



Office of Inspector General | United States Postal Service

Audit Report

Meter Revenue Refunds - Tipton, IA, Post Office

Report Number 21-117-R21 | April 8, 2021



Table of Contents

- Cover
- Transmittal Letter 1
- Results..... 2
 - Background..... 2
 - Objective, Scope and Methodology..... 2
 - Finding #1: Metered Mail Refund Processing..... 2
 - Recommendation #1 3
 - Recommendation #2 3
 - Management’s Comments..... 3
 - Evaluation of Management’s Comments 4
- Appendix A: Management’s Comments..... 5
- Contact Information 7

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 8, 2021

MEMORANDUM FOR: MARK TALBOTT
MANAGER, IA-NE-SD DISTRICT

Michelle Lindquist

FROM: Michelle Lindquist
Director, Financial Controls

SUBJECT: Audit Report – Meter Revenue Refunds - Tipton, IA, Post
Office (Project Number 21-117-R21)

This report presents the results of our audit of Meter Revenue Refunds - Tipton, IA, Post Office.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Background

This report presents the results of our self-initiated audit of Meter Revenue Refunds - Tipton, IA, Post Office (Project Number 21-117). The Tipton, IA, Post Office is located in the Iowa, Nebraska, South Dakota District of the Central Area.¹ This audit was designed to provide U.S. Postal Service management with timely information on potential financial control risks at Postal Service locations.

Metered mail is any mail class or product with postage printed with a Postal Service approved postage meter or PC Postage² product/system. Unused metered indicia are postage amounts (which may include fees) already imprinted onto any mailpiece, shipping label or meter strip (stamp) that was never mailed. Such meter indicia are considered for refund only if complete, legible, and valid. To obtain a refund, the customer must submit the postage meter stamps, impressions or other evidence requested for refund along with 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 Tipton, IA, Post Office meter refunds totaling about \$183,970³ from April 1, 2019 to November 30, 2020, the 8th highest in the nation. We noted that there is a major mailer located in Tipton, IA.

Objective, Scope and Methodology

The objective of this audit was to determine whether meter refunds were properly issued, supported, and processed at the Tipton, IA Post Office.

To accomplish our objective, we reviewed daily financial records for all 11 PS Forms 3533, and attached supporting documentation maintained by the unit

during FY 2020. We also interviewed unit management and other personnel responsible for the oversight and processing of meter revenue refunds.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW) system.⁴ 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 were sufficiently reliable for the purposes of this report.

We conducted this audit from February through April 2021 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 finding and conclusion based on our audit objective. We discussed our observations and conclusions with management on March 26, 2021 and included their comments where appropriate.

Finding #1: Metered Mail Refund Processing

Metered postage refunds were properly issued and supported; however, the refunds were not always properly processed at the Tipton, IA Post Office. Specifically, of the 11 PS Forms 3533 reviewed,

- All forms were not separated by the individual meter numbers, but by the total of all the customer's metered mail refund transactions.

Postal Service policy⁵ states, for unused metered indicia, already imprinted onto any mailpiece, shipping label or meter strip (stamp), that were never

¹ Tipton, Iowa Post Office was formerly in the Hawkeye District of the Western Area prior to reorganization of Postal Service Areas, Districts, Divisions, and Regions which was initiated in August 2020.

² Online commercial providers of postage products and services in cooperation with the Postal Service (i.e. Endicia.com, Stamps.com and Pitney Bowes).

³ Account Identifier Code (AIC) is used to classify financial transactions to the proper general ledger account. AIC 526 is for refunds of spoiled/unused postage meter stamps from customer postage accounts.

⁴ A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

⁵ *Domestic Mail Manual*, October 18, 2020, Section 9.3.2.b.

mailed, should be submitted with a separate PS Form 3533 for each meter for which a refund is requested.

- For 5 of the 11 forms (45 percent), we noted the certification and witness signatures, in the *Destruction Section*, had different dates. Only one employee is performing the verification and subsequently also witnessing destruction. This employee is signing as a witness. The second signature in the *Destruction Section*, is provided, later, at the time of payment. We consider the five refunds, valued at \$56,036, as assets or accountable items at risk.⁶

Postal Service policy⁷ states the supervisor and a witness certify the destruction by signing the Postage Affixed on the BRM or Meter Stamps section of PS Form 3533 to certify that the meter impressions were destroyed.

- Unit personnel used obsolete PS Forms 3533 to process meter revenue refunds.⁸

It is best practice to use the latest version of forms to avoid missing or misclassifying information.

Unit management stated they were unaware of the requirement for a separate PS Form 3533 for each meter number. According to District Marketing personnel, an agreement was made with the customer that separating and submitting refunds by each meter number would not be required but no physical copy of an agreement was available at the time of fieldwork.

Unit management was not aware that two separate individuals needed to perform the destruction, one certifying destruction, and one as a witness. Unit management took corrective action by sending an email to unit personnel stating that, in the future, at least two people will go out to the mailer site to perform the verification and destruction.

Further, regarding the obsolete PS Forms 3533, we were informed by a retail clerk that this was likely due to the customer using old stock. The retail clerk stated she will provide updated forms to the customer.

When witnesses are not present during the verification and destruction processes, the Postal Service has an increased risk of not being able to substantiate the validity of refunds, duplicate processing, or postage being reused.

Recommendation #1

We recommend the Manager, IA-NE-SD District, instruct unit management to provide training to all employees at the Tipton Post Office responsible for verifying, destroying, and processing spoiled or unused postage meter refunds.

Recommendation #2

We recommend the Manager, IA-NE-SD District, instruct the District Finance Manager to obtain a written agreement with the mailer regarding the refund requirements acceptable to the Postal Service.

Management's Comments

Management generally agreed with the findings and recommendations.

Management disagreed with the issue to separate mail pieces by each individual meter number and listing the pieces separately on the PS Form 3533 for this mailer. Management stated unit personnel are aware of all meter numbers authorized and owned by this mailer. The new written agreement, between the Postal Service and the mailer, will address procedures to handle this unique situation regarding multiple meter numbers and the verification processes.

Regarding recommendation 1, management stated it will provide additional training to the Postmaster and clerks. In addition, management stated at least two people will be on-site and involved throughout the process from verification of piece count to destruction of the mail. In addition, the most recent PS Form 3533, has been provided to the mailer. The target implementation date is April 15, 2021.

Regarding recommendation 2, management stated a new written agreement will be obtained providing direction to Postal Service personnel and the mailer

⁶ Assets or accountable items at risk of loss because of inadequate internal controls. Examples include, but are not limited to cash, stamps, or money orders.

⁷ Handbook F-101, *Field Accounting Procedures* (DRAFT), May 2017, Section 21-2.2.c and d.

⁸ The mailer used PS Forms 3533 dated June 2014. The current version is dated December 2016.

regarding acceptable refund requirements. An updated agreement between the mailer and the Tipton Post Office has been developed and sent for signature. This should be completed by April 15, 2021.

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 actions should resolve the issues identified in the report. The recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. The 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

DISTRICT MANAGER
IA / NE / SD DISTRICT



April 2, 2021

JOSEPH E. WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Report – Meter Revenue Refunds
Tipton, IA, Post Office (Project Number 21-117-DRAFT)

Recommendation # 1: We recommend the Marketing Manager, Hawkeye District, instruct unit management to provide training to all employees at the Tipton Post Office responsible for verifying, destroying, and processing spoiled or unused postage meter refunds.

Management Response/Action Plan:

We agree that additional training is necessary and will be provided to Postmaster and all clerks involved in the verification, destruction and processing of refunds for spoiled meter postage including all potential relief clerks. A copy of the new agreement between the Postal Service and the mailer will be posted at the [REDACTED] facility in the USPS work area and filed at the Tipton Post Office. A copy will also be on file with the District Finance Manager and District Marketing Manager.

At least two people must be on site and involved throughout the process from verification of piece counts to the destruction of the mail.

Updated forms including Form 3533 have been provided for use by the mailer. In the future, Postmaster will ensure that the most current forms are available to the mailer.

We disagree with the need to separate mail pieces by each individual meter and listing these pieces separately on the Form 3533, *Application for Refund of Fees, Products and Withdrawal of Customer Accounts*. The policy in regard to separation could be negated at [REDACTED] since all metered mail pieces (regardless of multiple meter numbers) are all produced and affixed by the same entity. The Meter Postage agreement addresses the unique situation at [REDACTED] and puts forth specific verification processes in this regard. Postal staff would have knowledge of all meter numbers authorized and owned by the mailer and able to verify these authorized meter numbers. The Pricing and Classification Service Center (PCSC) supported the deviation from normal policy.

Target Implementation Date: April 15th, 2021

Responsible Official: Training will be completed by District BME Manager/District Marketing Manager

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SIOUX FALLS, SD 57117-7500

WWW.USPS.COM

Recommendation # 2: We recommend the Marketing Manager, Hawkeye District, instruct the District Finance Manager to obtain a written agreement with the mailer regarding the refund requirements acceptable to the Postal Service.

Management Response/Action Plan:

We agree that an agreement should be in place to provide direction to both postal staff and mailer. A previous agreement could not be located so an updated agreement between the mailer and Tipton Post Office has been developed and sent for signature.

Target Implementation Date: April 15th, 2021

Responsible Official: Tipton Postmaster with oversight of District BME Manager

Respectfully,



Mark Talbott
District Manager
IA / NE / SD District

cc: Elvin Mercado, Vice President Operations/A – Central Area
Anthony Drew, Controller/A – Central Area
Corporate Audit and Response Management
Sally K. Haring, Manager, Corporate Audit and Response Management

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