



AUDIT REPORT

Business Reply Mail Refunds – Memphis, TN, Main Post Office

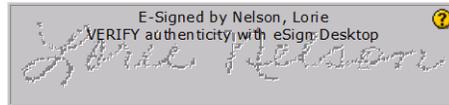
March 26, 2019





March 26, 2019

MEMORANDUM FOR: CHRISTOPER L. ALEXANDER
MANAGER, TENNESSEE DISTRICT



FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Business Reply Mail Refunds – Memphis,
TN, Main Post Office (Report Number FCS-FM-19-005)

This report presents the results of our audit of the Business Reply Mail Refunds – Memphis, TN, Main Post Office (Project Number 19BFM005FCS000).

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

Attachment

cc: Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of refunds for postage affixed Business Reply Mail¹ (BRM) at the Memphis, TN, Main Post Office (MPO) (Project Number 19BFM005FCS000). The Memphis, TN, MPO is in the Tennessee 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.

BRM is a service provided by the Postal Service that enables a sender to provide a recipient with a convenient, prepaid method for replying to a mailing. Customers request refunds when postage has been applied to the prepaid mailing. To obtain a refund, customers must submit postage affixed BRM, and the 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.

The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified the Memphis MPO issued 18 postage affixed BRM refunds, totaling \$180,397, on 10 separate dates from January 1 through October 31, 2018. This was the fourth highest amount compared to other offices nationwide and represented 94 percent of the overall amount of postage affixed BRM refunds within the Tennessee District for the same timeframe. In addition, Memphis MPO postage affixed BRM refunds have been consistent over the past three years, with \$169,929 and \$179,526 issued in calendar years 2016 and 2017, respectively (see [Figure 1](#)). Further, our analysis showed that the Memphis MPO issued postage affixed BRM refunds of 5.03 percent to a single customer with \$3.6 million in reported BRM revenue from January 1 through October 31, 2018.

Figure 1. Memphis MPO Postage Affixed BRM Refunds

Year	Refund Amount
2016	\$169,929
2017	\$179,526
2018	\$180,397 ²

Source: Enterprise Data Warehouse (EDW)³ reports.

¹ The postage affixed BRM refunds were reported in Account Identifier Code (AIC) 528, Refund Permit Postage and Fees Amount. An AIC is a three-digit code that assigns financial transactions to the proper account on the general ledger. Each AIC is assigned a corresponding general ledger account.

² Unit entered \$570.33 of the \$180,397 into AIC 526, Refund Spoiled/Unused Customer Meter Stamps, instead of AIC 528 for BRM refund.

³ 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.

Objective, Scope and Methodology

The objective of this audit was to determine whether postage affixed BRM refunds were properly issued, supported, and processed at the Memphis, TN, MPO.

To determine whether postage affixed BRM refunds were properly issued, supported, and processed, we extracted and analyzed EDW data for 18 postage affixed BRM refunds, totaling \$180,397, recorded at the Memphis MPO on 10 separate dates between January 1 and October 31, 2018. We reviewed the unit's records and conducted interviews with unit personnel and Postal Service management.

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 November 2018 through March 2019, 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 audit objective. We discussed our observations and conclusions with management on February 25, 2019, and included their comments where appropriate.

Finding #1: Refunds for Postage Affixed Business Reply Mail

Refunds for postage affixed BRM were not always properly issued, supported, and processed at the Memphis MPO. Specifically:

- A manager or supervisor and a witness did not certify seven of 18 PS Forms 3533 reviewed, totaling \$15,423, to indicate they witnessed the postage affixed BRM pieces were destroyed by the BRM clerk. In addition, neither the BRM clerk nor the supervisor reconciled the PS Form 1412, *Daily Financial Report*,⁴ to the PS Form 3533 as required.

The BRM clerk stated that no one was available to certify the destruction of the mailpieces. In addition, the unit manager stated he was unaware of the requirement to provide supervision of the refund process including the review of the supporting documentation with the PS Form 1412. The unit manager also stated his primary focus was related to mail carrier duties. The supervisor stated she was never directed to review the daily financial reports, believing it was the responsibility of the closeout clerk that prepared the daily financial report.

⁴ The PS Form 1412 provides postal retail units with a uniform method to report financial transactions.

Postal Service policy⁵ for processing refunds requires a post office employee and a witness, destroy the postage stamps on postage affixed BRM pieces. It also requires a supervisor and a witness certify the destruction. Further, policy⁶ requires field unit managers to review the refund supporting documentation for all entries included on the daily financial report.

We consider the \$15,423 as disbursements at risk⁷ because the unit did not follow policy for the seven-postage affixed BRM refunds.

- The BRM clerk did not properly calculate the charges assessed for processing refunds for postage affixed BRM for 10 of the 18 PS Forms 3533 reviewed. The clerk was not aware of the requirement and has never received any formal training on the process. She further stated that she usually takes 10 percent of the total amount of the postage value.

Postal Service policy⁸ states the employee calculates the refund amount and enters the amount for disbursement on the form. In addition, the postmaster or a supervisor review the form to ensure the refund disbursement is warranted.

Policy⁹ also states that charges for postage affixed BRM pieces or meter stamps are assessed at 10 percent of face value, if the total is \$500 or less. If the total face value is more than \$500, a charge of \$50 per hour is assessed for the actual hours used to process postage affixed BRM; the minimum charge is \$50.

Recommendation #1: We recommend the District Manager, Tennessee District, reiterate and train applicable unit personnel on the procedures for properly refunding postage affixed Business Reply Mail, the related destruction process, and the daily closeout process.

Finding 2: Pre-Addressed Stamped Envelope Exchanges

During our onsite visit, the BRM clerk processed two trays of pre-addressed stamped mail as monetary refunds, using PS Form 3533, instead of a stamp exchange. Each tray contained 1,200 mail pieces of the same denomination totaling \$1,200. The BRM clerk stated she has always refunded this type of mail this way, and was unaware of the policy.

⁵ *Postal Operations Manual*, Issue Number 9, July 2002, Section 145.11, and Handbook F-101, *Field Accounting Procedures – Draft* May 2017, Section 21-1.

⁶ Handbook F-101, Section 2-4.1.

⁷ Disbursements made where proper Postal Service internal controls and processes were not followed.

⁸ *Postal Operations Manual*, Issue Number 9, July 2002, Section 145.11, and Handbook F-101– *Draft*, May 2017, Section 21-1.

⁹ PS Form 3533, Part 3.

Postal Service policy¹⁰ states stamps, including stamped paper (cards and envelopes), that are damaged or otherwise unusable for postage may be exchanged only for an equal number of stamps, or stamped paper, alike and of the same denomination.

The Memphis MPO is at risk for issuing incorrect, invalid, or duplicate refunds when disbursements are not verified and refunded postage affixed BRM pieces are not destroyed. In addition, improper postage affixed BRM refunds may not be detected without supervisory review.

We consider the value of the refunds as revenue loss because management did not follow the policies for stamps exchange.¹¹

Recommendation #2: We recommend the District Manager, Tennessee District, reiterate to applicable unit personnel the procedures for pre-addressed stamped envelope exchanges.

Management's Comments

Management agreed with the recommendations but disagreed with the finding related to stamp exchanges and refunds. In subsequent correspondence, management also disagreed with the monetary impact.

Regarding recommendation 1, management agreed to reiterate and train unit personnel on the procedures for properly refunding postage affixed BRM, the related destruction process, and the daily closeout process. The current BRM clerk at the Memphis MPO completed the required training on March 15, 2019. The unit manager, supervisor, and remaining clerks will also be trained by April 30, 2019.

Regarding recommendation 2, management agreed to reiterate to applicable unit personnel, the procedures for pre-addressed stamped envelope exchanges by March 31, 2019. However, they disagreed that the process identified was incorrect and required stamp exchange. Management stated the customer provided pre-addressed stamped commercial envelopes with stamps of the same denomination, in lots of 1,200 pieces, with a single transaction value greater than \$100, in accordance with policy.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the findings and recommendations in the report. After further review of the commercial envelopes and

¹⁰ Domestic Mail Manual, Section 604.9.1.2, September 2018.

¹¹ Revenue loss applies to funds such as postage, retail sales, rent leases, or fees the Postal Service is entitled to receive but was underpaid or not realized because policies, procedures, agreements, or requirements were lacking or not followed.

the corresponding policy, we acknowledge that the cash refund for the two trays of pre-addressed stamped mail was appropriate and did not result in revenue loss.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All 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.

Appendix A: Management's Comments



March 14, 2019

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: **Business Reply Mail Refunds – Memphis, TN, Main Post Office (Report Number [19BFM005FCS000])**

The following is provided in response to your audit of Business Reply Mail Refunds at the Memphis, TN, Main Post Office (MPO).

The objective of the audit was to determine whether postage affixed BRM refunds were properly issued, supported, and processed at the Memphis, TN, MPO. Responses to individual findings are provided below.

FINDING #1: Refunds for Postage Affixed Business Reply Mail

Recommendation #1: We recommend the District Manager, Tennessee District, reiterate and train applicable unit personnel on the procedures for properly refunding postage affixed Business Reply Mail, the related destruction process, and the daily closeout process.

Management Response/Action Plan:

Management agrees to reiterate and train unit personnel as suggested. The current BRM clerk at the Memphis, TN, MPO completed the requisite training on March 15, 2019. The unit manager, supervisor, and remaining clerks will also be trained.

Target Implementation Date:

April 30, 2019

Responsible Official:

Reginald Capers – Postmaster, Memphis, TN.

FINDING #2: Pre-Addressed Stamped Envelope Exchanges

Recommendation #2: We recommend the District Manager, Tennessee District, reiterate to applicable unit personnel the procedures for pre-addressed stamped envelope exchanges.

Management Response/Action Plan:

Management agrees to reiterate to applicable unit personnel the procedures for pre-addressed stamped envelope exchanges as recommended. However, we disagree that the process identified was incorrect and requires stamp exchange. The customer provided pre-addressed stamped commercial envelopes with stamps of the same denomination in lots of 1,200 pieces

with a single transaction value greater than \$100. Consistent with DMM 604.9.1.2.d, the customer received a cash refund at 90% of the face value of the stamps.

Target Implementation Date:

March 31, 2019

Responsible Official:

Lori Slater-Trautwein



Christopher Alexander
District Manager, Tennessee District

*cc: Manager, Corporate Audit Response Management
Joshua D. Colin Ph.D.
Raschelle Parker*