



Office of Inspector General | United States Postal Service

## Audit Report

# Meter Revenue and Retail Services Refunds - Mesquite, TX, Main Post Office

Report Number 21-139-R21 | June 14, 2021



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# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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June 14, 2021

**MEMORANDUM FOR:** M. SCOTT HOOPER  
TEXAS 1 DISTRICT

A handwritten signature in black ink, reading "Michelle Lindquist", is positioned below the recipient information.

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

**SUBJECT:** Audit Report – Meter Revenue and Retail Services Refunds -  
Mesquite, TX, Main Post Office (Report Number 21-139-R21)

This report presents the results of our audit of the Meter Revenue and Retail Services Refunds - Mesquite, TX, Main Post Office.

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

Attachment

cc: Postmaster General  
Corporate Audit and Response Management

# Results

## Background

This report presents the results of our self-initiated audit of Meter Revenue and Retail Services Refunds - Mesquite, TX, Main Post Office [MPO] (Project Number 21-139). The Mesquite, TX, MPO is in the Texas 1 District<sup>1</sup> 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.

Metered mail is any mail class or product with postage printed with a Postal Service approved postage meter or PC Postage<sup>2</sup> 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 stamps 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.

Retail transactions, such as stamp sales, returns, and voids, are recorded in the Retail Systems Software (RSS).<sup>3</sup> Other transactions, such as mail and delivery services performed at the retail window, are also recorded in the system. However, these types of transactions are recorded as non-revenue customer visits on PS Form 3533. Retail clerks are responsible for accurately entering all retail transactions in the RSS, which is used to track unit productivity, revenue, and customer service.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified the Mesquite, TX, MPO Office had \$42,205 in postage affixed refunds recorded to account identification code (AIC)<sup>4</sup> 526, *Refund Spoiled/Unused*

*Customer Meter Stamps*, for fiscal year (FY) 2020<sup>5</sup> as compared to \$27,567 in FY 2019 (see Table 1).

**Table 1. Meter Revenue Refunds**

Period	FY 2020	FY 2019	Difference	Percentage
Quarter 1	\$10,654	\$6,734	\$3,920	58.2%
Quarter 2	\$4,915	\$10,481	(\$5,566)	-53.1%
Quarter 3	\$14,180	\$4,036	\$10,144	251.3%
Quarter 4	\$12,456	\$6,316	\$6,140	97.2%
<b>Total</b>	<b>\$42,205</b>	<b>\$27,567</b>	<b>\$14,638</b>	<b>53.1%</b>

In addition, the unit had \$17,429 in retail service fees recorded to AIC 535, Refund of Fees - Retail Services, in FY 2020 compared to \$979 in FY 2019. This represents a 57 percent increase, and a 1681 percent increase respectively, for refunds at the unit (see Table 2).

**Table 2. Refund of Fees – Retail Services**

Period	FY 2020	FY 2019	Difference	Percentage
Quarter 1	\$293	\$224	\$69	30.9%
Quarter 2	\$424	\$111	\$313	283.3%
Quarter 3	\$3,813	\$179	\$3,634	2030.2%
Quarter 4	\$12,900	\$466	\$12,435	2671.2%
<b>Total</b>	<b>\$17,429</b>	<b>\$979</b>	<b>\$16,451</b>	<b>1681.2%</b>

<sup>1</sup> Previously in the Dallas District.

<sup>2</sup> Online commercial providers of postage products and services in cooperation with the Postal Service (i.e. Endicia.com, Stamps.com and Pitney Bowes).

<sup>3</sup> The primary hardware and software system used to conduct retail sales transactions at post offices.

<sup>4</sup> The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

<sup>5</sup> Fiscal year is October 1 through September 30.

## Objective, Scope, and Methodology

The objective of this audit was to determine whether meter revenue refunds were properly issued, supported, and processed at the Mesquite, TX, MPO.

To accomplish our objective, we reviewed the daily financial records for all PS Forms 3533, for meter revenue and retail services refunds, and the attached supporting documentation maintained by the unit during FY 2020. This included reviewing 56 PS Forms 3533 for meter revenue refunds and 28 forms relating to retail services fees. We also interviewed unit management and other personnel responsible for the oversight and processing of meter revenue and retail services refunds.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW) system.<sup>6</sup> 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 March through June 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 May 28, 2021, and included their comments where appropriate.

## Finding #1: Metered Mail Refunds

- Metered postage refunds were not properly issued, supported, or processed at the Mesquite, TX, MPO. Specifically, we found:
  - All 56 PS Forms 3533 totaling \$42,205<sup>7</sup> were missing the witness signature certifying destruction in Part 3, Postage Affixed on BRM or Meter Stamps.
    - Forty-three forms were missing the required Manager/Supervisor signature in Part 3.
    - Thirteen forms were signed by an unidentified manager in Part 3, certifying that the metered mail was destroyed; however, unit personnel stated they do not know how the mail is destroyed or who witnesses the destruction.
  - All 56 PS Forms 3533 with calculations in Part 3 were completed by the customer and not verified by unit personnel.

Postal Service policy<sup>8</sup> states the supervisor and a witness must sign the Postage Affixed on the BRM or Meter Stamps section of PS Form 3533 to certify that the meter impressions were destroyed. In addition, policy states the employee calculates the refund amount and enters the amount for disbursement on PS Form 3533. The postmaster or a supervisor reviews the form to ensure the refund disbursement is warranted.<sup>9</sup>

Unit personnel stated a major mailer representative brings envelopes in trays, already assembled in a cardboard sleeve, labeled “Shred Only, Do Not Mail.” They stated it usually takes about 5 minutes to process the transaction since the mailer has already completed Part 3 on PS Form 3533 and signed it, therefore, they do not count or verify the returned meter postage mailpieces. A manager is called to approve the transaction due to the amount of the refund, and after management approves the transaction, they place the trays in a wire container on the workroom floor behind the counter. According to unit personnel this process

<sup>6</sup> 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.

<sup>7</sup> Fifty-two PS Forms 3533 were identified for one customer in the amount of \$41,894; two PS Forms 3533 were identified for a second customer in the amount of \$204; and another two PS Forms 3533 were identified for a third customer in the amount of \$107.

<sup>8</sup> Handbook F-101, *Field Accounting Procedures* (DRAFT), Section 21-2.2.c and d, May 2017.

<sup>9</sup> *Postal Operations Manual*, Issue Number 9, Section 145.11, July 2002; and Handbook F-101, *Field Accounting Procedures – Draft*, Section 21-1.

has been a long-standing practice and were instructed to process these refunds in this manner by a former supervisor no longer at the unit. Unit personnel stated they do not know how the mail is destroyed or who witnesses it. However, the postmaster stated the mail is sent to one of the processing and distributions centers in the district to be destroyed. In addition, the postmaster was not aware that customers were using outdated forms but would provide the current form for use.

If unit personnel do not ensure refunds are properly supported, and witness destruction of the mailpieces the Postal Service risks issuing incorrect, duplicate, or unauthorized refunds. As a result, we consider the 56 meter mail refunds at \$42,205 as unsupported questioned costs.<sup>10</sup> We referred this to the OIG's Office of Investigations for further review.

### Recommendation #1

We recommend the **Manager, Texas 1 District**, reiterate policy and provide training to all employees at the Mesquite, TX, Main Post Office responsible for verifying, destroying, and processing spoiled or unused postage meter refunds.

## Finding #2: Retail Services Refunds

Retail services refunds were not always properly issued, supported, or processed at the Mesquite, TX, MPO. We identified issues with three of the 28 refund transactions (11 percent) for post office box keys and service fees. Specifically, unit personnel:

Inappropriately issued 22 no-fee money orders, valued at \$15,445, to another federal agency (see Table 3).

Did not process the refund payments using the Enterprise Imaging Workflow System (eIWS)<sup>11</sup> as required in RSS.

**Table 3. Multiple Money Orders for Retail Services Fees Refunded**

Count	Number of Money Orders Used	Refund Date	Refund Amount
1	6	6/30/2200	\$3,738
2	13	7/30/2020	9,802
3	3	8/7/2020	1,905
<b>Total</b>	<b>22</b>		<b>\$15,445</b>

Postal Service policy<sup>12</sup> states refunds for \$1000.01 or greater are issued by accounting services and are to be processed using eIWS. Unit personnel stated they had not been trained on the procedures for handling refunds of \$1000.01 and greater and did not know the process for submitting refunds using eIWS.

If controls for processing refund requests are not followed, unauthorized or improper refunds may go undetected. We considered the refunds valued at \$15,445 as unsupported questioned costs<sup>13</sup> because employees did not follow the requirements for completing PS Form 3533 for refunds of \$1000.01 or greater.

### Recommendation #2

We recommend the **Manager, Texas 1 District**, reiterate policy and provide training to all unit personnel at the Mesquite, TX, Main Post Office responsible for processing retail services refunds.

<sup>10</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.

<sup>11</sup> The Postal Service's electronic supplies and services data transmission system. It provides electronic images captured from hard copy forms to be reviewed, edited, and submitted for payment into the Oracle Accounts Payable system.

<sup>12</sup> Handbook F-101, *Field Accounting Procedures* (Draft), Section 21-1.

<sup>13</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.

### Finding #3: Daily Financial Report

Unit management did not review PS Form 1412, Daily Financial Report, for accuracy and to ensure daily transactions were supported. Postal Service policy<sup>14</sup> states that field unit managers must review supporting documentation for all entries included on PS Form 1412 and agree with the overall presentation of the report each day.

Unit management stated that they are not very familiar with closeout procedures and said they have only closed the unit in the last several months for carrier dispatch operations to the plant. When the carriers return from their routes, unit management follow closeout distribution procedures for carriers, which is ensuring mail pouches are pulled, closed, locked, and placed upon material handling equipment for subsequent delivery to the outbound docks. Unit management stated the lead sales and services associate (T7) is responsible for closing and supervising the closeout process for the financial portion of the retail unit. Unit management also stated that they have not received formal training on closeout procedures for retail services.

If internal controls are not followed, the Postal Service risks making processing errors and maintaining inaccurate and incomplete documentation relating to the daily financial activity of the unit.

#### Recommendation #3

We recommend the **Manager, Texas 1 District**, reiterate policy and provide training to unit management at the Mesquite, TX, Main Post Office on conducting daily close out reviews.

### Management's Comments

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

Regarding recommendation 1, management stated they will reiterate policy in Handbook F-101 and the *RSS Procedures Guide* for processing refunds. The Mesquite postmaster will procure shredding services at the Mesquite Post Office to allow unit personnel to witness the destruction of spoiled or unused postage.

Regarding recommendation 2, management stated they will reiterate policy in Handbook F-101, the *RSS Procedures Guide*, and eIWS online forms for processing refunds.

Regarding recommendation 3, management stated they will reiterate policy in Handbook F-101 for daily financial reporting and the *RSS Procedures Guide* for close out procedures.

The target implementation date for all recommendations is July 9, 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 in the report 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.

<sup>14</sup> Handbook F-101 (DRAFT), Section 2-4.1.

# Appendix A: Management's Comments

DISTRICT MANAGER  
TEXAS 1 RETAIL AND DELIVERY



June 9, 2021

JOSEPH WOLSKI  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Meter Revenue and Retail Services Refunds –  
Mesquite, TX, Main Post Office  
(Project Number 21-139-DRAFT)

Thank you for the opportunity to respond to the OIG draft audit. Texas 1 district management agrees with the findings, recommendations and monetary impact statements provided by the OIG.

Finding #1: Metered Mail Refunds

Management agrees with the findings that Mesquite Post Office unit personnel did not properly issue, process or obtain completed supporting documentation for Metered postage refunds.

Recommendation 1:

We recommend the District Manager, Texas 1 District, to reiterate policy and provide training to all employees at the Mesquite, TX, Main Post Office responsible for verifying, destroying, and processing spoiled or unused postage meter refunds.

Management Response/Action Plan:

District Manager will reiterate the Handbook F-101, Field Accounting Procedures for Postal Refunds as well as the RSS Procedures Guide for processing Refunds. Postmaster of Mesquite will procure shredding service at the Mesquite Post Office to allow station personnel to witness the destruction of the spoiled or unused postage.

Target Implementation Date:

July 9, 2021

Responsible Official:

Postmaster Mesquite Main Office

Finding #2: Retail Services Refunds:

Management agrees that Mesquite Post Office did not always issue, support or process retail services refunds properly.

951 W BETHEL RD  
CORPELL TX 75099-9998

FAX: [REDACTED]

Recommendation 2:

We recommend the Manager Texas 1 District, reiterate policy and provide training to all unit personnel at the Mesquite TX, Main Post Office responsible for processing retail services refunds.

Management Response/Action Plan:

District Manager will reiterate the policy in Handbook F-101, Field Accounting Procedures for processing Postal Refunds, RSS Procedures Guide, and eIWS OnLine Forms.

Target Implementation Date:

July 9, 2021

Responsible Official:

Postmaster Mesquite Main Office

Finding #3: Daily Financial Report:

Management also agrees that unit management did not review PS Form 1412, Daily Financial Report, for accuracy and to ensure daily transactions were supported.

Recommendation #3: We recommend the Manager, Texas 1 District, reiterate policy and provide training to unit management at the Mesquite, TX, Main Post Office on conducting daily close out reviews.

Management Response/Action Plan:

District Manager will reiterate the policy in Handbook F-101, Field Accounting Procedures for Daily Financial Reporting and the RSS Procedures Guide for Close Out Procedures.

Target Implementation Date:

July 9, 2021

Responsible Official:

Postmaster Mesquite Main Office

If you have any questions, please contact me

  
Milford S. Hooper  
Texas 1 District Manager

cc: Corporate Audit and Response Management

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