



AUDIT REPORT

Meter Revenue Refunds – Westerville, OH, WES- McCorkle Branch

July 10, 2019



Report Number FCS-FM-19-014



July 10, 2019

MEMORANDUM FOR: MELVIN ANDERSON
MANAGER, OHIO VALLEY DISTRICT

E-Signed by Michelle Lindquist
VERIFY authenticity with eSign Desktop
Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Meter Revenue Refunds – Westerville, OH,
WES-McCorkle Branch (Report Number FCS-FM-19-014)

This report presents the results of our audit of the Meter Revenue Refunds – Westerville, OH, WES-McCorkle Branch (Project Number 19BFM018FCS000).

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

Attachment

cc: Corporate Audit Response Management

Background

This report presents the results of our self-initiated audit of Meter Revenue Refunds – Westerville, OH, WES-McCorkle Branch (Project Number 19BFM018FCS000). The WES-McCorkle Branch is located in the Ohio Valley District of the Eastern Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified WES-McCorkle Branch had \$161,848 recorded to Account Identifier Code (AIC)¹ 526, Refund Spoiled/Unused Customer Meter Stamps, from July 1, 2018 to March 31, 2019. Meter revenue refunds for the WES-McCorkle Branch accounted for 45 percent of all refunds processed under AIC 526 within the Ohio Valley District for the same timeframe. The WES-McCorkle Branch was the highest within the Ohio Valley District and the second highest in the nation for the scope period.

Objective, Scope and Methodology

The objective of this audit was to determine whether meter revenue refunds were properly issued, supported, and processed at the WES-McCorkle Branch. We reviewed daily financial records; Postal Service (PS) Form 3533, *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*; and attached supporting documentation maintained by the unit from July 1, 2018 to March 31, 2019. In addition, we interviewed unit personnel and management.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).² 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 May through July 2019, 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 findings and conclusions based on our objective. We discussed our observations and conclusions with management on June 25, 2019 and included their comments where appropriate.

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

² 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.

Finding #1: Meter Revenue Refunds

Meter revenue refunds at the WES-McCorkle Branch were properly issued for the correct amount; however, they were not always accurately supported and processed. Of the 24 transactions reviewed:

- Unit personnel did not properly complete nine PS Forms 3533, for refunds totaling \$3,800. Specifically, the forms did not always have key customer or employee information or signatures, or money order information. In addition, we found two instances where the AIC was different from the account entered into the Retail Systems Software (RSS).³ See [Table 1](#) for details.

Table 1. PS Form 3533 Errors

Type of Error	Instances*
Part 1 - <i>Application</i> : AIC different from AIC in RSS	2
Part 2 - <i>Verification of Disbursements</i> : Postal Service information or witness signature missing	4
Part 3 - <i>Postage Affixed on BRM (Business Reply Mail) or Meter Stamps</i> : Management or witness signature for destruction authorization missing	3
Part 5 - <i>Disbursements for Refunds</i> : Payee signature or money order serial number missing	5

Source: OIG's analysis of PS Form 3533

* Forms may contain multiple errors

- Customer information was not obtained on the customer's receipt portion of the seven money orders issued locally for meter revenue refunds.

Postal Service policy⁴ requires the sales and service associate (SSA) ensure that Part 1 and Part 2 of the PS Form 3533 are properly completed. If the refund is paid locally at the unit (limited to \$1,000), the SSA is required to complete Part 5 of PS Form 3533. In addition, the appropriate AIC must be recorded on PS Form 1412, *Daily Financial Report*, and personnel should follow guidelines in the "Request Disbursement For" section, which includes selection of the AIC.⁵ Further, the customer is responsible for completing the information of the money order and the customer's receipt.⁶

Unit personnel stated Part 2 of PS Form 3533 was not properly completed to save time due to the push to reduce the wait-time- in-line. In addition, Part 5 was not completed because they attach the customer's receipt of the money order to PS Form 3533, which

³ RSS is the primary hardware and software system used to conduct retail sales transactions in post offices.

⁴ Handbook F-101, *Field Accounting Procedures*, May 2017 (Draft), Section 21-1.

⁵ Handbook F-101, Sections 21-1.1d and 21-1.2d.

⁶ *Postal Operations Manual* Issue 9, July 2002, updated with revisions through April 31, 2019, Section 831.16.

shows the date, amount, and serial number of the money order. Further, the customer information was not obtained on the customer's receipt of the money order because they were not aware of the requirement. During the scope period, the unit did not have a postmaster and relied on a rotation of three officers-in-charge.

If employees at the WES-McCorkle Branch do not ensure refunds are properly supported, the Postal Service risks issuing incorrect or unauthorized refunds. We consider the nine refund transactions valued at \$3,800 as disbursements at risk.⁷

As a result of the audit, management at the WES-McCorkle Branch stated they took corrective action by speaking with the SSAs to reiterate the importance of properly completing PS Form 3533 and obtaining management signatures as needed. Furthermore, management stated they told SSAs not to cut steps on the processes to expedite the customers through the line.

Recommendation #1: We recommend the Manager, Ohio Valley District, reiterate to unit personnel the procedures for properly supporting and processing meter revenue refunds.

Management's Comments

Management agreed with the finding and recommendation in this audit report. The finance manager provided documentation outlining the policy in the F-101 related to PS Form 3533, including a quick reference guide for refunds to the unit on June 27 and July 8, 2019. In addition, the units PS Form 3533s will be reviewed periodically for compliance.

Furthermore, unit management has already spoken with the sales and service associates to reiterate the correct completion of the 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 action should resolve the issues identified in the report.

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

⁷ Disbursements made where proper Postal Service internal controls and processes were not followed.

Appendix A. Management's Comments

DISTRICT MANAGER
OHIO VALLEY DISTRICT



June 27, 2019

MEMORANDUM FOR DIRECTOR, AUDIT OPERATIONS
US POSTAL SERVICE OFFICES OF THE INSPECTOR GENERAL

SUBJECT: FCS-FM-19
Meter Revenue Refunds-Westerville, OH, WES-McCorkle Branch

The Ohio Valley District agrees with the findings in the Audit Report FCS-FM-19 that was conducted at the Westerville, OH, WES-McCorkle Branch from May to June of 2019.

Recommendation #1: We recommend the Manager, Ohio Valley District, reiterate to unit personnel the procedures for properly supporting and processing meter revenue refunds.

The Finance Manager has provided the documentation outlined in the F-101 related to PS FORM 3533 along with Appendix E that contains a quick reference guide for refunds to the Westerville, McCorkle Branch. The unit's PS Form 3533s will be reviewed periodically for compliance. Management at the Westerville-McCorkle Branch has already spoken to with the SSAs to reiterate the correct completion of the PS FORM 3533.

Information provided from F-101 along with Appendix E:

21-1 Overview

PS Form 3533, *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*, is used to document all refund activities.

- a. The customer completes Part 1, **Application**, of PS Form 3533 and submits to the postal retail unit (PRU) for processing.
- b. The retail associate (RA) reviews the PS Form 3533 and checks the appropriate box in the **Request Disbursement For** section.
- c. The RA completes Part 2, **Verification of Disbursements**, of PS Form 3533 prior to issuing the refund locally or submitting the PS Form 3533 to the Scanning and Imaging Center (SIC) for processing the refund payment.
- d. A witness to the refund transaction signs the **Witness Signature** line in Part 2. It is at the discretion of the postmaster or unit manager to determine if a postal employee is available to witness the refund transaction. It is the responsibility of the postmaster or unit manager to review PS Form 3533 to ensure the refund is warranted and that PS Form 3533 is completed properly.

PRUs do not locally issue refunds for more than \$500 except when refunding Sure Money principal and fee amounts.

Sincerely,

Melvin J. Anderson
District Manager
Ohio Valley District

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