



AUDIT REPORT

Internal Controls Over Refunds for Postage and Fees and Miscellaneous Non-Postal Revenue – Eufaula, OK, Post Office

May 22, 2017



Report Number FT-FM-17-020



May 22, 2017

**Internal Controls Over Refunds
for Postage and Fees and Miscellaneous Non-
Postal Revenue – Eufaula, OK, Post Office**
Report Number FT-FM-17-020

BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) used data analytics to identify post offices with significant increases in refunds for postage and fees and miscellaneous non-postal revenue. The data showed that refunds at the Eufaula, OK, Post Office increased from \$738 during fiscal year (FY) 2015 to more than \$19,500 in FY 2016. It also refunded an additional \$4,273 in quarter 1, FY 2017.

Customers may request refunds for postage and fees when they paid for special services, such as delivery confirmation or sending a letter certified, in which the Postal Service did not render the service. Refunds for miscellaneous non-postal revenue occur when funds previously collected as revenue are refunded, such as unclaimed customer account funds or advance deposit account balances.

Refunds may be processed using cash for \$25 or less and no-fee money orders between \$25 and \$1,000. Refunds greater than \$1,000 generally are not processed at the unit level.

We identified 172 cash refund transactions for postage and fees and miscellaneous non-postal revenue from October 1, 2015, through January 31, 2017, valued at \$23,755.77. We randomly sampled 91 of the 172 (53 percent) cash transactions valued at

\$13,403.30. The objective of this audit was to determine whether internal controls for issuing refunds for postage and fees for special services not received and miscellaneous non-postal revenue were in place and effective at the Eufaula Post Office.

WHAT THE OIG FOUND:

Internal controls over refunds for postage and fees and miscellaneous non-postal revenue at the Eufaula Post Office needed improvement. The office did not follow Postal Service policy for all 91 randomly sampled cash refunds. Specifically:

- The unit did not have the required applications for refund on file for 88 of 91 cash refunds (97 percent).
- Of the remaining three cash refunds where applications were on file, one did not have a witness signature.
- Eighty-seven of the 91 cash refunds (96 percent) exceeded the \$25 maximum cash refund amount.

We also found the 91 sampled refunds occurred on 60 dates. We verified that one retail associate (RA) made 90 of the 91 refunds, valued at \$13,383.70, and certified the unit's daily financial report on 58 of the 60 dates. Further, we identified the same RA issued 169 of the 172 total cash refunds during the scope period.

The postmaster stated he did not review, as required, the daily financial report for supporting refund documentation to ensure the refund was warranted, completed properly, and filed with the daily financial report. He stated he trusted the closeout RA to certify all daily financial information.

If refunds are not completed properly, filed with daily documentation, and properly reviewed there is an increased risk of theft and incorrect financial reporting. As a result of this audit, management reiterated that cash refunds must not exceed \$25 and trained employees to properly complete and submit refund application documentation.

We referred this information to the OIG's Office of Investigations for further review.

WHAT THE OIG RECOMMENDED:

Because management took corrective actions, we are not making a recommendation at this time. However, we may follow up in the future as part of our ongoing financial control audits.

[Link to review the entire report](#)



May 22, 2017

MEMORANDUM FOR: JULIE GOSDIN
MANAGER, OKLAHOMA DISTRICT

E-Signed by Lorie Nelson 
VERIFY authenticity with eSign Desktop
Lorie Nelson

FROM: Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over Refunds for Postage
and Fees and Miscellaneous Non-Postal Revenue –
Eufaula, OK, Post Office (Report Number FT-FM-17-020)

This report presents the results of our audit of the Internal Controls Over Refunds for postage and fees and miscellaneous non-postal revenue – Eufaula, OK, Post Office (Project Number 17BFM014FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dianna Smith, acting deputy director, Financial Controls, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our self-initiated audit of Internal Controls Over Refunds for Postage and Fees and Miscellaneous Non-Postal Revenue – Eufaula, OK, Post Office (Project Number 17BFM014FT000). The Eufaula Post Office is in the Oklahoma District of the Southern Area. This audit is designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

We reviewed refund transactions from October 1, 2015, through January 31, 2017, at the Eufaula Post Office for Account Identifier Code¹ (AIC) 553, Refunds for Postage and Fees, and AIC 624, Miscellaneous Non-Postal Revenue. To determine the completeness and accuracy of reported refunds, we extracted and analyzed financial data and reviewed daily financial reports and supporting refund documentation. We also reviewed applicable policies and procedures and interviewed personnel responsible for overseeing the process.

We relied on computer-processed 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 confirming our analysis and results with Postal Service managers and reviewing supporting documentation. We determined that the data was sufficiently reliable for the purposes of this report.

We conducted this audit from March through May 2017 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. 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 findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 27, 2017, and included their comments where appropriate.

Refunds

We determined internal controls for refunds over postage and fees and miscellaneous non-postal revenue at the Eufaula Post Office needed improvement. The unit did not follow Postal Service policy³ when issuing cash refunds for any of the 91 cash refunds reviewed. Specifically, retail associates (RA) issued cash refunds in excess of allowed limits and did not have the required supporting documentation.

¹ Three-digit code that assigns financial transactions to the proper account on the general ledger.

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 Handbook F-101, *Field Accounting Procedures*, August 2015 and June 2016, Sections 2-4, 5-4, and 21-1.1.

We reviewed refund transactions for postage and fees and miscellaneous non-postal revenue. We identified 172 cash refund transactions, valued at \$23,755.17,⁴ during our scope period. We randomly sampled 91 of 172 (53 percent) cash refund transactions valued at \$13,403.30, and found:

- The unit did not have the required Postal Service (PS) Form 3533, Application for Refund of fees, Products and Withdrawal of Customer Accounts, in the daily PS Form 1412, Daily Financial Report,⁵ files for 88 of 91 cash refunds (97 percent).
- Of the remaining three cash refunds where the required applications were on file, one did not have a witness signature.
- Eighty-seven of the 91 cash refunds (96 percent) exceeded the \$25 maximum cash refund amount⁶ (see Table 1).

Table 1. Cash Refunds That Exceeded Allowable Amount

Account Identifier Code	Number of Transactions	Amount	Average Per Transaction	Number of Transactions Over \$25
AIC 553	70	\$10,991.00	\$157.01	68
AIC 624	21	2,412.30	114.87	19
Total	91	\$13,403.30	\$147.29	87

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of AIC 553 and AIC 624 cash refunds from October 1, 2015, through January 31, 2017.

According to Postal Service policy, refunds paid in cash are limited to \$25 and refunds greater than \$25 are paid using no-fee money orders.⁷ Further, refunds must be completed on a PS Form 3533, with the required witness signature, and submitted to the closeout employee as supporting documentation for the daily PS Form 1412.⁸

We also found the 91 sampled refunds occurred on 60 dates. We verified that one RA made 90⁹ of the 91 refunds and certified the unit’s final PS Form 1412 on 58 of the 60 dates. Further, we identified the same RA issued 169 of the 172 total cash refunds from October 1, 2015 through January 31, 2017.

Postal Service policy states the postmaster must review PS Forms 1412 and support for refunds daily to ensure each refund was warranted and the form was completed properly.¹⁰ The postmaster stated he did not review the daily PS Forms 1412 for refund entries. He stated that he trusted the closeout RA to certify all daily financial information.

⁴ As shown in the *Sales and Service Associate Transaction and Tender* report from the EDW. The report provided cash tender transactions by AICs 553 and 624.

⁵ Provides individual retail associates and postal retail units with a uniform method to report financial transactions.

⁶ Includes 3 refunds that had PS Forms 3533 on file.

⁷ Handbook F-101, Section 21-1.1.

⁸ Handbook F-101, Sections 21-1 and 21-1.1.

⁹ Valued at \$13,383.70.

¹⁰ Handbook F-101, Sections 2.4.1, 5-4.2, and 21-1.d.

If refunds are not completed properly, filed with daily reporting documentation, and properly reviewed, there is an increased risk of theft and incorrect financial reporting. We consider all \$23,755.77 in refunds recoverable unsupported questioned costs¹¹ because the postmaster did not review documentation as required.

As a result of this audit, the postmaster instructed RAs to properly complete refund documentation and reiterated that cash refunds must not exceed \$25. In addition, starting on March 23, 2017, the closeout RA assures the PS Form 3533 supporting documentation matches refund entries on the corresponding daily PS Form 1412. Each day, the closeout RA provides the PS Form 3533 and PS Form 1412 documentation for the postmaster's verification. After the postmaster has reconciled all refund documentation, he initials the envelope containing the PS Form 3533 and PS Form 1412 as evidence of his review.

We referred this information to the OIG's Office of Investigations for further review.

Recommendation

Because management took corrective actions, we are not making a recommendation at this time. However, we may follow up in the future as part of our ongoing financial control audits.

Management's Comments

Management agreed with the findings and monetary impact and will continue to monitor the financial responsibilities as required.

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 in the report and corrective actions should resolve the issues identified in the report.

¹¹ 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.

Appendix A: Management's Comments

MANAGER, OKLAHOMA DISTRICT
US POSTAL SERVICE – OKLAHOMA DISTRICT



May 18, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: **Internal Controls Over Refunds for Postage and Fees and
Miscellaneous Non-Postal Revenue – Eufaula, OK, Post Office**
(Report Number Report Number FT-FM-17-DRAFT)

Findings:

Internal controls over refunds for postage and fees and miscellaneous non-postal revenue at the Eufaula Post Office needed improvement. The office did not follow Postal Service policy for all 91 randomly sampled cash refunds. Specifically:

- The unit did not have the required applications for refund on file for 88 of 91 cash refunds (97 percent).
- Of the remaining three cash refunds where applications were on file, one did not have a witness signature.
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If refunds are not completed properly, filed with daily documentation, and properly reviewed there is an increased risk of theft and incorrect financial reporting. As a result of this audit, management reiterated that cash refunds must not exceed \$25 and trained employees to properly complete and submit refund application documentation.

We referred this information to the OIG's Office of Investigations for further review.

Recommendation:

No recommendations.

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Management Response/Action Plan:

Management agrees with the OIG findings.

Management agrees with the monetary findings.

Because management took corrective actions following the OIG's visit, Management will continue to monitor the Financial Responsibilities as outlined in Handbook F-101, Sections 2.4.1, 5-4.2, and 21-1.d.

Target Implementation Date:

March 23, 2017

Responsible Official:

Postmaster, Eufaula OK, Gregory K. McGee



Julie A. Gosdin
Manager, Oklahoma District
Oklahoma District

cc: Maura A. Mc Nerney, Controller VP
Kelly M. Sigmon, Retail and Customer Service Operations VP
Shaun E. Mossman, Southern AVP
Tammy J. Rose, Controller, Southern Area
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Gregory K. McGee, Postmaster, Eufaula OK
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