



## AUDIT REPORT

# Refunds and Voids – Bluebonnet Station, Austin, TX

June 1, 2018



---

Report Number FCS-FM-18-017



June 1, 2018  
**Refunds and Voids –  
Bluebonnet Station, Austin, TX**  
Report Number FCS-FM-18-017

**OBJECTIVE:**

The objective of this audit is to determine whether refunds and voids for spoiled/unused customer meter stamps were valid and properly supported at the Bluebonnet Station, Austin, TX.

The U.S. Postal Service Office of Inspector General's data analytics identified that Bluebonnet Station had a 202 percent increase in dollars for stamp and meter revenue refunds from July 1 to December 31, 2017, compared to the same period in fiscal year 2016. Of the \$36,000 in stamp and meter revenue refunds during the period, the unit recorded over \$27,000 in refunds related to spoiled/unused customer meter strips. We reviewed 83 stamp and meter revenue refunds issued from July 1 to December 31, 2017.

**WHAT THE OIG FOUND:**

Spoiled/unused meter stamp refunds issued from July 1 to December 31, 2017 at the Bluebonnet Station were not always valid or properly supported. Specifically, unit personnel:

- Did not reconcile the daily close out report to the refund forms prior to closing the records in the system.
- Did not properly process and maintain refund forms or supporting documentation for refunds totaling \$27,110.

- For 58 refund forms totaling \$10,463 in refunds, the manager and a witness did not certify that metered stamps were destroyed.
- For 30 days the Postal Service did not have required refund forms or money order receipts to support \$16,647 in refunds processed.

The supervisor stated these errors occurred because she had other priorities and trusted that her sales and service associate (SSA) would not process a refund without a form. While the lead and back-up SSAs stated that they had on-the-job training, they did not remember the requirement to witness and certify the destruction of the refund forms. According to the lead SSA, documentation for refunds is filed at a separate location in the building and they were not informed of the proper procedures to submit the completed refund form to the closeout employee as supporting documentation for the daily financial report.

If Bluebonnet Station employees do not ensure that refunds are properly supported, the Postal Service risks issuing incorrect or unauthorized stamp and meter revenue refunds. From July 1 through December 31, 2017, the Bluebonnet Station issued \$27,110 in questionable refunds because

employees did not follow Postal Service policy.

***WHAT THE OIG RECOMMENDED:***

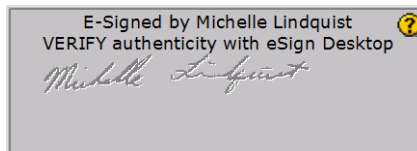
We recommended management provide refresher training on the daily financial reporting process to all unit personnel.

*[Link to review the entire report](#)*



June 1, 2018

**MEMORANDUM FOR:** STEVEN HERNANDEZ  
MANAGER, RIO GRANDE DISTRICT



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

**SUBJECT:** Audit Report – Refunds and Voids -  
Bluebonnet Station, Austin, TX  
(Report Number FCS-FM-18-017)

This report presents the results of our audit of Refunds and Voids at the Bluebonnet Station, Austin, TX (Project Number 18BFM014FCS000).

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: Corporate Audit Response Management

## Table of Contents

Introduction .....	1
Finding #1: Spoiled/Unused Meter Stamp Refunds .....	2
Recommendation #1 .....	3
Management's Comments .....	3
Evaluation of Management's Comments.....	3
Appendix A: Management's Comments .....	4

## Introduction

This report presents the results of our self-initiated audit of Refunds and Voids at the Bluebonnet Station, Austin, TX (Project Number 18BFM014FCS000). The Bluebonnet Station is in the Rio Grande 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.

To determine whether refunds and voids for spoiled/unused customer meter stamps were valid and properly supported, we extracted and analyzed Enterprise Data Warehouse (EDW)<sup>1</sup> system data for refunds issued at the Bluebonnet Station between July 1 and December 31, 2017. We interviewed personnel and examined the 83 days of refund transactions recorded to Account Identifier Code (AIC)<sup>2</sup> 526, Refund Spoiled/Unused Customer Meter Strips. AIC 526 records refunds of spoiled/unused postage meter stamps from customer postage meters. A completed and authorized Postal Service (PS) Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts, is required to request refunds of unused stamps and meter postage.

We relied on computer-generated data from the 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.

We conducted this audit from March through June 2018, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on April 12, 2018, and included their comments where appropriate.

---

<sup>1</sup> 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.

<sup>2</sup> The AIC consists of three digits and is used to classify financial transactions to the proper general ledger account.

## Finding #1: Spoiled/Unused Meter Stamp Refunds

Spoiled/unused meter stamp refunds at the Bluebonnet Station were not always valid or properly supported. Specifically, unit personnel:

- Did not reconcile information on PS Form 1412, Daily Financial Report,<sup>3</sup> to PS Forms 3533 prior to closing records using the Retail Systems Software (RSS).<sup>4</sup> The sales and service associate (SSA) did not verify and certify in the RSS that entries on PS Form 1412 matched the amount on PS Form 3533. Postal Service policy<sup>5</sup> requires the closeout clerk to verify and certify in the RSS that entries on PS Form 1412 match the amount on PS Form 3533. In addition, policy<sup>6</sup> requires field unit managers to review supporting documentation for all entries on the daily PS Form 1412.
- Did not properly process and maintain PS Forms 3533 or supporting documentation for refunds totaling \$27,110.
  - For 58 refund forms totaling \$10,463, the manager and a witness did not certify that metered stamps were destroyed. Postal Service policy<sup>7</sup> requires a supervisor or manager and a witness certify the stamped mail pieces are prepared for destruction on the form.
  - For 30 days, the Postal Service did not have required refund forms or money order receipts to support \$16,647 in refunds processed. Postal Service policy<sup>8</sup> requires SSAs to submit the completed PS Form 3533 to the closeout employee as supporting documentation for PS Form 1412.

The supervisor stated these errors occurred because she had other priorities and trusted that her SSA would not process a refund without a form. While the lead and back-up SSAs stated that they had on-the-job training, they did not remember the requirement to witness and certify the destruction on the refund forms. According to the lead SSA, documentation for refunds is filed at a separate location in the building; they were not informed of the proper procedures for submitting completed PS Forms 3533 to the closeout employee as supporting documentation for PS Forms 1412.

Management stated that the increase in refunds was due to a specific mailer bringing in larger amounts of refunds and an additional staff person processing them. If Bluebonnet Station employees do not ensure that refunds are valid and properly

<sup>3</sup> PS Form 1412 provides postal retail units with a uniform method to report financial transactions.

<sup>4</sup> RSS is the primary hardware and software system used to conduct retail sales transactions at post offices.

<sup>5</sup> Handbook F-101, *Field Accounting Procedures*, June 2016, Section 5-4.2.j (3).

<sup>6</sup> Handbook F-101, Section 2-4.1.

<sup>7</sup> *Postal Operations Manual (POM)* Issue 9, Section 145.11. c and e, October 30, 2017.

<sup>8</sup> Handbook F-101, Section 21-1.1.f.

supported, the Postal Service risks issuing incorrect or unauthorized stamps and meter revenue refunds. We consider the \$27,110 associated with these refunds as unsupported questioned costs.<sup>9</sup>

**Recommendation #1: We recommend the Manager, Rio Grande District,** provide refresher training for the Daily Financial Reporting process to all unit personnel, reiterating the requirements for reconciling information on Postal Service (PS) Form 1412, Daily Financial Report, to PS Forms 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts; maintaining supporting documentation; and properly completing PS Form 3533.

### Management's Comments

Management agreed with the finding, recommendation, and monetary impact. Regarding recommendation 1, the district manager is requiring all Bluebonnet Station employees involved with the daily financial operations at the unit to take training related to refunds and the Daily Financial Reporting process by June 30, 2018. In addition, the Southern Area Field Financial Specialist will perform a follow-up review to ensure compliance at the unit.

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

### Evaluation of Management's Comments

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

This 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.

---

<sup>9</sup> 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.



## Appendix A: Management's Comments

DISTRICT MANAGER CUSTOMER SERVICE & SALES  
RIO GRANDE DISTRICT



May 25, 2018

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

**SUBJECT: Refunds and Voids – Bluebonnet Station, Austin, TX  
Report Number FCS-FM-18-DRAFT**

Thank you for the opportunity to address the findings of the audit of refunds and voids performed at the Austin, Bluebonnet Station. We agree with the findings and the monetary impact of \$27,100.

**Recommendation #1:** We recommend **the Manager, Rio Grande District**, provide refresher training for the Daily Financial Reporting process to all unit personnel, reiterating the requirements for reconciling information on Postal Service (PS) Form 1412, Daily Financial Report, to PS Forms 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts; maintaining supporting documentation; and properly completing PS Form 3533.

**Management Response/Action Plan:**

Management agrees with the audit findings. The following remediation processes will be put in place to avoid similar findings in future audits conducted by the Office of Inspector General.

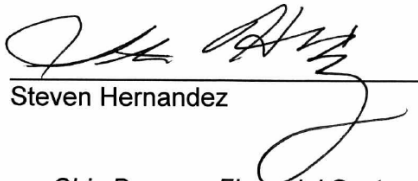
1. All retail and EAS employees who are involved with the daily financial operations at the Austin Bluebonnet Station will be required to take the following LMS Courses by June 30, 2018:
  - a. Course Name: FIN: Field: Unit 1412 Closeout for POS - Course Number: 10019064 - 1.5 hours of training.
  - b. Course Name: e1412 Overview - Course Number: 10021921 – 2.5 hours of training.
  - c. Refresher training will be provided for all employees on the proper methods to complete and validate the PS Form 3533 (Application of Fees, Products and Withdrawal of Customer accounts) and the proper methods of completing the form as well as maintaining the documentation to support any refunds processed by the Austin Bluebonnet Station.
  
2. All training will be documented on a PS Form 2548 (Individual Training Record) as well as logged in the LMS training record for each employee. In addition, a follow up review will be conducted by the Southern Area FFS assigned to the Rio Grande District to ensure compliance with the planned remediation actions.

Target Implementation Date:

June 30, 2018

Responsible Official:

Corey Richards, Austin Postmaster



Steven Hernandez

cc: *Chis Duncan, Financial System Analyst, Southern Area*  
*Ray Vincent, Accounting Manager, Southern Area*  
*Sally K. Haring, Manager, Corporate Audit Response Management*