



AUDIT REPORT

Stamps and Meter Revenue Refunds – Bellmawr, NJ, Main Window

April 13, 2018



Report Number FCS-FM-18-011



April 13, 2018

**Stamps and Meter Revenue Refunds –
Bellmawr, NJ, Main Window**
Report Number FCS-FM-18-011

OBJECTIVE:

The objective of this audit is to determine whether stamps and meter revenue refunds were properly issued, supported, and processed at the Bellmawr, NJ, Main Window.

The U.S. Postal Service Office of Inspector General's data analytics identified that Bellmawr Main Window had a 128 percent increase in dollars for stamp and meter revenue refunds from April 1 to September 30, 2017, compared to the same period in fiscal year 2016. Of the \$72,593 in stamp and meter revenue refunds during the period, the unit recorded \$56,335 in Refund Spoiled/Unused Customer Meter Strips and \$8,046 in Refund Stamps and Fees.

We audited 100 percent of the stamps and meter revenue refunds issued from April 1 to September 30, 2017.

WHAT THE OIG FOUND:

Stamps and meter revenue refunds at the Bellmawr Main Window were not always properly issued, supported, and processed. Of the 162 refunds reviewed, unit personnel:

- Did not properly process 152 refund request forms totaling \$59,029. A witness was not present during the destruction of stamped mail pieces.

- Did not properly maintain and support three refunds totaling \$5,908 included on the daily financial report.

The postmaster stated she signed the refund forms because she was unaware a witness was required when stamped mail pieces are sent to a third party for destruction. Further she stated she was not aware of the requirements for the unit manager or supervisor to review the daily financial report and the related supporting documentation. According to her training record, she completed training related to the daily financial report in May 2014.

The Bellmawr Main Window is at risk for issuing incorrect or unauthorized refunds without proper oversight of the process. From April 1 through September 30, 2017, the Bellmawr Main Window issued \$5,908 in questionable refunds because Postal Service policy was not followed.

Because of this audit, management informed us effective March 6, 2018, they implemented procedures to ensure unit management personnel provide oversight and certify the stamped mail piece destruction process. In addition, effective March 1, 2018, unit management reviews the daily financial report and supporting documentation for stamps and meter revenue refunds.

WHAT THE OIG RECOMMENDED:

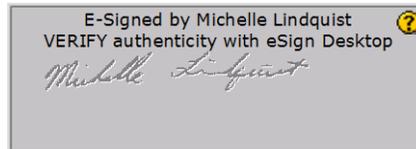
We recommended management provide refresher training for the Daily Financial Reporting process to the Postmaster, Bellmawr, NJ, Main Window to re-enforce proper procedures relating to reviewing and managing the daily 1412 activities.

[Link to review the entire report](#)



April 13, 2018

MEMORANDUM FOR: JAMES G. DRUMMER
MANAGER (A), SOUTH JERSEY DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Stamps and Meter Revenue Refunds –
Bellmawr, NJ, Main Window
(Report Number FCS-FM-18-011))

This report presents the results of our audit of the Stamps and Meter Revenue Refunds – Bellmawr, NJ, Main Window (Project Number 18BFM009FCS000).

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 Response Management

Table of Contents

Introduction	1
Finding #1: Stamps and Meter Revenue Refunds.....	2
Recommendation #1:	3
Management’s Comments	3
Evaluation of Management’s Comments.....	3
Appendix A: Management’s Comments	4

Introduction

This report presents the results of our self-initiated audit of Stamps and Meter Revenue Refunds at the Bellmawr, NJ, Main Window (Project Number 18BFM009FCS000). The Bellmawr Main Window is located in the South Jersey 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.

To determine whether stamps and meter revenue refunds were properly issued, supported, and processed, we extracted and analyzed Enterprise Data Warehouse (EDW)¹ system data for refunds issued at the Bellmawr Main Window between April 1 and September 30, 2017. We conducted interviews of personnel and examined the 162 refund transactions recorded to account identifier code (AIC)² 526, Refund Spoiled/Unused Customer Meter Strips, and AIC 553, Refund Stamps and Fees. AIC 526 records refunds of spoiled/unused postage meter stamps from customer postage meters. AIC 553 records refunds of postage and fees paid by retail customers not receiving the special services paid for at the time of mailing. 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 unused stamps and meter postage.

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 April 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 March 9, 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: Stamps and Meter Revenue Refunds

Stamps and meter revenue refunds at the Bellmawr Main Window were not always properly issued, supported and processed. Of the 162 refunds reviewed, unit personnel:

- Did not properly process 152 PS Forms 3533 totaling \$59,029 related to destruction of stamped mail pieces.³ Specifically, the supervisor certified all 152 forms to indicate she witnessed the stamped mail pieces were prepared for destruction by a third-party contractor; however, she stated she did not observe or verify the stamped mail pieces were prepared for destruction prior to or after signing the forms. Postal Service policy⁴ requires a supervisor or manager and a witness certify the stamped mail pieces are prepared for destruction.⁵
- Did not always properly maintain the PS Form 3533 or the supporting documentation. Specifically, request forms and support for three refunds totaling \$5,908 could not be located at the unit. Postal Service policy⁶ requires the closeout clerk to verify and certify in the Retail Systems Software (RSS)⁷ that entries on the PS Form 1412, *Daily Financial Report*,⁸ match the amount on the PS Forms 3533 and documents be filed locally. In addition, policy⁹ requires field unit managers to review supporting documentation for all entries included on the daily PS Form 1412.

As a result, we consider the \$5,908 associated with these 3 refunds as unsupported questioned costs.¹⁰

Unit personnel could not explain why the increase in refunds occurred. In addition, the postmaster stated she signed the refund forms because she was unaware a witness was required, since the stamped mail pieces are sent to a third party for destruction. Further she stated she was not aware of the requirements for the unit manager or supervisor to review the PS Form 1412 and the related supporting documentation. According to her training record, she completed Daily Financial Reporting training in May 2014. However, the Postmaster has not had the refresher training for daily financial reporting.

If Bellmawr Main Window employees do not ensure that refunds are properly issued, supported and processed with required documentation, the Postal Service risks not being able to substantiate the validity of stamps and meter revenue refunds and issuing incorrect or unauthorized stamps and meter revenue refunds.

³ Disbursements made where proper internal controls and processes were not followed.

⁴ *Postal Operations Manual (POM)* Issue 9, Section 145.11.g, July 2002.

⁵ The stamped mail pieces verified for destruction are stored in a locked room at the unit until the destruction company picks up the mail pieces and takes them to another location for destruction.

⁶ Handbook F-101, *Field Accounting Procedures*, Section 5-4.j(3) and t, June 2016.

⁷ RSS is the primary hardware and software system used to conduct retail sales transactions in post offices.

⁸ The PS Form 1412 provides postal retail units with a uniform method to report financial transactions.

⁹ Handbook F-101, Section 2-4.1.

¹⁰ 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.

As a result of this audit, management informed us they implemented procedures, effective March 6, 2018, to ensure unit management personnel provide oversight and certify the stamped mail piece destruction process. In addition, effective March 1, 2018, unit management reviews the PS Form 1412 and supporting documentation for stamps and meter revenue refunds with the closeout clerk on the following business day.

Recommendation #1: We recommend the Manager, South Jersey District, provide refresher training for the Daily Financial Reporting process to the Postmaster, Bellmawr, NJ, Main Window to re-enforce proper procedures relating to reviewing and managing the daily 1412 activities.

Management's Comments

Management agreed with the finding, recommendation, and monetary impact. Regarding recommendation 1, management provided refresher training of the Daily Financial Reporting process to the current officer-in-charge (OIC) to reinforce proper procedures for reviewing and managing daily financial reporting activities.

During subsequent communication, management provided evidence of the OIC's training held on April 6, 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 report, and corrective actions should resolve the issues identified 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

John Melusky
Finance Manager
South Jersey District



April 10, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Stamps and Meter Revenue Refunds-Bellmawr, NJ, Main Window
Report Number: FCS-FM-18-DRAFT

Thank you to you and the team for providing a critical look at the Bellmawr window operation. I can assure you all of us take away the reality that improving our processes in regards to the findings will result in a win-win for all stakeholders. We agree with the findings presented in your April 5th report and the corresponding highlights under 'What the OIG Found' section and the calculations related to the monetary impacts of \$5,908.45 for three refunds missing supporting documentation

Recommendation #1

We recommend the Manager, South Jersey District, provide refresher training for the Daily Financial Reporting process to the Postmaster, Bellmawr N.J., Main window to re-enforce proper procedures relating to reviewing and managing the daily 1412 activities.

Management Response/Action Plan:

We agree that this refresher training will enlighten the Postmaster/OIC's knowledge in regards to verifying ALL supporting documentation.

Actions taken: As a result of the audit, Sherine Stephens-Whyte, OIC, completed course # 10019060F31, 'Daily Financial Reporting'. (Copy of LMS training record attached)

Target Implementation Date:

Completed April 6, 2018

Responsible Official:

Officer-In-Charge



John Melusky
Finance Manager, South Jersey District
cc: Manager, Corporate Audit Response Management