



AUDIT REPORT

Walk-In Revenue Refunds - Secaucus, NJ, Main Office

May 3, 2018



Report Number FCS-FM-18-015



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**Walk-In Revenue Refunds -
Secaucus, NJ, Main Office**
Report Number FCS-FM-18-015

OBJECTIVE:

The objective of this audit is to determine whether voided Postage Validation Imprinter (PVI) label refunds and Customer Metered Mail Postage refunds were properly issued, supported, and processed at the Secaucus Main Office. The PVI is a printing device attached to a point-of-sale terminal that produces a postage label for payment of postage and fees.

The U.S. Postal Service Office of Inspector General (OIG) Field Financial Risk Model identified Secaucus, NJ, Main Post Office Refund & Void dollars increased 822 percent from April 1 to September 30, 2017, compared to the same period in fiscal year (FY) 2016. Voided PVI label activity increased from \$2,073 to \$5,877, and refunds for customer metered mail postage increased from \$749 to \$26,121 for the same comparison period.

WHAT THE OIG FOUND:

Refunds for voided PVI labels and customer metered postage were not always properly issued, supported, and processed at the Secaucus Main Post Office. Specifically, for 81 of 268 refund transactions for voided PVI labels reviewed, had no required witness certification or "no witness available" designation on documentation.

Of the 155 refunds for spoiled or unused customer metered mail postage reviewed, we found unit personnel:

- Did not maintain the refund form or the supporting documentation for two forms, totaling \$1,937 in refunds.
- Did not have a witness signature confirming destruction for two refund forms, totaling \$139 in refunds. An additional 13 refund forms were without a witness signature, confirming destruction and a witness signature confirming disbursement, totaling \$531 in refunds.
- Did not complete the Disbursements for Refunds section for any of the 153 refund forms reviewed.
- Did not timely process 136 of the 153 refund forms reviewed. Specifically:
 - 135 of 153 forms for meter stamp refunds valued up to \$1,000 were processed between 4 and 171 days late.
 - One form for a meter stamp refund valued at \$1,445 was 27 days late.
 - One form did not have a submission date to determine timeliness.

The sales and service associates stated that when a PVI label is not legible and in need of a witness signature, there was usually only one sales and service associate on the window and, therefore, no witness is available. This is allowable, but the absence of a witness is required to be noted on the support. In addition, delays in processing refunds for spoiled or unused customer metered mail postage occurred due to the volume of submissions received and other priorities. The disbursements section of the refund form was not completed because the attached money order receipt was considered sufficient by the sales and service associate processing the refund.

From April 1 through September 30, 2017, the Secaucus, NJ, Main Office issued \$3,647 in questionable refunds because Postal Service policy was not followed.

WHAT THE OIG RECOMMENDED:

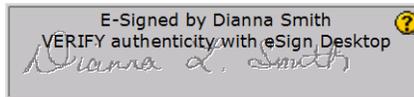
We recommended management reiterate to all unit personnel the requirements for processing voided PVI labels and refund forms for metered postage refunds.

[Link to review the entire report](#)



May 3, 2018

MEMORANDUM FOR: MILFORD SCOTT HOOPER
MANAGER, NORTHERN NEW JERSEY DISTRICT



FROM: *for*
Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Walk-In Revenue Refunds - Secaucus, NJ,
Main Office (Report Number FCS-FM-18-015)

This report presents the results of our audit of the Walk-In Revenue Refunds - Secaucus, NJ, Main Office (Project Number 18BFM011FCS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact 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 Walk-In Revenue Refunds - Secaucus, NJ, Main Office (Project Number 18BFM011FCS000). The Secaucus Main Office is located in the Northern New Jersey District of the Northeast 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 voided Postage Validation Imprinter (PVI)¹ label refunds and customer metered mail postage refunds were properly issued, supported, and processed, we extracted and analyzed Enterprise Data Warehouse (EDW)² system data for refunds issued at the Secaucus Main Post Office between April 1 and September 30, 2017. We conducted interviews and walk-throughs with personnel knowledgeable about processing refunds. We also examined the unit's supporting documentation for 155 refund transactions identified between April 1 and September 30, 2017, for account Identifier code (AIC)³ 526, Spoiled/Unused Customer Meter Postage, and 268 transaction amounts for AIC 509, Voided PVI labels.

We relied on computer-generated data from EDW. We did not test the validity of controls over this system; however, we assessed 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 March 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 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 March 15, 2018, and included their comments where appropriate.

Finding #1: Processing of Voided PVI labels and Metered Mail

Refunds for voided PVI labels and spoiled or unused customer metered mail postage were not always issued, properly supported and processed at the Secaucus Main Office.

¹ An electronic device that works with an Integrated Retail Terminal or point-of-sale system to produce postage validation and destination ZIP Code labels. It functions like an electronic postage meter.

² 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.

³ Three-digit code that assigns financial transactions to the proper account on the general ledger.

Specifically:

- Unit personnel did not always properly process 81 of the 268 voided PVI label refunds reviewed. Unit personnel issued these refunds, totaling \$1,040, without required witness certification or notation that a witness was unavailable. Postal Service policy⁴ states that each voided PVI label refund requires an unused, damaged, or spoiled PVI label attached to a point-of-sale receipt as support for the refund. If a PVI label is blank or missing, or if the dollar amount cannot be determined, a witness signature is required for supporting documentation. If a witness is unavailable, the receipt should indicate "No Witness Available." We consider the voided PVI labels without proper support in the amount of \$1,040 to be unsupported questioned costs.⁵
- Unit personnel did not always properly support or process customer metered postage refunds at the unit. Of the 155 refunds reviewed:
 - Two request forms and support, totaling \$1,937 in refunds, could not be located at the unit.
 - Two forms, totaling \$139 in refunds, did not have the witness signature confirming destruction.
 - Thirteen forms, totaling \$531 in refunds, did not have the witness signature confirming destruction and verification of disbursement signature.
 - None of the forms had a properly completed Postal Service (PS) Form 3533, Application for Refund of Fee, Products and Withdrawal of Customer Accounts, Part 5, Disbursements for Refunds. 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.

Each customer metered postage refund requires a completed and properly authorized PS Form 3533. Postal Service policy⁶ requires PS Form 3533 and supporting documents be filed locally. Policy⁷ also states a retail associate completes Part 2, Verification of Disbursements, and a witness to the transaction signs the Witness Signature line in Part 2. In addition, Postal Service policy⁸ states a post office supervisor and a witness must certify the destruction on PS Form 3533 (Part 3). Postal Service policy⁹ states that for all refund activities in which a no-fee money order is issued, the money order serial number and date issued must be recorded in Part 5.

We consider the \$2,607 associated with these 17 refunds as unsupported questioned costs.

⁴ Handbook F-101, *Field Accounting Procedures*, June 2016, Sections 21-4.

⁵ 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.

⁶ Handbook F-101, Section 5-4.j(3).

⁷ Handbook F-101, Sections 21-1 and 21-2.

⁸ *Postal Operations Manual (POM)* Issue 9, July 2002, Section 145.11.e & g.

⁹ Handbook F-101, Section 21-1.1.c.

- Unit personnel did not timely process 136 of the 153 PS Forms 3533 reviewed, and one form did not have a submission date to determine timeliness. Specifically:
 - 135 of 153 forms for meter stamp refunds valued up to \$1,000 were processed between 4 and 171 days late.
 - One form for a meter stamp refund valued at \$1,445 was 27 days late.

Postal Service policy¹⁰ states postage meter stamp refunds of less than \$1,000 must be processed within 30 days and refunds totaling \$1,000 or more must be processed within 60 days.

Sales and service associates (SSA) stated that when a PVI label is not legible and in need of a witness signature for support, there was usually only one SSA at the window, so no witness was typically available to sign. This is allowable, but the absence of a witness is required to be noted on the support. In addition, delays in the processing of refunds occurred because the refunds are performed by one clerk, who has a number of competing operational duties, which took precedence over processing refunds. Also, SSA's did not complete Part 5 of PS Form 3533, because the money order receipt for the refund sent to the customer was attached to the PS Form 3533 and contained the same required information. The SSA thought that was sufficient.

Management attributed the increase in refunds of spoiled or unused customer metered mail postage to the volume of submissions and the delays in processing the submissions by the responsible clerk, due to competing operational requirements. PVI label refunds and voids increased as a result of older machines jamming. According to the postmaster, the PVI machines were replaced around June or July 2017.

Recommendation #1: We recommend the Manager, Northern New Jersey District, instruct the postmaster to reiterate to all unit personnel the requirements for properly processing voided Postage Validation Imprinter labels and PS Forms 3533, Application for Refund of Fees Products and Withdrawal of Customer Accounts, for metered postage refunds.

Management's Comments

Management agreed with the finding and recommendation but did not completely agree with the monetary impact. Management agreed that the required procedures were not followed; however, the district disagreed that the costs were questionable as it was not confirmed that the processed refunds were illegitimate.

¹⁰ POM Section 145.11.k.

Regarding recommendation 1, the district manager reiterated to all SSAs that they must process voided PVI labels and customer metered postage refunds properly. Additionally, the manager instructed SSAs to attach point-of-sale receipts to voided PVI refunds and include a supervisor's signature as a witness. Finally, the manager reiterated that SSAs use and properly complete PS Form 3533 for all customer metered postage refunds, and to include management certification witnessing destruction of the postage. In addition, all refunds must be properly issued with supporting documentation and processed within the required timeframe.

During subsequent communication, management provided evidence as of April 17, 2018 to show all SSAs were certified regarding proper procedures.

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. Regarding the monetary impact, it is Postal Service policy to maintain supporting documentation in the unit's local files for reference and requires the PS Form 3533 be properly completed. As a result, we will continue to claim the monetary impact because of the unit's failure to follow required procedures.

We reviewed management's separate documentation 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



April 20, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Walk-In Revenue Refunds – Secaucus, NJ,
Main Office – Report Number FCS-FM-18-DRAFT

Thank you for the opportunity to respond to the Office of Inspector General's audit of Walk-In Revenue Refunds – Secaucus, NJ, Main Office. Although, Northern New Jersey District does not agree completely with the Monetary Impacts identified during the Audit, Northern New Jersey District agrees that the required procedures for Postage Validation Imprinter (PVI) refunds and Customer Metered Mail Postage are important to ensure unauthorized transactions do not occur.

Recommendation #1

We recommend the Manager, Northern New Jersey District, instruct the Postmaster to reiterate to all unit personnel the requirements for properly processing voided Postage Validation Imprinter labels and PS Forms 3533, *Application for Refund of Fees Products and Withdrawal of Customer Accounts* for metered postage refunds.

Management Response/Action Plan:

Northern New Jersey District agrees with the recommendation and have reiterated with all Sales and Service Associates (SSAs) that voided PVI refunds must be attached to a point-of-sale receipt and that a Supervisor must sign as a witness. Additionally, all SSAs were instructed that for all customer metered postage refunds, a PS Form 3533 must be properly completed and then reviewed by Management who will certify the destruction with a witness. They were also instructed to record all Money Order information on the PS Form 3533 as required. Lastly, it was reiterated to the SSAs that refunds must be processed within the required timeframe.

Target Implementation Date:

Completed – March 29, 2018

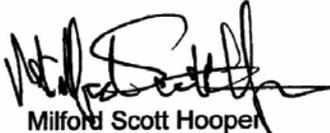
Responsible Official:

Postmaster Secaucus, NJ

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Monetary Impact:

Regarding the Monetary Impact cited during this audit in the amount of \$3,647 for, Northern New Jersey District agrees that the correct procedures were not followed; however, Northern New Jersey District disagrees that the costs are questionable as it was not confirmed that the refunds processed were illegitimate.



Milford Scott Hooper
District Manager, Northern New Jersey

cc: VP Controller
VP Retail & Customer Service
VP Area Operations (Northeast)
Controller (Northeast)
Manager, Finance (Northern New Jersey)
Manager, Corporate Audit Response Management