



AUDIT REPORT

Postage and Fee Refunds - Flint, MI, Main Post Office

June 6, 2019

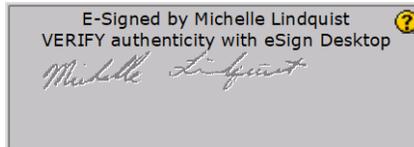


Report Number FCS-FM-19-009



June 6, 2019

MEMORANDUM FOR: KARLETT GILBERT
MANAGER, DETROIT DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Postage and Fee Refunds – Flint, MI, Main
Post Office (Report Number FCS-FM-19-009)

This report presents the results of our audit of the Postage and Fee Refunds - Flint, MI, Main Post Office (Project Number 19BFM012FCS000).

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: Postmaster General
Corporate Audit Response Management

Background

This report presents the results of our self-initiated audit of Postage and Fee Refunds – Flint, MI, Main Post Office (Project Number 19BFM012FCS000). The Flint Main Post Office (MPO) is located in the Detroit 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.

Account Identifier Code (AIC)¹ 553, *Refund Postage and Fees*, is used to record refunds of customers postage and fees paid for special services not received. The U.S. Postal Service Office of Inspector General's (OIG) data analytics identified the Flint, MI, MPO postage and fee refund amount from January 1 through March 31, 2019 as \$93,045, compared to \$87 from the same period last year.

Objective, Scope and Methodology

The objective of this audit was to determine whether postage and fee refunds were valid, timely, and properly supported at the Flint, MI, MPO. We reviewed daily financial records; Postal Service (PS) Forms 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts; and attached supporting documentation maintained by the unit from January 1 through March 31, 2019. We also interviewed unit personnel and Postal Service management.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).² 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 April through June 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 objective. We discussed our observations and conclusions with management on May 20, 2019, and included their comments where appropriate.

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

² 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.

Finding #1: Recording Refunds Timely

We determined that postage and fee refunds were valid and properly supported; however, these types of refunds were not always processed timely. Specifically, one mailer notified the unit in September 2018 that it was charged a lower rate for a similar distribution at another local Postal Service facility and requested their account to be reviewed for the period May 23, 2015, through September 15, 2018. It was determined the mailer was overcharged due to the unit becoming a Hub,³ which changed the mailing rate from the five-digit None mailing rate⁴ to the five-digit Sectional Center Facility⁵ (SCF) rate. The customer was unaware of this change; therefore, the mailing statements submitted by the mailer had the incorrect rate. The unit's postmaster and the Detroit District Business Mail Entry Unit (BMEU) manager researched the refund and requested assistance from the Postal Service's national manager of Pricing and Classification on October 24 and November 4, 2018. The postmaster and BMEU manager needed assistance validating the unit's Hub status and the dates that SCF pricing would apply. The Detroit District BMEU Manager followed-up with the national manager on February 25, 2019, to determine if a decision was reached regarding the Flint MPO refund request. The national manager entered the refund into its case management system on February 28, 2019, and approved the refund on March 1, 2019. The postmaster approved PS Form 3533 on March 9, 2019 for \$93,008⁶ and submitted it to the Accounting Service Center (ASC) on March 28, 2019.⁷ The refund took over six months to process.

Postal Service policy⁸ states that the accrual basis of accounting dictates that the Postal Service record revenue when earned and expenses when incurred, regardless of when the related assets and liabilities are collected or paid. Accordingly, field units are expected to record or report all accounting activity in the same month in which the activity occurs.

The inadequate communication between headquarters and unit and district personnel from November 4, 2018, to February 28, 2019, resulted in a four-month delay in refunding the customer's postage. The postmaster stated there were no other customer that were affected by SCF pricing.

When refunds are not entered timely and customers experience billing errors and lengthy delays in refunds, the Postal Service's image and brand⁹ can be harmed. In

³ If a facility is identified as a Hub, it will serve as a cross-dock facility for destination volume that is properly prepared and entered at the Hub location. Hub employees will transport mail to the downstream delivery units that it services.

⁴ The five-digit None rate does not qualify for a discount based on where the mail is dropped off.

⁵ Qualifies for the SCF discount based on where the mail is dropped off. An SCF is a Postal Service facility that serves as the processing and distribution center for all post offices in a designated geographic area as defined by the first three digits of the zip codes of those offices. Some SCFs serve more than one three-digit ZIP Code range.

⁶ The total refund amount for fiscal year 2019, Quarter (Q) 2, was \$93,045 and included three refunds of \$5, \$32, and \$93,008. However, only the \$93,008 refund was not processed timely.

⁷ The ASC issued the check on April 1, 2019.

⁸ Handbook F-1, *Accounting and Reporting Policy*, Section 2-1.2, January 2015.

⁹ An actual or potential event or problem that could harm the reputation of the Postal Service.

addition, accounting activity is not recorded in accordance with generally accepted accounting principles¹⁰ in the quarterly financial statements.¹¹

Recommendation #1: We recommend the **Manager, Detroit District** develop a communication plan to ensure financial transactions are recorded in a timely manner when units consult with off-site personnel.

Management's Comments

Management did not state whether they agreed or disagreed with the finding but did agree with the recommendation. Management provided a copy of the memorandum issued to the Detroit District Management Team with their response. This memorandum emphasized the importance of timely recording financial transactions and to escalate any issue that impedes this process within 72 hours as needed to the next highest level.

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. The OIG agrees that Postal Service policy for the accrual basis of accounting requires timely recording of accounting transactions and the additional notification to escalate issues within 72 hours addresses the intent of our recommendation. The corrective action taken should resolve the issues identified in this report.

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

¹⁰ General rules and concepts that govern the field of accounting.

¹¹ Q1 is October 1 through December 31, Q2 is January 1 through March 31, Q3 is April 1 through June 30, and Q4 is July 1 through September 30.

Appendix A. Management's Comments



June 3, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Response to OIG Audit of Postage and Fee Refunds -
Flint, MI, Main Post Office [FCS-FM-19-DRAFT]

Management agrees with the single recommendation from the OIG audit of the Postage and Fee Refunds - Flint, MI, Main Post Office (Project Number 19BFM012FCS000).

Recommendation #1:

The OIG recommended the Manager, Detroit District, develop a communication plan to ensure financial transactions are recorded in a timely manner when units consult with off-site personnel.

Management Response/Action Plan:

Management agrees with the recommendation and has already implemented it.

Target Implementation Date:

The recommended corrective action was issued to the field in early June 2019.

Responsible Official:

Larry Dean, Manager, Finance, Detroit District

A handwritten signature in blue ink, appearing to read "K. Gilbert".

Karlett Gilbert
District Manager
Detroit District
United States Postal Service

cc: Vilayvone Visoutsri
Erica Brix
Mark Rosenwinkel
Beverly Williams
Manager, Corporate Audit Response Management