



AUDIT REPORT

Internal Controls Over No-Fee Money Order Refunds for Miscellaneous Non-Postal Revenue -Yale Station – New Haven, CT

July 11, 2017



Report Number FT-FM-17-024



July 11, 2017

**Internal Controls Over No-Fee Money Order
Refunds for Miscellaneous Non-Postal
Revenue - Yale Station, New Haven, CT**
Report Number FT-FM-17-024

BACKGROUND:

The U.S. Postal Service Office of Inspector General (OIG) used data analytics to identify offices that issued the largest amount of no-fee money order refunds for miscellaneous non-postal revenue. We identified the Yale Station, New Haven, CT, issued the second largest amount of refunds compared to other offices nationally. From October 1, 2015, to September 30, 2016, the office issued 95 no-fee money orders totaling \$36,865 for refunds of miscellaneous non-postal revenue.

Refunds for miscellaneous non-postal revenue occur when funds previously collected from items not directly pertaining to postage are refunded, such as unclaimed customer account funds or advance deposit account balances.

Refunds for \$25 or less may be processed using cash or refunds between \$25 and \$1,000 may be processed using no-fee money orders. Refunds greater than \$1,000 are not processed at postal retail units.

The objective was to determine whether internal controls were in place and effective for issuing no-fee money order refunds for miscellaneous non-postal revenue at the Yale Station.

WHAT THE OIG FOUND:

Internal controls for issuing no-fee money order refunds for miscellaneous non-postal revenue needed

improvement. We verified that the Yale Station issued 95 no-fee money orders, totaling \$36,865, for refunds of miscellaneous non-postal revenue from October 1, 2015, to December 31, 2016. We identified the following issues:

- Of the 95 no-fee money orders issued for miscellaneous non-postal revenue refunds, the unit did not have 36 (38 percent) of the required forms on file.
- For those forms on file, retail associates did not always properly complete them to verify the refunds.
- A Postal Service official or witness signature was not always included on the form as certification and authorization for payment.
- The closeout employee did not verify the information on the daily financial report matched the refund form as required.

This occurred because the retail associates responsible for completing, certifying, and retaining the forms were not trained on the process. Also, the closeout employee stated the retail associates did not give the refund forms to her for closeout of daily financial reports. However, this same employee also issued refunds, and some of her forms were also missing.

If a refund is not reviewed to ensure it is warranted, completed properly and filed with daily documentation, there is an increased risk of theft and incorrect financial reporting.

We referred these issues to the OIG's Office of Investigations for further review.

WHAT THE OIG RECOMMENDED:

We recommended management properly train all employees at the Yale Station on policies and procedures for issuing no-fee money orders for refunds for miscellaneous non-postal revenue and associated daily financial reporting

[Link to review the entire report](#)



July 11, 2017

MEMORANDUM FOR: DAVID MASTROIANNI, JR.
MANAGER, CONNECTICUT VALLEY DISTRICT

E-Signed by Dianna Smith 
VERIFY authenticity with eSign Desktop
Dianna A. Smith

FROM: *for*
Lorie Nelson
Director, Finance

SUBJECT: Audit Report – Internal Controls Over No-Fee Money Order
Refunds For Miscellaneous Non-Postal Revenue – Yale
Station, New Haven, CT (Report Number FT-FM-17-024)

This report presents the results of our audit of the Internal Controls Over No-Fee Money Order Refunds for Miscellaneous Non-Postal Revenue – Yale Station, New Haven, CT (Project Number 17BFM013FT000).

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 No-Fee Money Orders For Miscellaneous Non-Postal Revenue – Yale Station, New Haven, CT (Project Number 17BFM013FT000). The Yale Station is in the Connecticut Valley 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.

We reviewed all no-fee money order transactions for miscellaneous non-postal revenue at the Yale Station from October 1, 2015, to December 31, 2016. Specifically, we analyzed Account Identifier Code¹ (AIC) 624, Miscellaneous Non-Postal Revenue. To determine whether internal controls were in place and effective for no-fee money order refunds for miscellaneous non-postal revenue, we reviewed refund forms, financial reports, applicable policies and procedures, performed a walkthrough of the refund procedures, and conducted interviews of unit personnel and postal 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 tracing selected information to supporting source records and confirming our analysis and results with Postal Service managers. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this audit from March through July 2017, 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 objectives. 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.

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.

No-Fee Money Order Refunds

Internal controls over no-fee money order refunds issued for miscellaneous non-postal revenue at the Yale Station needed improvement. We reviewed accounting records from October 1, 2015, to December 31, 2016, and verified the Yale Station issued 95 no-fee money orders, valued at \$36,865, for refunds of miscellaneous non-postal revenue. We reviewed all 95 no-fee money orders and determined:

- Retail associates (RA) did not always properly complete or retain the Postal Service (PS) Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts, as required. Of the 95 no-fee money orders issued for refunds or miscellaneous non-postal revenue, the unit did not have 36 (38 percent) of the required PS Forms 3533 in the daily PS Form 1412, Daily Financial Report,³ files.
- Of the remaining 59 refunds where the forms were on file, we found:
 - Forty-three did not have a witness signature and date.⁴
 - Fifty-one did not include a check-mark in the appropriate box to indicate the reason for the refund.
 - Fifty-eight did not have a certifying employee signature and date.
 - Fifty-eight did not have a completed Part 5, Disbursement for Refund section.
 - One did not have a customer signature.
 - Five did not have a customer date.
- The closeout employee did not verify the information on PS Form 1412 matched the PS Form 3533.

Postal Service policy⁵ states:

- a) The customer completes Part 1, Application, of PS Form 3533 and submits to the postal retail unit for processing.
- b) The RA reviews the PS Form 3533 and checks the appropriate box in the “Request Disbursement For” section.

³ Provides individual retail associates and postal retail units with a uniform method to report financial transactions.

⁴ It is at the discretion of the postmaster or unit manager to determine if a postal employee is available to witness the refund transaction. At this location we observed at least 2 retail associates working at all times.

⁵ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 21-1.

- c) The RA completes Part 2, Verification of Disbursements, of PS Form 3533 prior to issuing the refund locally.
- d) A witness to the refund transaction signs the Witness Signature line in Part 2. It is at the discretion of the postmaster or unit manager to determine if a postal employee is available to witness the refund transaction. It is the responsibility of the postmaster or unit manager to review PS Form 3533 to ensure the refund is warranted and that PS Form 3533 is completed properly.

Postal Service policy also states that the completed PS Form 3533 must be presented to the closeout employee as supporting documentation for the daily financial report,⁶ and the closeout employee must verify that the entries on the daily financial report match the PS Form 3533.⁷ Further, the closeout employee must file PS Forms 1412 and supporting documentation⁸ for two years.

This occurred because the RA responsible for certifying the PS Form 3533 was not trained on the procedures to properly complete the forms. Further, the employee responsible for verifying the information on the PS Form 3533 matched that on the Form 1412 stated she was not aware of the policy. Finally, the closeout employee stated RAs did not give the PS Form 3533 to her for closeout of daily financial reports. However, this same employee also issued refunds, and some of her refund forms were also missing.

If a refund is not reviewed to ensure the refund is warranted, completed properly and filed with daily documentation, there is an increased risk of theft and incorrect financial reporting.

We considered the no-fee money order refunds valued at \$36,865 as unsupported questioned costs⁹ because employees did not follow the requirements for the refund process and the daily financial reporting.

⁶ Handbook F-101, *Field Accounting Procedures*, June 2016, Section 21-1.1.f.

⁷ Handbook F-101, Section 5-4.2.j.(3).

⁸ Handbook F-101, Section 5-4.2.t.

⁹ 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.

Recommendation

We recommend the manager, Connecticut Valley District, instruct the postmaster, New Haven, CT, to:

1. Properly train all employees at the Yale Station on policies and procedures for issuing no-fee money order for refunds for miscellaneous non-postal revenue and associated daily financial reporting.

Management's Comments

Management agreed with the finding and recommendation. However, they disagreed with the \$36,865 cited for the 95 no-fee money orders issued because they were not able to determine their legitimacy when employees did not follow requirements.

The postmaster provided training to all staff at the unit, including the supervisor, and is monitoring emails regarding no-fee money orders issued the previous day. Additionally, the postmaster requires his offices to document the issuance of no-fee money orders and provide a copy of the completed PS Form 3533 for review. The manager, Yale Station, is also required to spot check the office for compliance. As a proactive approach, the postmaster distributed the training materials to all managers and required them to review the proper process with the sales and service associates. Management implemented these actions on or before March 21, 2017. Management subsequently provided documentation that showed training occurred April 3, 2017.

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.

Regarding the \$36,865 cited for the 95 no-fee money orders, we reviewed accounting records and verified the unit issued them and the associated dollar values. If the unit issued them in error by not following procedures, the money orders were unnecessary and may or may not be recoverable. Accordingly, we continue to believe the 95 no-fee money order refunds were appropriately classified as unsupported questioned costs.

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

Appendix A: Management's Comments



June 28, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Internal Controls over No-Fee Money Order Refunds for Miscellaneous Non-Postal Revenue – Yale Station, New Haven CT – Office Report Number FT-FM-17-DRAFT

Thank you for the opportunity to respond to the Office of Inspector General's audit of Internal Controls over No-Fee Money Order Refunds for Miscellaneous Non-Postal Revenue – Yale Station, New Haven CT. Connecticut Valley District agrees with the recommendation made during the audit. We agree that there is an increased risk of theft and incorrect financial reporting when refunds are not reviewed to ensure they are warranted and documentation is not completed properly.

Recommendation #1

Properly train all employees at the Yale Station on policies and procedures for issuing No-Fee Money Orders for refunds for miscellaneous non-postal revenue and associated daily financial reporting.

Management Response/Action Plan:

Connecticut Valley District agrees with this recommendation to properly train employees at the Yale Station. The Postmaster provided training to all of his staff in the Yale New Haven office including the Supervisor. Additionally, the Postmaster is monitoring the emails that he receives in regards to No-Fee Money Orders issued the previous day. All of his offices are required to support the issuance of these Money Orders with documentation and provide a copy of the completed PS Form 3533 for review. The Manager of Yale New Haven Station is also required to spot check this office for compliance. As a proactive approach, the Postmaster distributed the training materials to all of his Managers and required them to review the proper process with their Sales and Service Associates.

Target Implementation Date:

Completed – March 17, 2017 through March 21, 2017

Responsible Official:

Postmaster New Haven, CT

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Monetary Impact:

While Connecticut Valley District agrees that the correct procedures were not followed and there may be a Monetary Impact, we do not agree with the amount cited during this audit in the amount of \$36,865.00. At this time, we are not able to determine the legitimacy of the 95 No-Fee Money Orders that were issued where the employees did not follow the requirements for the refund process and the daily financial reporting.


David D. Mastroianni Jr.
District Manager, Connecticut Valley

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