



## AUDIT REPORT

# Internal Controls Over Refunds for Walk-In Revenue - Carmel Mountain Postal Store, San Diego, CA

March 22, 2018





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**Internal Controls Over Refunds for Walk-In Revenue –  
Carmel Mountain Postal Store, San Diego, CA**  
Report Number FCS-FM-18-009

**BACKGROUND:**

The objective of this audit is to determine whether internal controls for issuing refunds for walk-in revenue were in place and effective at the Carmel Mountain Postal Store, San Diego, CA.

The U.S. Postal Service Office of Inspector General (OIG) Field Financial Risk Model, identified the San Diego District as the second highest risk district for percent of refunds for walk-in revenue to total walk-in revenue (.388 percent) at the end of fiscal year (FY) 2017, quarter (Q) 4.

The Carmel Mountain Postal Store made \$60,932, or 40.1 percent, of all refunds for walk-in revenue for the San Diego District, in FY 2017, Q4. It was selected because its refund and void dollar amount exceeded \$100,000, which is an increase of 45 percent from FY 2016.

The audit team reviewed all 194 refund stamps and fee transactions, totaling \$46,330, for the months of July 2017 and September 2017.

**WHAT THE OIG FOUND:**

Internal controls for refunds for walk-in revenue were in place and functioning at the Carmel Mountain Postal Store. However, unit personnel did not always properly complete refund claims.

Specifically, the unit did not notate the account identifier code in the 'Request Disbursement For' section in 30 of 194 refund claims reviewed.

When the type of refund expense is not recorded properly, the Postal Service risks using inaccurate and unreliable refund data to monitor the units' performance.

**WHAT THE OIG RECOMMENDED:**

We recommended district management reiterate the requirements for properly completing the refund claim form.

[Link to review the entire report](#)



March 22, 2018

MEMORANDUM FOR: JAMES P. OLSON  
DISTRICT MANAGER, SAN DIEGO

E-Signed by Dianna Smith  
VERIFY authenticity with eSign Desktop  
*Dianna A. Smith*

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

**SUBJECT:** Audit Report – Internal Controls Over Refunds for Walk-In  
Revenue– Carmel Mountain Postal Store, San Diego, CA  
(Report Number FCS-FM-18-009)

This report presents the results of our audit of the Internal Controls Over Refunds for Walk-In Revenue– Carmel Mountain Postal Store (Project Number 18BFM006FCS000).

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 and Response Management

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## Introduction

This report presents the results of our audit of the Internal Controls Over Refunds for Walk-In Revenue (refunds) – Carmel Mountain Postal Store (Project Number 18BFM006FCS000). The Carmel Mountain Postal Store is in the San Diego District of the Pacific 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 internal controls over refunds were in place and effective, we interviewed the supervisor and sales and service associates (SSA), and conducted walkthroughs of the refund processes. We also analyzed refund data identified for the months of July 2017 and September 2017, and examined the unit's and district's supporting documentation for 194 refund transactions recorded to account identifier code (AIC)<sup>1</sup> 553, Refund Stamps and Fees.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).<sup>2</sup> We did not test the validity of controls over these systems; however, we assessed the accuracy of the data by reviewing internal controls, 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 January through March 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 findings and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on January 30, 2017, and included their comments where appropriate.

## Background

The Carmel Mountain Postal Store processes a large number of refunds for a specific vendor. The vendor offers a service to its customers of creating certified envelopes and mailing services. The vendor brings trays of mailings daily to the Postal Store and, in cases where the mailings are not scanned at delivery, they are entitled to a refund for services relating to certified mail and signature service.<sup>3</sup>

The vendor requests the refunds by bringing a list of certified mailings for a refund of services not rendered along with a completed Postal Service (PS) Form 3533,

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

<sup>2</sup> A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes from the EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

<sup>3</sup> Handbook F-101, *Field Accounting Procedures*, Appendix E – Refunds Quick Reference, June 2016.

*Application for Refund of Fees, Products and Withdrawal of Customer Accounts*, to the SSA. The Carmel Mountain Postal Store has processes in place to validate each refund request. Each validation requires Postal Service personnel to track the customer's mail tracking barcode to the Postal Tracking and Reporting (PTR)<sup>4</sup> system to determine if a stop-the-clock scan or other reasons listed on the vendor's refund request occurred.

In cases where a stop-the-clock did not occur or where other valid reasons for a refund occurs, the SSA at Carmel Mountain will issue a money order to the vendor for refund. We did see cases where the refund was adjusted to less than what the vendor requested due to the validation process determining that a full refund was not warranted. We reviewed all documentation and did not find any questionable cash or no-fee money order refunds. According to Postal Service policy,<sup>5</sup> the customer is entitled to a refund of service fees when a stop-the-clock scan does not occur.

## **Finding #1: Refund Form Completion**

Unit personnel did not properly complete 30 of 194 PS Forms 3533 we reviewed. Specifically, the forms were missing the AIC in all 30 instances (see [Table 1](#)).

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<sup>4</sup> The PTR system is the database that stores tracking scan data for all barcoded packages and extra services products. The scan events take place from acceptance to delivery. The tracking information comes from business mailer's files, handheld scanners, retail equipment, mail processing equipment, and several other Postal systems.

<sup>5</sup> Handbook F-101, Appendix E – Refunds Quick Reference.

**Table 1. PS Form 3533 Not Properly Completed**

Number of Refunds	Refund Date	Refund Amount
1	7/07/2017	\$414.75
2	7/07/2017	338.25
3	7/07/2017	313.10
4	7/07/2017	264.15
5	7/07/2017	434.10
6	7/07/2017	422.70
7	7/07/2017	312.60
8	7/07/2017	235.00
9	7/18/2017	418.35
10	7/21/2017	266.60
11	7/21/2017	326.05
12	7/21/2017	357.35
13	7/21/2017	259.45
14	7/21/2017	339.30
15	7/21/2017	290.65
16	7/21/2017	305.30
17	7/24/2017	250.20
18	7/24/2017	251.50
19	7/24/2017	236.50
20	7/24/2017	372.10
21	7/24/2017	249.40
22	7/25/2017	436.05
23	7/25/2017	166.10
24	7/25/2017	316.65
25	9/11/2017	4.90
26	9/13/2017	209.10
27	9/14/2017	214.50
28	9/14/2017	164.55
29	9/14/2017	226.95
30	9/14/2017	167.15
<b>Total</b>		<b>\$ 8,646.85</b>

Source: EDW, unit documentation, and U.S. Postal Service Office of Inspector General analysis.

Postal Service policy<sup>6</sup> states that for all refund activities, the employee must complete the Request Disbursement For” section, which includes the AIC. The SSA stated they sometimes forget to complete the refund form. When the type of refund expense is not recorded properly, the Postal Service risks using inaccurate and unreliable refund data to monitor this unit’s performance. In addition, when the stop-the-clock scans are not occurring, it creates unnecessary expenses for researching the validity of the refunds as

<sup>6</sup> Handbook F-101, Sections 21-1.c and d.

well as revenue lost, even though the mail could have been delivered on time. As a result, we plan to refer the scanning issue for potential future audit work.

**Recommendation #1: We recommend the Manager, San Diego District**, reiterate to all unit personnel the requirements for properly completing PS Form 3533, *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*.

## Management's Comments

Management agreed with the finding and recommendation.

Regarding recommendation 1, management provided one on one training to each employee regarding properly completing PS Form 3533.

During subsequent correspondence, management provided evidence of the training held on March 14, 2018.

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

## Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendation in the report. We reviewed management's separate documentation and found it is adequate to support the actions taken. We consider recommendation 1 closed with the issuance of this report.



## Appendix A: Management's Comments

District Manager  
San Diego District



March 15, 2018

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Internal Controls Over Refunds for Walk-In Revenue - Carmel Mountain Postal Store, San Diego, CA Report Number: FCS-FM-18-DRAFT

Based on the OIG audit and supporting documentation provided, management agrees with the findings of the audit of OIG that the unit did not notate the account identifier code in the 'Request Disbursement For' section in 30 of 194 refund claims reviewed.

Recommendation 1:

We recommend the Manager, San Diego District, reiterate to all unit personnel the requirements for properly completing PS Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts.

Management Response/Action Plan:

Management agrees with recommendation to review and document requirements for properly completing PS form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts.

Actions taken: As a result of the audit one on one training was provided to each employee of this unit, specifically covering proper procedures for handling refunds/completing 3533's. This training has been documented on each employee's ITR.

Target Implementation Date:

Completed March 14, 2018

Responsible Official:

Supervisor, Customer Services

A handwritten signature in blue ink, appearing to read "J. Olson", written over a horizontal line.

James P. Olson  
District Manager, San Diego

cc: Manager, Corporate Audit Response Management

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