



AUDIT REPORT

Postage Refunds - North Topeka, KS, Post Office

August 23, 2019

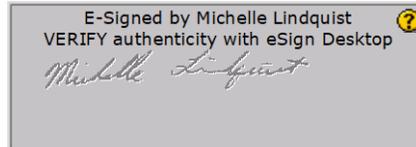


Report Number: FCS-FM-19-024



August 23, 2019

MEMORANDUM FOR: RICHARD J. PIVOVAR
MANAGER, CENTRAL PLAINS DISTRICT



FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Postage Refunds – North Topeka, KS, Post Office (Report Number FCS-FM-19-024)

This report presents the results of our audit of Postage Refunds – North Topeka, KS, Post Office (Project Number 19BFM019FCS000).

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 and Response Management

Background

This report presents the results of our self-initiated audit of Postage Refunds – North Topeka, KS, Post Office (Project Number 19BFM019FCS000). The North Topeka Post Office is in the Central Plains District of the Western Area. This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

U.S. Postal Service Office of Inspector General (OIG) data analytics identified that the North Topeka Post Office issued postage refunds exceeding \$38,000 from January 1 through March 31, 2019, for Account Identifier Code (AIC)¹ 528, Refund of Permit Postage and Fees. The refunds represented 84 percent of total AIC 528 refunds issued during this period in the Central Plains District.

Objective, Scope, and Methodology

The objective of this audit was to determine whether refunds for postage were valid, properly supported, and processed at the North Topeka Post Office. To achieve this objective, we reviewed the daily financial records; Postal Service (PS) Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts; and attached supporting documentation maintained by the unit from January 1 to March 31, 2019. We selected all 21 AIC 528 refund transactions processed on eight separate dates during this period. We also interviewed unit personnel and Postal Service management regarding processing and submitting postage refunds for payment.

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 employees. We determined the data was sufficiently reliable for the purposes of this report.

We conducted this audit from May through August 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 July 9, 2019, and included their comments where appropriate.

¹ The AIC consists of three digits. It is used to classify financial transactions to the proper 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: Postage Refunds

We determined the 21 postage refunds issued were valid but were not properly supported or processed timely. Specifically:

- The Sales and Service Associate (SSA) did not properly complete any of the 21 PS Forms 3533, totaling \$38,346. The SSA submitted forms that were obsolete; missing supervisor, manager, and witness signatures to certify verification of destruction; contained an erroneous³ or missing signature to certify disbursement; and included differences in amounts disbursed (see Table 1).

Table 1. PS Form 3533 Errors

Type of Error	Instances*
Obsolete Forms Used ⁴	12
Part 3, Postage Affixed on Business Reply Mail (BRM) ⁵ or Meter Stamps, ⁶ Missing Signatures and Destruction Verifications	21
Part 2, Verification of Disbursement, Preparer/Witness Signature Errors	5
Part 2 and Part 3, Amount Differences	2

*Forms contained multiple errors.

Source: OIG analysis.

These errors occurred for several reasons:

- The SSA stated she provided the customer with the current PS Form 3533 but did not direct the customer to destroy the obsolete form.
- The unit does not have the ability to perform the destruction process; therefore, the refundable BRM postage affixed mail is sent to a nearby Postal Service facility that has this ability. The facility destroying the forms did not complete or sign Part 3 and the North Topeka Post Office did not obtain verification of completed destruction from the destroying facility, as required.
- The SSA did not properly oversee the processing and completion of the forms, calculate refund amounts, or complete Part 2, leading to Part 2 verification of disbursement signature errors and Part 3 amount differences.

Postal Service policy⁷ requires retail associates to ensure the PS Form 3533 is properly completed.

³ Unit personnel did not sign the form under the appropriate role (for example, certifying employee verses witness).

⁴ The current PS Form 3533 is dated December 2016. Obsolete forms used were dated August 2008.

⁵ 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.

⁶ Part 3 of PS Form 3533 states that post offices must destroy customer postage affixed to BRM or meter stamps to prevent reuse. The manager and a witness must sign to certify that the meter impressions listed on the form were destroyed.

⁷ Handbook F-101, Section 21-1.1 a-c.

- The SSA did not process 18 of the 21 forms reviewed timely. The SSA processed these forms from 31 days to over 5 years after the customer requested the refund⁸ (see Table 2). Postal Service policy⁹ requires revenue to be recorded 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 and report all accounting activity within the same month the activity occurs.

Table 2. Aging of Processed PS Forms 3533

Timeliness of Forms Processed	Number of Refund Forms Processed
31-60 Days	2
61-90 Days	5
91-180 Days	8
181-365 Days	2
Over five years	1
Total	18

Source: OIG analysis of PS Forms 3533 and EDW data.

- During our audit, we also determined the SSA had an additional backlog of 111 PS Forms 3533, valued at \$109,432,¹⁰ requested from one major mailer but not yet processed. None of these forms had Part 2, Verification of Disbursement, Preparer/Witness Signature completed. As of May 22, 2019, the unit had unprocessed refund requests ranging from 47 days to over three years from the date of the customer request (see Table 3). The SSA stated she was the only person at this unit that processes these refunds and had other duties that took priority. The manager at this unit started on March 2, 2019, and was unaware of refund processing delays or backlogs.

Table 3. Aging of Unprocessed PS Forms 3533

Timeliness of Unprocessed Forms	Number of Refund Forms
31 - 90 Days	17
91-180 Days	31
181-270 Days	34
271-365 Days	4
Over 1-2 Years	14
Over 2-3 Years	7
Timeliness of Unprocessed Forms	Number of Refund Forms
Over Three Years	4
Total	111

Source: OIG analysis of PS Forms 3533 at unit.

⁸ This date range is based on the date of the customer request to the date entered into the Retail Sales and Services system (RSS) for payment. RSS is the primary hardware and software system used to conduct retail sales transactions in post offices.

⁹ Handbook F-1, *Accounting and Reporting Policy*, Section 2-1.2, January 2015.

¹⁰ The amount is a calculated estimate based on the customer's refund request and reduced by an estimated charge fee to process the refund. The Postal Service had not yet made an entry on the PS Form 3533 for the charge fee.

The OIG reviewed the daily activity of the North Topeka unit for the three years but did not identify that any of the 111 unprocessed forms 3533 were refunded at the North Topeka unit. The OIG reviewed each unprocessed form based on the date of customer request and the refund amount requested, less the estimated charge fee¹¹ assessed to process the refund. The actual refund amount may vary from these factors and could have been inadvertently processed at another unit due to the destruction being performed at another site; therefore, additional review may be warranted.

If employees at the North Topeka Post Office do not ensure refunds are properly supported or verify the destruction of postage as required, the Postal Service is at risk of issuing incorrect, unauthorized, or duplicate refunds and inappropriate reuse or resale of the postage. We consider the 111 postage refunds valued at \$109,432 as refundable revenue.¹²

Further, the Postal Service's image¹³ can be harmed when customers experience lengthy delays in refunds.

Recommendation #1: We recommend the **Manager, Central Plains District**, direct the postmaster, North Topeka Post Office, to validate and process the current backlog of 111 refund requests as of May 22, 2019, and establish a procedure to process refund requests within a timely manner.

Recommendation #2: We recommend the **Manager, Central Plains District**, reiterate to applicable North Topeka Post Office personnel the refund policies and procedures, to include the destruction of refunded postage.

Management's Comments

Management agreed with the finding, recommendations, and the monetary impact.

Regarding recommendation 1, management implemented a process August 7, 2019, in which the North Topeka, Manager, Customer Services conducts a daily review to verify all identified unprocessed refunds upon completion. Further, management processed all the refunds as of August 12, 2019.

Regarding recommendation 2, management moved the destruction of refunded postage operations to the North Topeka Station. The North Topeka, Manager, Customer Services, now completes a daily review to ensure compliance. In addition, proper refund

¹¹ The Postal Service assesses charge fees to process the refunds and deducts those fees from the customer's refund amount.

¹² Amounts the Postal Service may owe to customers who have overpaid for a service or product. An example of refundable revenue is the overpayment of bulk mail postage by a customer due to an incorrectly completed postage statement, or due to bulk mail verification errors.

¹³ An actual or potential event or problem that could harm the reputation of the Postal Service.

policies and procedures, including the destruction of refunded postage, were reviewed by all applicable employees. The processes were implemented on August 6, 2019.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective action should resolve the issues identified in the report. We reviewed management's correspondence and found it adequate to resolve the issues identified in this report. We consider recommendations 1 and 2 closed with the issuance of this report.

APPENDIX A. MANAGEMENT’S COMMENTS



August 16, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Postage Refunds- North Topeka, KS, Post Office
Report Number FCS-FM-19-DRAFT

Management agrees with each OIG finding and monetary calculations.

Recommendation 1

We recommend **the Manager, Central Plains District**, direct the postmaster, North Topeka Post Office, to validate and process the current backlog of 111 refund requests as of May 22, 2019, and establish a procedure to process refund requests within a timely manner.

Management Response/Action Plan:

Management agrees with the recommendation and monetary calculations. Process is now in place to ensure compliance. Postmaster Plante has directed North Topeka Manager Jon Scott Sr to conduct a daily review to verify all identified unprocessed refunds until completion. This was implemented on August 7, 2019 and all refunds were processed and completed as of August 12, 2019.

Target Implementation Date:

August 7, 2019, task was completed on August 12, 2019.

Responsible Official:

Harry J Plante, Postmaster, Topeka KS

Recommendation 2

We recommend **the Manager, Central Plains District**, reiterate to applicable North Topeka Post Office personnel the refund policies and procedures, to include the destruction of refunded postage.

Management Response/Action Plan:

Management agrees with the recommendation. All destruction operations have been moved to North Topeka Station and Manager Jon Scott Sr will complete a daily review to verify compliance. This was implemented on August 6, 2019. Proper refund policies and procedures including the destruction of postage have been reviewed with all responsible employees.

Target Implementation Date:

August 6, 2019

Responsible Official:

Harry J Plante, Postmaster, Topeka KS



Harry J Plante,
Postmaster
Topeka, KS

cc: *copy those that were copied on the OIG draft audit report, plus
Manager, Corporate Audit Response Management*

Instructions for sending management comments:

- *Adhere to the Response Due Date identified in OIG draft audit report.*
- *Address the Freedom of Information Act (FOIA) on separate form and send with management comments.*
- *Send management comments and FOIA form electronically to:*
 - AuditTracking@usps.oig.gov
 - E-FOIA@usps.oig.gov
 - CARManager@usps.gov
- *Do not distribute any hard copies. Retain original management comments with audit report.*