



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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**Express Mail Corporate Account  
Revenue**

**Audit Report**

March 1, 2013

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Report Number DP-AR-13-003



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

# HIGHLIGHTS

March 1, 2013

## Express Mail Corporate Account Revenue

Report Number DP-AR-13-003

### **BACKGROUND:**

Express Mail is the U.S. Postal Service's premium delivery service with a money-back guarantee and overnight delivery. The Postal Service receives payment for Express Mail through stamp sales, postage meters, automated postal centers, and electronic payment options such as PC Postage and Click-N-Ship. In addition, the Postal Service offers business customers use of an Express Mail® corporate account to prepay for postage through a credit card or automated clearinghouse debit. The Postal Service receives payment for corporate account pieces by manually withdrawing postage from the account when the piece is properly accepted.

Postal Service personnel have expressed concern that corporate account pieces are delivered without revenue being collected, unlike noncorporate account pieces that can be paid through stamp sales and postage meters. In fiscal years 2011 and 2012, corporate account revenue was \$71.6 million and \$63.6 million, respectively, from a volume of 3.1 million and 3.0 million pieces, respectively.

Our objective was to determine whether the Postal Service collects all revenue for services provided to Express Mail corporate account customers.

### **WHAT THE OIG FOUND:**

The Postal Service did not collect all revenue for services provided to Express Mail corporate account customers. Specifically, Postal Service personnel did not follow acceptance procedures or use existing management reports to identify mail processing facilities not complying with procedures to properly accept Express Mail packages. In addition, delivery unit personnel were not required to provide additional safeguards against uncollected revenue, such as processing an acceptance transaction when scanning individual Express Mail pieces for delivery.

We estimated that the Postal Service did not collect about \$1.75 million annually in revenue for corporate account pieces and would continue to lose at least \$1.3 million annually.

### **WHAT THE OIG RECOMMENDED:**

We recommended management use available management reports to identify and notify mail processing facilities not following Postal Service procedures to improve full acceptance transactions for Express Mail corporate account pieces. Additionally, management should update and reissue procedures for delivery units to identify and properly accept corporate account pieces that have not yet been accepted.

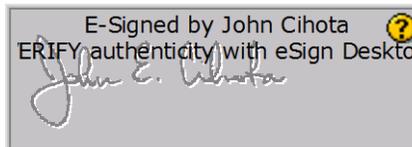
[Link to review the entire report](#)



March 1, 2013

**MEMORANDUM FOR:** DAVID E. WILLIAMS, JR.  
VICE PRESIDENT, NETWORK OPERATIONS

EDWARD F. PHELAN JR.  
VICE PRESIDENT, DELIVERY AND POST OFFICE  
OPERATIONS



**FROM:** John E. Cihota  
Deputy Assistant Inspector General  
for Financial and Systems Accountability

**SUBJECT:** Audit Report – Express Mail Corporate Account Revenue  
(Report Number DP-AR-13-003)

This report presents the results of our audit of Express Mail<sup>®</sup> Corporate Account Revenue (Project Number 12BG025FF000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kevin H. Ellenberger, director, Data Analysis and Performance, or me at 703-248-2100.

Attachments

cc: Megan J. Brennan  
Nagisa M. Manabe  
Gary C. Reblin  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit of Express Mail<sup>®</sup> corporate account revenue (Project Number 12BG025FF000). Our objective was to determine whether the U.S. Postal Service collects all revenue for services provided to Express Mail corporate account (EMCA) customers. This self-initiated audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

Express Mail is the Postal Service's premium delivery service for documents and packages weighing up to 70 pounds. The Postal Service receives payment for Express Mail through stamp sales, postage meters, automated postal centers, and through electronic payment options such as PC Postage<sup>1</sup> and Click-N-Ship.<sup>2</sup> In addition, the Postal Service offers business customers the ability to use a corporate account to pay for postage through a credit card or automated clearing house (ACH) debit. The Postal Service receives payment for corporate account pieces by withdrawing postage from the customer's account when the piece is properly accepted. Table 1 provides a breakdown for revenue and volume for Express Mail and corporate accounts for fiscal years (FY) 2011 and 2012.

**Table 1. Revenue and Volume of Express Mail**

<b>Fiscal Year</b>	<b>All Express Mail Revenue (in millions)</b>	<b>All Express Mail Volume (in millions)</b>	<b>Corporate Account Revenue (in millions)</b>	<b>Corporate Account Volume (in millions)</b>
2011	\$799.5	40.5	\$71.6	3.1
2012	\$801.6	39.8	\$63.6	3.0

Source: Revenue, Pieces, and Weight reports and EMCA History File.

We identified about 2.6 percent (2.1 million pieces) of all Express Mail pieces delivered during FYs 2012 and 2011 that did not have an acceptance transaction processed. A full acceptance transaction<sup>3</sup> is required for all Express Mail, including corporate account pieces, to capture information to determine refunds, if applicable, and measure Postal Service performance. Additionally, information that is received from processing an acceptance transaction for corporate account pieces is critical for the Postal Service to collect all revenue.

<sup>1</sup> PC Postage<sup>™</sup> products and services allow customers to purchase and print postage through the Internet using a personal computer. PC Postage products are available through authorized vendors such as eBay and Stamps.com.

<sup>2</sup> Click-N-Ship products and services allow customers to purchase and print postage through USPS.com.

<sup>3</sup> A full acceptance transaction includes manually entering the complete label number, the ZIP Code, the expected delivery date and time, the piece weight, the amount of postage, extra services requested by the customer, and the payment account.

The U.S. Postal Service Office of Inspector General (OIG) received complaints on its hotline from Postal Service personnel alleging instances in which corporate account pieces were delivered but customer accounts were not charged. Also, management has expressed concern that not all revenue is collected due to improper acceptance procedures that allow corporate account pieces to be delivered without charging the customer.

When Postal Service personnel properly accept a corporate account piece, the customer is charged and the Postal Service collects revenue. However, corporate account pieces can enter the mailstream at several points that do not guarantee acceptance transactions will be properly completed. Window clerks at retail facilities can accept corporate account pieces and process an acceptance transaction. However, carriers can also accept these pieces during pick-ups at customer locations and at mailboxes but cannot process acceptance transactions to charge a corporate account for postage. Therefore, the Postal Service has designated Express Mail clerks at processing facilities to examine and scan each Express Mail piece individually. Postal Service procedures<sup>4</sup> state that if there is no 'origin information' on the piece, it was never accepted, and the processing facility must conduct the full acceptance transaction to collect the revenue.

## Conclusion

The Postal Service did not collect all revenue for services provided to corporate account customers. Specifically, Postal Service personnel did not follow acceptance procedures or use existing management reports to identify mail processing facilities not complying with Postal Service procedures to properly accept Express Mail packages. In addition, delivery unit personnel were not required to provide additional safeguards against uncollected revenue, such as processing an acceptance transaction when scanning those individual Express Mail pieces for delivery. We identified that the Postal Service did not collect revenue for corporate account pieces totaling about \$1.75 million annually and would continue to lose at least \$1.3 million annually.

## Collection of Corporate Account Revenue

The Postal Service did not collect all revenue for services provided to corporate account customers. Express Mail clerks at mail processing facilities did not comply with Postal Service procedures to identify and enter acceptance information for Express Mail that bypassed acceptance at retail post offices. In addition, although not required, the Postal Service did not use available management reports as a tool to identify processing facilities not following Postal Service procedures or designate delivery units to process full acceptance transactions. When a corporate account piece does not receive a full acceptance transaction, customers are not charged for the mailing. We believe compliance with acceptance procedures and the adoption of these two additional controls would assist the Postal Service in collecting revenue for corporate accounts

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<sup>4</sup> Standard operating procedure (SOP), *Express Mail Acceptance in Processing Operations*, February 2012.

that were not accepted at mail processing facilities. We estimate the Postal Service did not collect revenue for corporate account pieces totaling \$1.9 million for FY 2011 and \$1.6 million for FY 2012 and would continue to lose as much as \$1.3 million annually over the next 2 fiscal years until the process is improved. See [Appendix B](#) for monetary impact calculations.

### Express Mail Procedures

Postal Service personnel do not always follow Postal Service procedures<sup>5</sup> to process full acceptance transactions for Express Mail pieces that have bypassed the retail Post Office. Mail processing employees must visually verify the origin information section<sup>6</sup> of an Express Mail label to determine whether acceptance information has been entered. This verification is conducted when processing employees examine Express Mail pieces as they scan them for tracking purposes at the processing facility. See Figure 1.

**Figure 1. Express Mail Label Missing Origin Information**

ORIGIN (POSTAL SERVICE USE ONLY)					
PO ZIP Code		Day of Delivery		Postage	
		<input type="checkbox"/> Next <input type="checkbox"/> 2nd <input type="checkbox"/> 2nd Del. Day		\$	
Date Accepted		Scheduled Date of Delivery		Return Receipt Fee	
Mo. Day Year		Month Day		\$	
Time Accepted		Scheduled Time of Delivery		COD Fee	Insurance Fee
<input type="checkbox"/> AM <input type="checkbox"/> PM		<input type="checkbox"/> Noon <input type="checkbox"/> 3 PM		\$	\$
Flat Rate <input type="checkbox"/> or Weight		Military		Total Postage & Fees	
lbs. ozs.		<input type="checkbox"/> 2nd Day <input type="checkbox"/> 3rd Day		\$	
		Int'l Alpha Country Code		Acceptance Emp. Initials	

If the ORIGIN (POSTAL SERVICE USE ONLY) section is blank, that indicates the Express Mail piece has not received a full acceptance transaction.

Source: Postal Service Mailing Label 11-F.

During the audit, we observed processing operations and interviewed Postal Service personnel regarding Express Mail and corporate accounts at four mail processing facilities. At one mail processing facility, we observed more than 400 Express Mail pieces dispatched without receiving a full acceptance transaction. Additionally, during an interview at a mail processing facility, we asked an employee how she would handle an Express Mail piece if the origin information section of the label was not completed. The employee stated she does not look for this label information and would distribute the piece in the appropriate sack for dispatch "to get the mail out." Further, we asked a supervisor at a mail processing facility why a piece we found missing origin information did not receive a full acceptance transaction. The supervisor stated that the piece was

<sup>5</sup> SOP, February 2012.

<sup>6</sup> Origin information section is short for 'ORIGIN (POSTAL SERVICE USE ONLY).' It contains the Express Mail piece's acceptance information such as origin ZIP Code, date, time, weight, and the acceptance clerk's initials.

not put aside to receive a full acceptance transaction because they did not want to slow down the dispatch process, and they are required to get the mail out quickly.

During an observation at a mail processing facility, we identified corporate account pieces that were not accepted by processing personnel. We used the Product Tracking System<sup>7</sup> (PTS) to confirm that these corporate account pieces were delivered and that the Postal Service did not collect revenue for the Express Mail services provided.

### Available Management Reports

The Postal Service could improve internal controls by using available management reports as a tool to identify facilities that are not complying with Postal Service policy to enter full acceptance transactions when acceptance information has not been entered. Specifically, the Postal Service's Service and Field Operations Performance Measurement office<sup>8</sup> created and developed the *Missing Acceptance Reports* for Express Mail to measure service performance of Express Mail pieces.<sup>9</sup> We determined that this report could be used to identify mail processing facilities with high volumes of Express Mail pieces that had not received full acceptance transactions.

We validated and confirmed the nationwide *Missing Acceptance Reports* results by visiting a mail processing facility that contained high instances of Express Mail pieces missing acceptance transactions. We observed employees not complying with the Postal Service procedures for acceptance transactions and, therefore, believe these reports are an effective tool for identifying mail processing facilities that do not comply with procedures for conducting full acceptance transactions. There were about 2.1 million Express Mail pieces included in these reports for FYs 2011 and 2012 that were identified as missing acceptance transactions.

We believe this report would be an effective tool for Express Mail using corporate accounts for payment, because revenue will not be collected unless a full acceptance transaction has occurred. These mailers prepay for postage through a credit card or ACH debit. For noncorporate account mailers, pieces are less likely to be uncollected, because the mailers generally pay for Express Mail delivery through stamp sales and postage meters. It is unlikely a corporate account will pay using stamps or meters because they run the risk of being charged twice for the mailing: once with stamps and then again when the package receives a full acceptance transaction.

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<sup>7</sup> The PTS is a web interface allowing users to track mailpieces from acceptance through delivery.

<sup>8</sup> The office within the Performance and Field Operations Support group is responsible for developing service performance analysis and diagnostic models for external First-Class Mail, Commercial Mail, Priority Mail, Express Mail, and Package Services.

<sup>9</sup> *Missing Acceptance Reports* for Express Mail are weekly reports that list Express Mail pieces nationwide that are delivered without receiving a full acceptance transaction. The report does not identify retail units as mail entry points because origin information is incomplete. It reports processing facilities that have scanned the piece but did not enter a full acceptance transaction.

## Delivery Unit Procedures

The Postal Service could improve internal controls by designating delivery units to collect revenue for corporate account pieces that mail processing facilities did not accept. Specifically, we visited eight delivery units and found that delivery unit personnel must manually process and scan<sup>10</sup> every Express Mail piece they receive. By assigning delivery units the responsibility to check Express Mail pieces for acceptance, the Postal Service can implement an additional control over potential revenue losses without incurring significant additional costs. Processing acceptance transactions for corporate account postage at a delivery unit is the last opportunity for the Postal Service to collect revenue for a corporate account piece before it is delivered to the addressee.

## Recommendations

We recommend the vice president, Network Operations:

1. Provide the *Missing Acceptance Reports* to area managers, Operations Support, to identify and notify mail processing facilities to improve full acceptance transactions for Express Mail corporate account pieces.

We recommend the vice president, Delivery and Post Office Operations:

2. Update and reissue procedures directing delivery units to identify Express Mail corporate account pieces that had not yet been accepted and enter acceptance transactions.

## Management's Comments

Management provided two separate responses. We received one response on January 25, 2013 and then on February 13, 2013, management provided revised comments for recommendation 2.

Management comments, on January 25, 2013, agreed with recommendation 1 and stated that Processing Operations will provide the *Missing Acceptance Reports* to the area managers, Operations Support, to improve acceptance transactions for EMCA pieces. The target implementation date is March 31, 2013. However, management disagreed with recommendation 2 and our monetary impact.

Management revised their comments to recommendation 2 on February 13, 2013. Management stated that, although they still have reservations regarding our findings as stated in the original response dated January 25, 2013, they agreed to review their procedures for compliance with EMCA policies and will collaborate with the areas to

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<sup>10</sup> The delivery units are required to accomplish an Arrival At Unit scan for each Express Mail piece they receive.

reissue policies and procedures regarding proper acceptance. The target implementation date is May 31, 2013.

Management disagreed with our monetary impact, stating that uncollected EMCA revenue cannot be definitively determined based on the data and methodology used in our estimate. Further, they believe there is no information in the draft report to verify that the methodology we applied resulted in a reasonable estimate and there is not enough information to validate the estimated potential revenue loss. In addition, management noted an incorrect number in our monetary impact calculations shown in [Appendix B](#). See [Appendix C](#) 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.

Regarding the disagreement with our monetary impact, we noted that Postal Service internal controls do not provide for sufficient information to know for certain the magnitude of revenue loss associated with unprocessed Express Mail acceptance transactions. Accordingly, we developed a methodology to estimate the amount of the loss and discussed our methodology with management on several occasions. Management neither objected nor suggested alternatives during our meetings. We believe our methodology is fair and reasonable. However, management did correctly point out an error in our monetary impact calculations shown in [Appendix B](#). We corrected our error, and our estimated monetary impact changed from \$6,179,029 to \$6,178,714 for a difference of \$315. We informed management of this error subsequent to issuing our draft report but prior to receiving their management comments.

## Appendix A: Additional Information

### Background

Express Mail is the Postal Service's fastest service, with a money-back guarantee and overnight delivery to most U.S. addresses. Services include Free Package Pickup; signature proof of delivery; and \$100 in insurance free of charge to cover lost, rifled, or damaged packages, with additional insurance available up to \$5,000.

Express Mail pieces are tracked from the point of acceptance to the point of delivery. A full acceptance transaction can be processed by a Point of Service (POS) ONE terminal,<sup>11</sup> Integrated Retail Terminal (IRT),<sup>12</sup> or PTS Web<sup>13</sup> application. The requirement for an Express Mail piece to receive a full acceptance transaction ensures that volume and revenue are properly reported and collected.

The *Missing Acceptance Reports* for Express Mail lists Express Mail pieces that are processed and delivered without receiving a full acceptance transaction. The report is produced weekly and contains information that identifies the scans applied to each Express Mail piece that did not receive a full acceptance transaction. The type of scan and the location where it was applied are included in the report for each Express Mail piece that was processed and delivered.

The Postal Service receives payment for Express Mail through stamp sales, postage meters, automated postal centers, and electronic payment options. In addition, the Postal Service offers business customers use of a corporate account to pay for postage through a credit card or an ACH debit. The Postal Service receives payment for corporate account pieces by withdrawing postage from the customer's account when the piece is properly accepted.

Postal Service customers interested in applying for a corporate account to pay for Express Mail service may do so by completing Postal Service (PS) Form 5639, EMCA Account Application and Payment Authorization.<sup>14</sup> Customers will send this form by mail or fax it to the stamp fulfillment center in Kansas City, MO. Customers select their preferred method of payment, either credit card or ACH debit, on the application submitted. In addition, customers may fund a corporate account with a Centralized

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<sup>11</sup> The POS ONE terminal is the primary hardware and software system used to conduct sales transactions during the Post Office check-out process. Corporate account pieces can receive full acceptance transactions at POS ONE Terminals.

<sup>12</sup> The IRT is the first-generation sales transaction system used at select post offices. Corporate account pieces can receive full acceptance transactions at an IRT.

<sup>13</sup> The PTS web interface allows users to access different types of functionality related to Express Mail, including the ability for manual offices to enter corporate account information to collect revenue.

<sup>14</sup> PS Form 5639 must be completed to open a new Express Mail corporate account or to select a new payment option for an existing account.

Account Processing System (CAPS)<sup>15</sup> account. This link is established by the CAPS Service Center in San Mateo, CA upon receipt of a customer request.

With a corporate account, customers can charge their Express Mail pieces to one account. The customers can deposit shipments paid through their corporate account at any Express Mail collection box, at the Post Office, or with a postal letter carrier.

A corporate account piece will be charged once it has received a full acceptance transaction. For FYs 2011 and 2012, corporate accounts had a volume of more than 6 million (7.5 percent of Express Mail volume) mailpieces and revenue of more than \$135 million (8.4 percent of Express Mail revenue).

### Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service collects all revenue for services provided to EMCA customers. To accomplish this objective, we reviewed Postal Service criteria and Postal Service procedures. In addition, we:

- Reviewed the *Revenue, Pieces and Weight*<sup>16</sup> reports for FYs 2011 and 2012.
- Conducted observations and interviewed personnel at processing facilities and delivery units.
- Interviewed Postal Service Headquarters management and various district management nationwide.
- Queried the *Missing Acceptance Reports* for Express Mail on the Postal Service's intranet.
- Queried and reviewed the PTS and EMCA application data.
- Used the Audit Command Language<sup>™</sup> software for complex data analysis pertaining to Express Mail missing full acceptance transactions.

We conducted this performance audit from May 2012 through March 2013 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 audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our

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<sup>15</sup> A CAPS account is an electronic postage payment system that provides business mailers a centralized way to fund accounts such as permit imprint, Business Reply Mail, and Express Mail corporate accounts.

<sup>16</sup> These quarterly reports contain the revenue and volume for different types of mail, including Express Mail.

observations and conclusions with management on December 17, 2012, and included their comments where appropriate.

To conduct this audit, we relied on computer-processed data maintained by Postal Service operational systems. We did not test the validity of controls over these systems; however, we verified the accuracy of the data by confirming our analysis and results with Postal Service managers and other postal data sources. We determined that the data were sufficiently reliable for the purposes of this report.

### [Prior Audit Coverage](#)

The OIG conducted one previous audit for *Express Mail Guarantees* (Report Number [FF-AR-11-004](#), dated December 15, 2010) within the past 3 years. The objective of this audit was to determine whether it was prudent business practice for the Postal Service to guarantee Express Mail service to all ZIP Codes and American territories. In addition, we determined whether or not the Postal Service was monitoring corporate account negative balances and closing inactive accounts effectively. This self-initiated audit had three findings: management did not determine or address the reasons for late Express Mail deliveries, no system was in place to track Express Mail refunds, and Postal Service districts were not always monitoring inactive corporate accounts. Management generally agreed with all findings and recommendations.

## Appendix B: Monetary Impacts

Recommendation	Impact Category	Amount
1	Revenue Loss <sup>17</sup>	\$3,533,161
1	Funds Put to Better Use <sup>18</sup>	2,645,553
<b>Total</b>		<b>\$6,178,714</b>

### Revenue Loss

In FYs 2011 and 2012, Express Mail volume was 40,492,000 and 39,823,000, respectively. Corporate account volume for FY 2011 was 3,088,396 (7.63 percent of total Express Mail) and, for FY 2012, it was 2,963,707 (7.44 percent of total Express Mail). Corporate account revenue for FY 2011 was \$71,645,519, which is a revenue per piece average of \$23.20. In FY 2012, revenue was \$63,600,317, which yields a revenue per piece average of \$21.46.

We used the *Missing Acceptance Reports* for Express Mail to determine the total Express Mail pieces for FYs 2011 and 2012 without a full acceptance transaction. Using a proportion of corporate account mailings to total Express mailings, we estimated the number of pieces on the *Missing Acceptance Reports* for Express Mail to be corporate account mailings.

In FY 2011, the *Missing Acceptance Reports* for Express Mail had 1,096,648 pieces. We estimate 7.63 percent of these pieces were corporate account mailings, for a total of 83,674. In FY 2012, the report identified 997,050 pieces. We estimate 7.44 percent of these pieces were corporate account mailings, for a total of 74,181.

We multiplied our estimated FYs 2011 and 2012 corporate account pieces missing acceptance transactions by the average revenue per piece. For FY 2011, we estimate the value for corporate account pieces missing full acceptance transactions as \$1,941,236.80 (\$23.20 multiplied by 83,674). For FY 2012, we estimate the value for corporate account pieces missing full acceptance transactions as \$1,591,924.26 (\$21.46 multiplied by 74,181). Our estimated revenue loss was \$3,533,161.06 (\$1,941,236.80 plus \$1,591,924.26).

<sup>17</sup> Amount Postal Service was entitled to receive but was underpaid or not realized because policies, procedures, agreements, requirements, or good business practices were lacking or not followed.

<sup>18</sup> Funds that could be used more efficiently by implementing recommended actions.

### Funds Put to Better Use

We used mailing trends for corporate accounts to determine the funds put to better use. Based upon FYs 2010, 2011, and 2012, we determined that corporate account revenue would be reduced by 11.73 percent per year on average. We used the \$1,591,924 as revenue loss in FY 2012 and reduced it by 11.73 percent to yield funds put to better use for FY 2013 of \$1,405,191. We reduced this amount by 11.73 percent again to yield funds put to better use for FY 2014 of \$1,240,362. We estimate total funds put to better use to be \$2,645,553 (\$1,405,191 for FY 2013 plus \$1,240,362 for FY 2014).

## Appendix C: Management's Comments



January 25, 2013

JUDITH LEONHARDT  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Express Mail Corporate Account Revenue  
(Report Number DP-AR-13-Draft)

Thank you for the opportunity to respond to the recommendations contained in the Draft Audit Report – Express Mail Corporate Account Revenue (Report Number DP-AR-13-Draft). Management agrees with recommendation 1, but has concerns with recommendation 2.

Recommendation 1:

Provide the *Missing Acceptance Reports* to area managers, Operations Support, to identify and notify mail processing facilities to improve full acceptance transactions for Express Mail corporate account pieces.

Management Response/Action Plan:

Processing Operations will provide the reports to the Area Managers, Operations Support to improve acceptance transactions for Express Mail corporate account pieces.

Target Implementation Date:

March 2013

Responsible Official:

Manager, Processing Operations

Recommendation 2:

Update and reissue procedures directing delivery units to identify Express Mail corporate account pieces that had not yet been accepted and enter acceptance transactions.

Response:

Management disagrees with this recommendation for the following reasons:

1. The Finance & Planning Revenue Evaluation group reviewed the OIG's Express Mail Corporate Account Revenue draft audit and determined that the total estimated potential loss of uncollected Express Mail Corporate Account revenue cannot be definitively determined based on the data and methodology in the draft audit. There is no information provided to verify that applying the total proportional percentage of all Express Mailings over an entire year to the Missing Acceptance Report volume would be a reasonable assumption, and there is not enough information in the draft audit to validate the estimated potential revenue loss.

In addition, we found that the number of pieces reported as missing full acceptance in FY 2011 was overstated by 6,635 pieces in the draft audit. The Missing Acceptance volume in FY2011 stated in the report was 1,009,748 (7.63 percent of this total is 77,008, not 83,643).

- 2 -

2. The report does not include the estimated cost for delivery unit employees to review each piece of express mail to determine if an acceptance scan is needed and process each piece either at the retail counter or in the back office. Management recommends that an operational study be conducted to determine the actual cost associated with any added work hours.

3. Due to the limited time that delivery units have to meet express mail service standards, Management is concerned that the added time to identify and process express mail pieces without acceptance scans may have a negative impact on the number of service failures. An increase in express mail failures will also result in an increase of express mail postage refunds.

Responsible Official:  
Manager, Retail Operations

  
David E. Williams  
VP, Network Operations

For   
Edward F. Phelan  
VP, Delivery and Post Office Operations

- 3 -

cc: Linda Malone  
Jeffrey Day  
Marty Bender

EDWARD F. PHELAN  
VICE PRESIDENT  
DELIVERY AND POST OFFICE OPERATIONS



February 13, 2013

JUDITH LEONHARDT  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Express Mail Corporate Account Revenue  
(DP-AR-13-DRAFT) Modified Response

Thank you for the opportunity to respond to the recommendations contained in the Draft Audit Report –conducted by the Office of the Inspector General (OIG).

The U.S. Postal Service (USPS) has revised its position for recommendation number two. While USPS respectfully retains reservations with the OIG findings as stated in the original response dated January 25, we are amendable to modifying our response, as indicated below.

This report and management’s response do not contain information that may be exempt from disclosure under the Freedom of Information Act.

**RECOMMENDATION 2:**

**We recommend the vice president, Delivery and Post Office Operations:**

1. Update and reissue procedures directing delivery units to identify Express Mail Corporate Account pieces that had not yet been accepted and enter acceptance transactions.

Management will review USPS procedures for compliance and collaborate with the areas for the re-issuance of Express Mail Corporate Account policy and procedures regarding proper acceptance.

**Target Implementation Date:** May 31, 2013

**Responsible Official:** Delivery and Post Office Operations.

A handwritten signature in black ink, appearing to read "Ed F. Phelan, Jr.", written over a horizontal line.

Edward F. Phelan, Jr.

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