



AUDIT REPORT

Voided Postage Validation Imprinter Label Refunds – Houston, TX, Broadway Finance Station

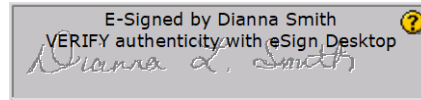
August 30, 2019





August 30, 2019

MEMORANDUM FOR: CHENISE LEDOUX
(A) MANAGER, HOUSTON DISTRICT



FROM: *for*
Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Voided Postage Validation Imprinter
Label Refunds – Houston, TX, Broadway Finance
Station (Report Number FCS-FM-19-025)

This report presents the results of our audit of the Voided Postage Validation Imprinter Label Refunds – Houston, TX, Broadway Finance Station (Project Number 19BFM030FCS000).

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

Attachment

cc: Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of Voided Postage Validation Imprinter (PVI) Label Refunds – Houston, TX, Broadway Finance Station (Project Number 19BFM030FCS000). The Broadway Finance Station is located in the Houston 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.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified Broadway Finance Station had high amounts of refunds recorded to Account Identifier Code (AIC)¹ 509, *Voided PVI labels*.² The Broadway Finance Station had a total of \$12,769 voided PVI label refunds for fiscal year (FY) 2018, Quarter (Q) 4 and FY 2019, Q 1 and Q 2. Comparing same period of FY 2019 to FY 2018, we identified the following:

- FY 2019 Q 1 had an increase of \$2,157, or 246 percent, compared to FY 2018 Q 1.
- FY 2019 Q 2 had an increase of \$6,927, or 794 percent, compared to FY 2018 Q 2.

Objective, Scope and Methodology

The objective of this audit was to determine whether voided PVI label refunds were properly issued, supported, and processed at the Houston, TX, Broadway Finance Station. To accomplish our objective, we statistically sampled 253 of 1,275 PVI label refunds and analyzed supporting documentation between July 1, 2018, and March 31, 2019.³ We also interviewed the Acting Office Manager and other personnel responsible for the oversight and processing of voided PVI label refunds.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).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 June through August 2019, in accordance with generally accepted government auditing standards and included such tests of internal controls as

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

² The PVI is a printing device attached to a point-of-sale terminal that produces a postage label for payment of postage and fees.

³ Team ensured the sample contained all personnel in the station that issued and voided PVI labels.

⁴ 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.

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 conclusions based on our audit objective. We discussed our observations and conclusions with management on July 29, 2019, and included their comments where appropriate.

Finding #1: Postage Validation Imprinter Label Refunds

Refunds for voided PVI labels were properly issued and supported but not always properly processed. Specifically, unit personnel did not mark “VOID” or deface the 198 of 253 reviewed PVI labels refunded between July 1, 2018, and March 31, 2019. Postal Service policy requires the Sales and Service Associates (SSA) to use the system void functionality on PVI labels erroneously printed, damaged, or spoiled prior to tendering the transaction.⁵

The lead SSA stated she only marked “VOID” on the labels that printed blank. Although there is not a Postal Service requirement for the SSA to mark VOID on the PVI labels, it is a best practice to completely invalidate labels to prevent fraudulent transactions from occurring. These refunds can indicate fraud. For example, a clerk might affix labels to mail in lieu of stamps and then process a refund to obtain funds.⁶ Since there are compensating controls⁷ in place, and the PVI labels were attached to the PS Form 1412, *Daily Financial Report*, we are not making a recommendation for this issue.

Unit management stated the increase in voided PVI labels was due to the labels continuously jamming in the printers. They submitted work orders to repair machines. The unit received refurbished machines, but the problem continued, and management did not escalate the issue.

If unit management at the Broadway Finance Station do not ensure the machines are working properly, the Postal Service risks issuing unauthorized refunds.

Recommendation #1: We recommend the District Manager, Houston District, in coordination with the Postmaster, Broadway Finance Station, address equipment issues at the unit related to jamming Postage Validation Imprinter labels.

⁵ Handbook F-101, *Field Accounting Procedures*, May 2017 Draft, Section 21-4.1.1.

⁶ *Monitoring Post Office Operational Risk in the Eastern Area*, (Report Number [DP-AR-14-004](#), dated August 27, 2014).

⁷ System void functionality in Retail Systems Software.

Management's Comments

Management agreed with the finding and recommendation. Management instructed the Park Place management team over Broadway Finance Station to open a ticket number to repair the Postage Validation Imprint label machine on August 19, 2019. The repairs were completed on August 22, 2019.

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 and 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.

Appendix A. Management's Comments

DISTRICT MANAGER (A)
HOUSTON DISTRICT



August 22, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Voided Postage Validation Imprinter Label
Refunds – Houston TX, Broadway Finance Station (Report # FCS-
FM-19-DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report "Voided Postage Validation Imprinter Label Refunds – Houston TX, Broadway Finance Station (Project Number 19BFM030FCS000)"

Management agrees with the findings and recommendations of the OIG pertaining to the Broadway Finance Station.

Recommendation #1:

We recommend the District Manager, Houston District, in coordination with the Postmaster, Broadway Finance Station, address equipment issues at the unit related to jamming Postage Validation Imprinter labels.

Management Response/Action Plan:

(A) District Manager Chenise LeDoux directed Postmaster (OIC) [REDACTED] on August 19, 2019, to immediately instruct the Park Place management team over Broadway Finance to open a ticket number to repair the Postage Validation Imprint from jamming. Ticket number 4368232 was issued.

Target Implementation Date:

August 23, 2019

Responsible Official:

Postmaster (OIC) [REDACTED] is the responsible official.


Chenise R. LeDoux

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