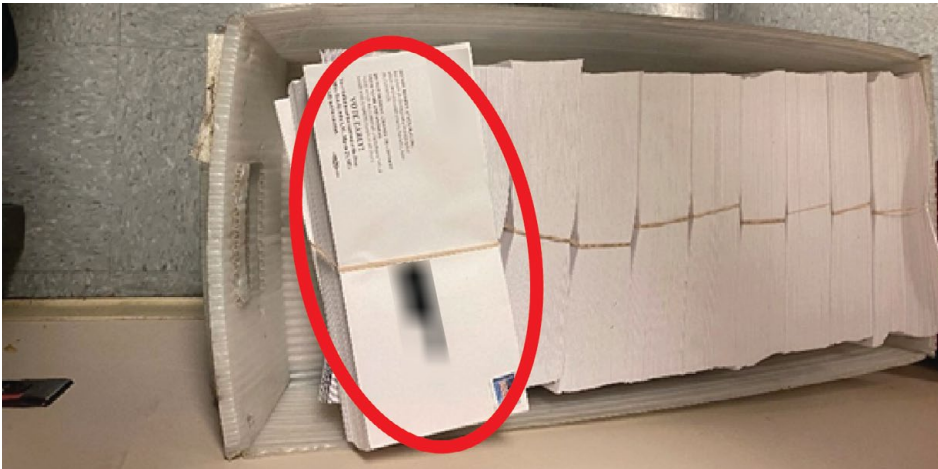
Findings Summary

Postage and fee refunds were not always valid or properly processed at the Norristown Tri-County Post Office. We identified improper refunds issued, refunds that were not properly processed, charged to the proper account, or processed timely. In addition, PS Forms 3533 were missing and not always completed properly.

Finding #1: Cash Refund Eligibility

Unit personnel improperly processed the refunds, using PS Form 3533, for stamped envelopes rather than exchanging them at 90 percent of postage value. We identified three refund requests that were not eligible for a cash refund. In addition, we noted trays of stamped mail waiting to be processed for refund (see Figure 2). We were informed that refunds have been made for stamped and metered mail in FY 2020, but could not readily identify all past stamped mail transactions based on information stated on PS Form 3533.

Figure 2. Stamped Mail Awaiting Processing



Source: OIG photograph taken July 13, 2021.

According to Postal Service policy,⁵ 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, policy⁶ 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.

The business mail entry supervisor stated he was unaware of the policy regarding the exchange of stamped and precanceled stamped mail. He stated he was placed in this position in March 2020 and had no formal training regarding refund exceptions. Most of his training has been on-the-job.

If management at the Norristown Tri-County Post Office does not ensure that refunds are valid and exchanges are properly processed, the Postal Service risks issuing incorrect or unauthorized refunds.

Recommendation #1

We recommend the **Manager, DE-PA2**, provide training and reiterate policy to all employees at the Norristown Tri-County Post Office who are responsible for properly refunding postage and fees.

Finding #2: Postal Service Form 3533 Processing Requirements

Postage and fee refunds were not always properly processed at the unit. We identified issues with PS Form 3533 not being properly completed and refund transactions recorded to improper accounts.

Specifically, of the 44 refund transactions reviewed:

- PS Form 3533 could not be located for two of the transactions.
- Unit personnel did not properly complete 30 PS Forms 3533. The forms did not have witness signatures, key customer, or no-fee money order information. In addition, we found six instances where the AIC was blank.

⁵ 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.

⁶ DMM, Section 604.9.1.2 & 9.2.4.d.

Further:

- Twenty-nine of the refund transactions, including those for bulk mail refunds, were charged to AIC 553 despite being marked for another account on PS Form 3533.
- Three refund transactions, marked for AIC 553 on PS Form 3533, should have been charged to a different AIC.

Postal Service policy⁷ requires the retail associate to ensure that PS Form 3533 is properly completed. In addition, policy⁸ requires unit management to review the forms for proper completion and include the appropriate signatures.

Unit management stated the lapses in proper completion of PS Form 3533 are due to employees being in a rush, not paying attention, and a lack of training. Unit personnel further stated they believed any postage and fee related refunds should go to AIC 553, including metered mail refunds.

When PS Forms 3533 are not properly completed and inaccurate, incorrect information could impact the unit's administrative and financial records.

Recommendation #2

We recommend the **Manager, DE-PA2**, instruct unit management to develop guidance for unit personnel to properly complete Postal Service Form 3533, Application for Refund of Fees, Products, Withdrawal of Customer Accounts, and input refund transactions to the proper Account Identifier Code.

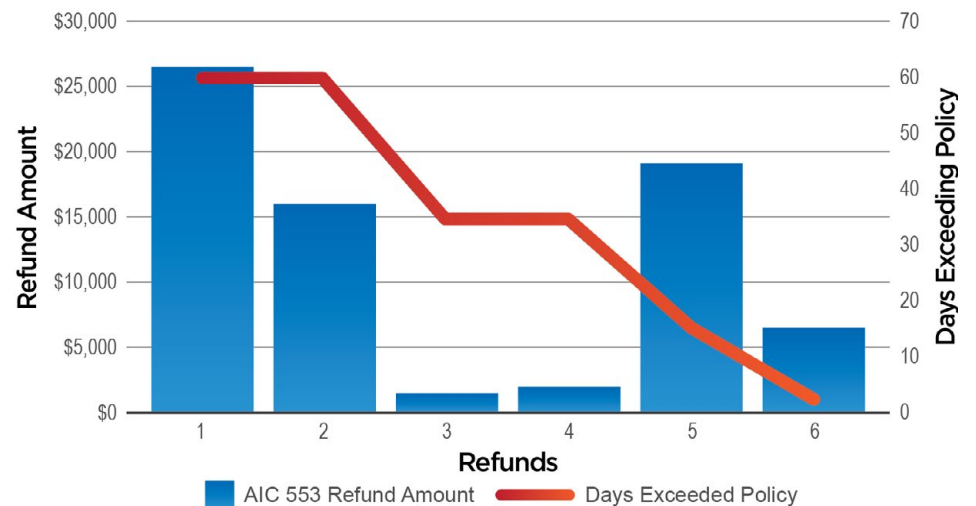
Finding #3: Timeliness of Processing Refunds

Postage and fees refunds were not always processed timely.

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:

- As indicated in Finding #2, two transactions had no supporting PS Form 3533. In addition, three PS Forms 3533 did not have submission dates on the forms; therefore, we could not determine how long it took to process.
- Transactions over \$1,000 (see Figure 3):
 - Six of 19 (32 percent) PS Forms 3533, totaling \$71,180, for AIC 553 exceeded 60 days.

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



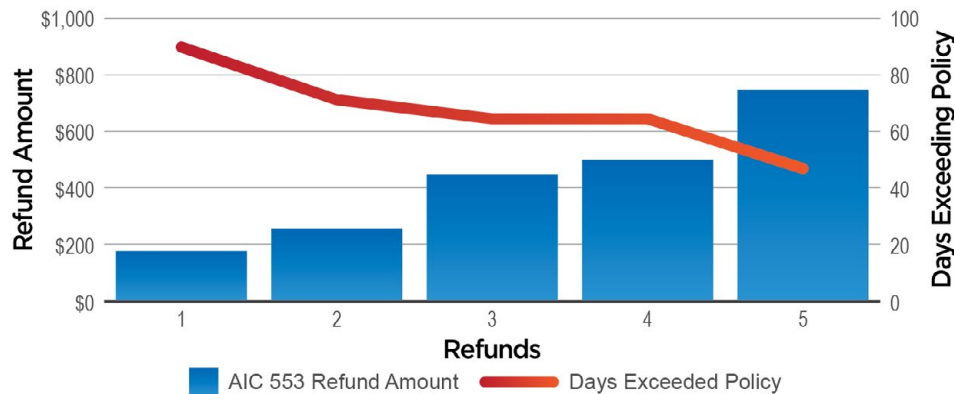
Source: OIG analysis.

- Transactions of \$1,000 and under (see Figure 4):
 - Five of 20 (25 percent) PS Forms 3533, totaling \$2,070, for AIC 553 exceeded 30 days.

⁷ Handbook F-101 (DRAFT), Section 21-1

⁸ Handbook F-101 (DRAFT), Section 2-4.1.e.

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



Source: OIG analysis.

Postal Service policy⁹ 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.¹⁰

Unit personnel stated timely processing of refunds, as well as the overall increase in FY 2020, was a result of greater numbers of refunds arriving at the unit from mailers. During FY 2020, many mailers canceled mailings due to COVID. In addition, COVID related delays and shorter hours at the recycling facility, used by the unit to destroy mail, lead to delays in processing refunds.

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

Recommendation #3

We recommend the **Manager, DE-PA2**, 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, as well as explore alternative methods for destroying mail.

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

¹⁰ 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 September 30, 2021.

Management's Comments

Management agreed with the findings and recommendations.

Regarding recommendation 1, management stated they will enlist the assistance of an Atlantic Area field financial analyst to conduct onsite training with all employees responsible for refunding postage and fees. The target implementation date is September 3, 2021.

Regarding recommendation 2, management stated that the installation head will issue a memorandum to all employees outlining expectations, including a checklist of items expected to be completed. The memorandum will be accompanied by a copy of Chapter 21 of Handbook F-101 (*Field Accounting Procedures*), which describes the requirements, responsibilities, and procedures for reporting and documenting refund and exchange activities. The target implementation date is September 3, 2021.

Regarding recommendation 3, management will work with the Philadelphia Business Mail Entry Unit to identify additional personnel who can assist when needed. Local management will also work to identify an alternative vendor for mail destruction. The target implementation date is September 3, 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



August 23, 2021

MICHELLE LINDQUIST
DIRECTOR, FINANCIAL CONTROLS

SUBJECT: Postage and Fees Refunds – Norristown Tri-County Post Office, 21-204-
DRAFT

Thank you for the opportunity to respond to the above-mentioned draft audit report (Draft Report). We agree with the conclusions of the Draft Report that the Norristown Tri-County Post Office has opportunity to improve financial controls.

Management responds to the recommendations contained in the Draft Report as follows:

Recommendation #1:

We recommend the Manager, Delaware-Pennsylvania 2 District, provide training and reiterate policy to all employees at the Norristown Tri-County Post Office who are responsible for properly refunding postage and fees.

Management Response/Action Plan:

Management agrees with this recommendation. Management will enlist the assistance of an Atlantic Area Field Accounting Analyst to conduct on site training with all employees who are responsible for refunding postage and fees.

Target Implementation Date:

Training to be completed by September 3, 2021

Responsible Official:

Officer-In-Charge- Norristown Tri-County

Recommendation #2:

We recommend the Manager, Delaware-Pennsylvania 2 District, instruct unit management to develop guidance for unit personnel to properly complete Postal Service Forms 3533, Application for Refund of Fees, Products, Withdrawal of Customer Accounts, and input refund transactions to the proper Account Identifier Code.

Management Response/Action Plan:

Management agrees with this recommendation. The installation head will issue a memorandum to all employees tasked with these responsibilities. The memo will outline expectations as well as provide a checklist of items that are expected to be completed. Additionally, attached to the memo will be Chapter 21 of Handbook F-101, which

describes the requirements, responsibilities and procedures for reporting and documenting refund and exchange activities.

Target Implementation Date:

Memorandum will be issued by September 3, 2021

Responsible Official:

Officer-In-Charge- Norristown Tri-County

Recommendation #3:

We recommend the Manager, Delaware-Pennsylvania 2 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, as well as explore alternative methods for destroying mail.

Management Response/Action Plan:

Management agrees with this recommendation. Local Management will work with Philadelphia BMEU (Business Mail Entry Unit) to identify additional personnel that can assist when needed. Local Management will also work to identify an alternative vendor to destroy mail.

Target Implementation Date:

Outreach to identify additional employees and an alternative vendor to destroy mail will be implemented by September 3, 2021

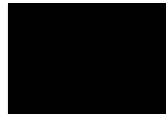
Responsible Official:

Officer-In-Charge- Norristown Tri-County



Gary Vaccarella
District Manager
Delaware-Pennsylvania 2

cc:



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