



AUDIT REPORT

Express Mail Failure Refunds – Chicago, IL, Loop Station

March 28, 2018





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Express Mail Failure Refunds – Chicago, IL, Loop Station

Report Number FCS-FM-18-010

OBJECTIVE:

The objective of this audit is to determine whether Express Mail refunds were properly issued, supported, and processed at the Chicago, IL, Loop Station.

The U.S. Postal Service Office of Inspector General (OIG) data analytics identified that the Chicago, IL, Loop Station had a 17 percent increase in dollars for refunds and voids from April 1 to September 30, 2017, compared to the same period in fiscal year 2016. Of the nearly \$17,000 in refunds and voids, \$3,066, or 18 percent, were recorded to Express Mail failures. Express Mail failures are determined based on the delivery commitment. Loop Station personnel made 138 refunds to customers due to Express Mail failures during this time period.

WHAT THE OIG FOUND:

Express Mail failure refunds at the Loop Station were not always properly issued, supported, and processed. Of the 138 refunds reviewed, we found that unit personnel:

- Did not properly complete forms for 121 refunds, such as not completing the “Disbursements for Refunds” section.
- Issued 46 refunds that were not warranted.

- Did not properly maintain 26 refund request forms or supporting documentation for the refunds.
- Did not record two Express Mail refund requests to the Express Mail refund account code.

The supervisor stated that these errors occurred because of competing priorities. She stated she was unaware that the “Disbursements for Refunds” section of the refund form needed to be completed and some documentation may have been misplaced by other personnel acting for her when she was out of the office. Further, she stated she only confirmed whether the refund was warranted if the mailpiece indicated it had been delivered, rather than reviewing for the first stop-the-clock scan prior to approving the refund.

If Loop Station management does not ensure that refunds are warranted and supported, the Postal Service risks issuing incorrect or unauthorized Express Mail refunds. The Loop Station issued \$1,537 in questionable refunds because Postal Service policy was not followed.

WHAT THE OIG RECOMMENDED:

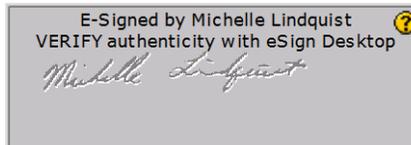
We recommended management reiterate to unit personnel the policies for supporting, validating, processing, and recording Express Mail refunds.

[Link to review the entire report](#)



March 28, 2018

MEMORANDUM FOR: GREGORY W. JOHNSON
MANAGER, CHICAGO DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Express Mail Failure Refunds – Chicago, IL,
Loop Station (Report Number FCS-FM-18-010)

This report presents the results of our audit of Express Mail Failure Refunds at the Chicago, IL, Loop Station (Project Number 18BFM007FCS000).

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: Postmaster General
Corporate Audit Response Management

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Introduction

This report presents the results of our self-initiated audit of express mail failure refunds at the Chicago, IL, Loop Station (Project Number 18BFM007FCS000). The Loop Station is in the Chicago District of the Great Lakes 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 Express Mail Failure refunds were properly issued, supported, and processed, we extracted and analyzed Enterprise Data Warehouse (EDW)¹ system data for refunds issued at the Loop Station between April 1 and September 30, 2017. We conducted interviews of personnel and examined the unit's supporting documentation for all 138 refund transactions recorded to account identifier code (AIC)² 676, Express Mail Refunds, during that timeframe. AIC 676 records refunds related to postage and fees for service failures or service not rendered for Express Mail. 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 Express Mail service failures. We also searched each tracking number on the Postal Service's intranet tracking site to confirm all refunded items were Express Mail service failures.

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 February 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 finding and conclusions based on our audit 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 February 23, 2018, and included their comments where appropriate.

¹ 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.

² The AIC consists of three digits. It is used to classify financial transactions to the proper general ledger account.

Finding #1: Express Mail Refunds

Express Mail failure refunds at the Loop Station were not always properly issued, supported, and processed. Of the 138 refunds reviewed, unit personnel:

- Did not properly complete PS Form 3533 for 121 refunds. Specifically, Part 5, Disbursements for Refunds, was not complete for any of the forms reviewed. This section requires the payee's signature for cash refunds or the money order serial number for money order refunds to acknowledge receipt of the refund. Forms were also missing other information, such as a requestor signature, AIC (not recorded or incorrect), certification signature, or witness signature.

Postal Service policy³ states that for all refund activities, the employee must complete the Request Disbursement For section and obtain a witness to the refund transaction when one is available. In addition, policy states that the Postmaster or unit manager is responsible for reviewing PS Form 3533 to ensure it is completed properly.

- Issued refunds that were not warranted:
 - Thirty-five refunds totaling \$535 were submitted after the 90-day limit. Postal Service policy⁴ states that refund requests must be made within 90 days after the date of mailing.
 - Eleven refunds totaling \$232 were issued for service failures' however, we determined no service failure had occurred based on our review of delivery information in the Product Tracking and Reporting (PTR) System.⁵ PTR indicated the mailpieces were delivered on time, available for pickup, not deliverable, or other miscellaneous reasons. Postal Service policy⁶ states the Postmaster or unit manager is responsible for reviewing PS Form 3533 to ensure the refund is warranted.

As a result, we consider the \$767 associated with these 46 invalid refunds as questioned costs.⁷

³ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 21-1b, d.

⁴ Handbook F-101, Section 21-5.3c.

⁵ We determined a stop-the-clock scan had occurred prior to the scheduled delivery date and time. A stop-the-clock event indicates that the Postal Service has completed its commitment as it applies to service measurement on a mail piece. Service performance is generally measured as the time between "acceptance" and the first "stop-the-clock" scan event on a mailpiece.

⁶ Handbook F-101, Section 21-1d.

⁷ Unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, etcetera. May be recoverable or unrecoverable. Usually a result of historical events.

- Did not always properly support or maintain the PS Forms 3533.
 - Twenty-four refunds valued at \$551 either did not have PS Form 3533 or other documentation available to support the refund. Postal Service policy⁸ states the retail associate (RA) must submit the original PS Form 3533, Label 11-B, or Express Mail receipt and proof of service failure as supporting documentation for PS Form 1412, Daily Financial Report,⁹ accounting entries.
 - Two instances where a PS Form 3533 was used to request multiple refunds and the total exceeded the \$25 cash refund limit; however, no money order receipt was attached to the document. Therefore, we are unable to determine if the refunds, valued at \$219, were made in cash or money order. Postal Service policy¹⁰ states if the refund amount is greater than \$25, the RA must issue a no-fee money order to the customer and record the money order serial number and date issued on Part 5 of PS Form 3533.

As a result, we consider the \$770 associated with these 26 refunds as unsupported questioned costs.¹¹

- Did not record two refunds valued at \$762 in the proper AIC,¹² even though PS Form 3533¹³ noted the proper AIC to be recorded. Postal Service policy¹⁴ states that RAs must report the Express Mail refund in AIC 676.

The supervisor¹⁵ stated these errors occurred because she has many other priorities. Presently, she acts as the witness on the forms and verifies the delivery tracking prior to issuing refunds. She stated she was unaware that Part 5 of PS Form 3533 needed to be completed and some documentation may have been misplaced by other personnel acting for her when she was out of the office. Further, she stated she only confirmed whether the refund was warranted if the mailpiece indicated it had been delivered, rather than reviewing for the first stop-the-clock scan prior to approving the refund.

If Loop Station employees do not ensure that refunds are warranted, supported with required documentation, and recorded in the proper account, the Postal Service risks not being able to substantiate the validity of Express Mail refunds and issuing incorrect or unauthorized Express Mail refunds. From April 1 through September 30, 2017, the

⁸ Handbook F-101, Section 21-5.3g.

⁹ Provides individual sales and service associates and retail units with a uniform method to report financial transactions.

¹⁰ Handbook F-101, Section 21-1.1c.

¹¹ 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.

¹² Data Integrity is the validation of the consistency, accuracy, and completeness of data used by the Postal Service. Data used to support management decisions that are not fully supported or completely accurate. This can be the result of flawed methodology; procedural errors; or missing or unsupported facts, assumptions, or conclusions.

¹³ Dated April 21, 2017.

¹⁴ Handbook F-101, Section 21-5.3d.

¹⁵ The supervisor at this unit is the manager responsible for processing refunds.

Loop Station issued \$1,537 in questionable refunds because Postal Service policy was not followed.

Recommendation 1: We recommend the Manager, Chicago District, reiterate to unit personnel the policies for obtaining and maintaining supporting documentation for Express Mail refunds, reviewing refund request forms prior to issuing Express Mail refunds, confirming Express Mail refunds are warranted, and recording Express Mail refunds in the correct Account Identifier Code.

Management's Comments

Management agreed with the finding, recommendation, and monetary impact. Management stated they conducted a training session on March 22, 2018, to cover policy, completing and reviewing request forms, confirming refunds are warranted, and recording refunds in the correct AIC for Express Mail refunds.

The training was provided to ten employees, including the Manager, Customer Services; Supervisors, Customer Service; and Sales and Service Associates. Management provided the training record for each employee who attended.

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. We consider recommendation 1 closed with the issuance of this report.

Appendix A: Management's Comments

DISTRICT MANAGER
CHICAGO DISTRICT



March 26, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Express Mail Failure Refunds
Report Number FCS-FM-18-DRAFT

Chicago District Management agrees with the findings and observations contained in this report as follows:

Loop Station did not properly complete 121 refund request forms, such as not completing the "Disbursements for Refunds" section.

Loop Station issued 46 refunds that were not warranted.

Loop Station did not properly maintain 26 refund request forms or supporting documentation for the refunds.

Loop Station did not record two Express Mail refund requests to the proper Express Mail refund account code.

Management agrees with each of these findings, and Management also agrees with the monetary impacts identified.

Recommendation 1

We recommend the Manager, Chicago District, reiterate to unit personnel the policies for obtaining and maintaining supporting documentation for Express Mail refunds, reviewing refund request forms prior to issuing Express Mail refunds, confirming Express Mail refunds are warranted, and recording Express Mail refunds in the correct Account Identifier Code.

Management Response/Action Plan:

Management agrees with Recommendation 1.

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- 2 -

District Finance conducted an Express Mail Refund training session, to include the policies for obtaining and maintaining supporting documentation for Express Mail refunds, reviewing refund request forms prior to issuing Express Mail refunds, confirming Express Mail refunds are warranted, and recording Express Mail refunds in the correct Account Identifier Code. Training attendees were the Manager, Customer Services, three (3) Supervisors, Customer Services, and six (6) Sales & Service Associates (training documents attached).

Target Implementation Date:

The training session was conducted in March, 2018.

Responsible Official:

Manager, Customer Service, Chicago Loop Station is the responsible official for implementation of the agreed upon actions.

Please contact Gregory W. Johnson, District Manager, Chicago, via email or by phone at 312-983-8030, should you have any questions regarding this response.



Gregory W. Johnson

cc: Sally K. Haring, Manager, Corporate Audit Response Management
U.S. Postal Service at CARMManager@USPS.GOV