# OFFICE OF INSPECTOR GENERAL
## UNITED STATES POSTAL SERVICE

# Retail Systems Software – Business Process Controls

**Audit Report**

**Report Number**
**FT-AR-15-008**

**July 21, 2015**

Retail Systems Software

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# Highlights

*We visited six retail units in two districts and determined that controls over selected point of sale business transactions were not always in place or effective, and system problems were not always remediated timely.*

## Background

The U.S. Postal Service is currently replacing its existing retail point of service software with Retail Systems Software (RSS). As of May 2015, the Postal Service has deployed RSS to about 3,400 of the 17,781 retail units. The Postal Service plans a complete nationwide deployment by May 2016.

RSS provides point of sale business functionalities for retail associates (RAs). It is intended to enable RAs to give customers prompt, accurate, and consistent service while enforcing policies and procedures and implementing business transactions controls. The RSS technology allows for quicker and more cost effective system changes.

When the system is not operating as intended, the Postal Service identifies problems and works to resolve them. As of March 2015, the Postal Service resolved 2,469 of the 2,776 problems associated with RSS.

Our objective was to determine whether the controls surrounding point of sale business transactions were in place and effective, and if control issues identified during RSS implementation were adequately remediated.

## What The OIG Found

We visited six retail units in two districts and determined that controls over selected point of sale business transactions were not always in place or effective, and system problems were not always remediated timely. Specifically:

- RAs did not receive a warning from RSS when scanning prepaid barcodes multiple times. Management was unaware of the problem and customers could use the same prepaid barcode to mail multiple mailpieces, essentially obtaining free postage.

- RAs did not always use RSS to accept prepaid mailpieces, bypassing mailpiece weight verification. Management corrected the RSS problem, but RAs were unaware of the correction and the Postal Service may have lost revenue for postage shortages.

- Management did not effectively communicate RSS updates and enhancements to RAs. Management cannot use the intended RSS process to distribute communications because of a nearly 2-year-old system problem. Ineffective communication increases the risk of lost revenue.

- An RSS data file used during system conversion contained errors with site-specific information, including retail unit addresses. An incorrect address could provide unreasonable guarantees to the customer, which could increase refunds and harm the Postal Service's brand.

- RSS controls did not consider the size of the retail unit when limiting the unit's RA access rights. Further, management did not always remove an employee's access rights when he or she no longer worked at the retail unit. Excessive or unauthorized access rights can lead to improper business transactions, such as inappropriate refunds.

- RAs routinely answered the required hazardous materials question for the customer instead of having the customer read and respond using the customer display unit. This could lead to an unsafe workplace.

- The Postal Service did not implement three of five recommendations addressing Premium Forwarding Service control weaknesses. For example, RSS did not contain a transaction reference number that links related transactions. This can lead to untimely customer service and may increase the risk of issuing inappropriate refunds.

- RSS did not provide a unique tracking number for Postal Service customer call center purposes. Instead, the receipt provided a number that customers can also use to obtain online tracking information, essentially receiving free tracking on certain mailpieces.

## What The OIG Recommended

We recommended management implement controls to alert the RAs when multiple scans occur on prepaid barcodes and reiterate that RAs must use RSS when accepting prepaid mail at the retail counter. We also recommended management develop additional methods to communicate RSS enhancements, remediate the RSS messaging center problem, and verify RSS site-specific information is correct and design a control that periodically validates accuracy.

Further, we recommended management implement controls to appropriately limit access rights based on retail unit size and ensure these rights are revoked when the employee no longer works at the unit.

In addition, we recommended management emphasize to RAs the importance of having the customer read and respond to the hazardous materials question on the customer display unit unless assistance is needed and ensure compliance.

Finally, we recommended management develop controls to ensure RSS communicates with other applicable Postal Service systems for Premium Mail Forwarding verification and develop a unique transaction reference number that retrieves stored Premium Mail Forwarding data and links related transactions.
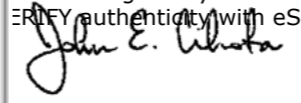
# Transmittal Letter

July 21, 2015

**MEMORANDUM FOR:**    MICHAEL J. AMATO
VICE PRESIDENT, ENGINEERING SYSTEMS

KELLY M. SIGMON
VICE PRESIDENT, RETAIL &
CUSTOMER SERVICE OPERATIONS

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop

\s

**FROM:**    John E. Cihota
Deputy Assistant Inspector General
 for Finance and Supply Management

**SUBJECT:**    Audit Report – Retail Systems Software –
Business Process Controls
(Report Number FT-AR-15-008)

This report presents the results of our audit of the Retail Systems Software – Business Process Controls (Project Number 15BD001FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, director, Finance, or me at 703-248-2100.

Attachment

cc:    Corporate Audit and Response Management

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# Findings

## Introduction

This report presents the results of our self-initiated audit of the U.S. Postal Service's Retail Systems Software – Business Process Controls (Project Number 15BD001FT000). Our objective was to determine whether the controls surrounding point of sale business transactions were in place and effective, and if control issues identified during Retail Systems Software (RSS) implementation were adequately remediated. See Appendix A for additional information about this audit.

RSS is a commercial off the shelf, single software solution capable of providing point of sale business functionalities. RSS supports all physical retail channels, including enforcing Postal Service policies and procedures and implementing business transactions controls. RSS is replacing three current software applications: Point of Service (POS) One,[1] Self-Service Kiosks,[2] and Contract Access Retail System.[3] RSS is capable of using existing Postal Service web services, corporate calculators, and databases. RSS can quickly implement system changes and enhancements, and can monitor retail operations in real time.

RSS system defects[4] are documented throughout the development, testing, and deployment phases. The Postal Service prioritizes and corrects documented defects, performs additional testing, and implements remediated controls. As of March 2015, the Postal Service has remediated 2,469 of the 2,776 documented defects, and 307 defects remain open.

Based on financial transaction data, we limited our scope to seven point of sale business transactions, as shown in Table 1.

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1     POS One captures retail business transactions as they take place at the retail unit.
2     Self-Service Kiosks are an alternative to full retail service and provide customers access to certain products and services anytime of the day.
3     Contract Access Retail System software provides a POS terminal for use in contract postal units.
4     System defects are recorded when RSS is not operating as intended.

**Table 1. Business Transaction Processes Reviewed**

**BUSINESS TRANSACTION PROCESSES REVIEWED**

Source: U.S. Postal Service Office of Inspector General (OIG) analysis and Postal Service guidelines and manuals.

As of May 2015, the Postal Service has deployed RSS to about 3,400 of the 17,781 retail units. The Postal Service plans a complete nationwide deployment by May 2016.

## Conclusion

Controls over selected point of sale business transactions were not always in place or effective, and issues identified during RSS implementation were not always remediated timely. Specifically:

- In each of the six retail units we visited, RAs did not receive a warning from RSS when they scanned prepaid[5] barcodes multiple times. Postal Service management was unaware this control was not operating as intended. Ineffective controls could allow the customer to use the same prepaid barcode to mail multiple mailpieces, essentially obtaining free postage.

- In each of the six retail units we visited, RAs did not always use RSS to accept prepaid mailpieces. Instead, they used the Intelligent Mail Device (IMD) scanner[6] that does not provide mailpiece weight verification required by RSS. As a result, the Postal Service may have lost revenue due to postage shortages. The Postal Service corrected this issue after a 6-month period, but RAs were unaware of the correction.

- Management did not effectively communicate RSS updates and enhancements to the RAs. Management cannot use the intended RSS process to distribute communications because of a nearly 2-year-old system problem. Ineffective communication increases the risk of lost revenue.

- An RSS data file used during system conversion contained errors with site-specific information, including retail unit origin-destinations.[7] If the origin-destination is incorrect, RSS could provide unreasonable delivery guarantees to the customer. This may increase refunds and harm the Postal Service's brand.

- RSS controls did not consider the size of the retail unit when limiting its access rights. Further, at one of the three retail units we visited, management did not always remove access rights when an employee no longer worked there. Excessive or unauthorized access rights can lead to improper business transactions, such as inappropriate refunds.

- In four of the six retail units we visited, RAs routinely answered the required hazardous materials (HAZMAT)[8] question for the customer instead of having the customer read and respond[9] using the customer display unit (CDU). If RAs continue to answer the HAZMAT question for the customer and undisclosed hazardous materials enter the mailstream, it could lead to an unsafe workplace and HAZMAT related incidents.

- The Postal Service did not implement three of five recommendations from a prior OIG report addressing PFS control weaknesses. For example, RSS did not contain a transaction reference number that retrieves stored data and links related transactions. Without sufficient RSS business transaction controls, there is an increased risk of inappropriate refunds or questionable activity and untimely customer service.

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5   Prepaid mailpieces are domestic and international mailings for which the postage has been paid at a location other than a retail counter. For example, a customer using Click-N-Ship can prepay postage on-line and generate an attached barcode that requires the RA to scan at the point of acceptance.
6   An IMD scanner is a handheld device with an integrated barcode scanner for data collection.
7   Origin-destination includes the retail unit address and ZIP+4® code.
8   Handbook M-22, *Dispatch and Routing Policies,* Section 168, dated July 2013: Hazardous material is defined as a substance or material in quantity and form that may pose an unreasonable risk to health and safety or property when transported on commercial transportation.
9   Mailers are required to disclose if the mailpiece contains anything liquid, fragile, perishable or potentially hazardous, like lithium batteries.

*If controls surrounding point of sale business transactions were in place, effective, and remediated timely, the Postal Service could increase revenue, improve operations, preserve the Postal Service brand, and decrease the risk of unauthorized transactions, including inappropriate refunds or questionable activity.*

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## Scanning Prepaid Barcodes

In each of the six retail units we visited, RAs did not receive a warning from RSS when they scanned prepaid barcodes multiple times. The RA scanned the prepaid barcode, and RSS accepted the mailpiece for mailing. However, if the RA scanned the same barcode again, RSS did not alert the RA that the mailpiece was already accepted. See Figure 1 for an example of a prepaid barcode label printed by a customer.

**Figure 1. Prepaid Barcode Label**

*RAs did not receive a warning from RSS when they scanned prepaid barcodes multiple times.*



Source: OIG photograph.

Management included this control in the RSS requirements. However, when we advised management of the issue, they stated they were not aware the control was not operating as intended and were uncertain why RSS testers did not identify the control weakness during testing. Without effective controls, a customer could use the same prepaid barcode to mail multiple mailpieces, essentially obtaining free postage.

## Prepaid Mail Acceptance

In each of the six retail units we visited, RAs did not always use RSS to accept prepaid mailpieces. Instead, RAs used the IMD scanner because:

■ RSS was not functioning for prepaid international mailpieces. When RAs scanned the prepaid barcode, RSS required a ZIP Code, which does not apply to international mailpieces. RAs could not bypass the requirement so management instructed RAs to temporarily use the IMD scanner to accept prepaid international mailpieces.

■ It is faster and easier than using RSS and reduces wait-time-in-line for customers.[10]

*Postal Service policy and RSS business transaction controls require the RA to scan the prepaid barcode to verify the actual mailpiece weight matches the information on the prepaid barcode.*

Postal Service policy[11] and RSS business transaction controls require the RA to scan the prepaid barcode to verify the actual mailpiece weight matches the information on the prepaid barcode. Although the IMD scanner accepted the mailpiece, it did not verify the actual weight. See Figure 2 for an example of using RSS to verify a mailpiece's prepaid barcode weight.

**Figure 2. Example of Weight Verification**



Source: OIG photograph.

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10 According to RAs at four of the six retail units we visited.
11 *RSS Procedures Guide*, dated September 2014.

Management identified this issue in September 2014, and corrected it in March 2015, so a ZIP Code is no longer required for prepaid international mail. However, many RAs were unaware of the correction and continued to use IMD scanners. Because IMD scanners bypass the weight verification process, the Postal Service may not have collected all postage due on its mailings.

## Communication

Management did not effectively communicate RSS updates and enhancements to the RAs. RSS requirements state that management should distribute important announcements to the RAs using the RSS messaging center. Also, best practices suggest communicating system enhancements to users through electronic media or in-person meetings. However, at initial deployment, the RSS messaging center was not functioning. Management identified this issue in July 2013, and it remains unresolved.

*RAs do not log on to the RSS website in a typical workday and, thus, cannot be assured of receiving important system updates and enhancements.*

As a temporary solution, management used the RSS website for communications. However, RAs do not log on to the RSS website in a typical workday and, thus, cannot be assured of receiving important system updates and enhancements. For example, as stated in the Prepaid Mail Acceptance section, the Postal Service eliminated the RSS requirement for a ZIP Code for prepaid international mail. However, RAs continued to use the IMD scanner instead of RSS for both domestic and international prepaid mail acceptance. Our interviews disclosed that RAs had not logged onto the RSS website and were not aware the issue was corrected. As a result, the Postal Service may have lost revenue.

## Data File Information

An RSS data file used during system conversion contained errors with site-specific information, including retail unit origin-destinations. This occurred because management did not conduct sufficient system testing and, therefore, they were not aware the errors existed.

*The Postal Service should conduct proper testing and implement validation controls to ensure accurate site-specific data, including origin-destinations for all retail units.*

As a result, transactions using site-specific information were not always accurate. For example, after one retail unit[12] converted to RSS, its Priority Mail Express[13] transactions consistently had a 1-day guaranteed delivery. For Priority Mail Express, the Service Delivery Calculator[14] uses the origin-destination to determine the expected delivery date and time. Since the origin-destination information was incorrect in the data file, guaranteed delivery for mail originating from that retail unit always reverted to 1 day. Management found the last four digits of the ZIP+4® code of the origin-destination information for that retail unit was incorrect and updated the RSS data file accordingly.

Based on our audit, management also corrected additional retail units with similar issues. However, the Postal Service should conduct proper testing and implement validation controls to ensure accurate site-specific data, including origin-destinations for all retail units. When the origindestination information is incorrect, RSS could provide unreasonable delivery guarantees to the customer. This may increase refunds and harm the Postal Service's brand.

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12  This retail unit was not one of the six retail units the OIG visited but was based on a referral from the OIG Office of Investigations.
13  Priority Mail Express is an expedited mail delivery service that guarantees mail delivery time. The Postal Service charges Express Mail® postage for each addressed mailpiece according to its weight and zone, with on-time delivery guarantee or the customer gets his or her money back.
14  The Service Delivery Calculator is a Postal Service initiative to centralize the calculation of all domestic service commitments, service standards, and delivery dates for all mail classes.

## Access Rights

RSS controls did not consider the size of the retail unit when limiting its RA access rights. We found the number of employees with RSS administrator or supervisor access rights exceeded the number authorized, based on size, and management did not always remove access rights when the employee no longer worked there. Specifically, we reviewed access rights at three retail units[15] and found postmasters:

- ■ Assigned more employees RSS administrator or supervisor access rights than were authorized at two retail units.[16]

- ■ Did not remove access rights for two RAs who no longer worked at one retail unit.[17]

Postmasters grant RAs RSS preapproval[18] through eAccess,[19] add RAs to RSS at their respective retail unit, and assign access rights to RAs based on their roles.[20] Postal Service policy[21] limits access rights to two administrators[22] and three supervisors[23] per retail unit. However, retail units with more than five window terminals or two tours of operation may add a third administrator and a fourth supervisor. RSS business transaction controls limit assigned roles to three administrators and four supervisors. However, RSS controls do not consider the size of the retail unit, allowing smaller retail units to exceed Postal Service policy when assigning administrator and supervisory roles locally.

Postal Service policy also requires postmasters to remove RAs' access rights no later than their last day of work at the retail unit. However, RSS controls do not exist to ensure postmasters remove RA access rights when employees no longer work at the retail unit. Excessive or unauthorized access rights reduce the effectiveness of mitigating controls, such as obtaining supervisor approval for refunds over $25, increasing the risk of improper business transactions.

## Hazardous Materials

In four of six retail units we visited, RAs routinely answered the required HAZMAT question for the customer instead of having the customer read and respond using the CDU. RAs provided the answer because it was faster and reduced wait-time-in-line. We observed that most RAs asked the HAZMAT question, the customer verbally responded, and the RA bypassed the CDU and answered on the customer's behalf.

Postal Service guidelines[24] require customers to read and respond to the HAZMAT question on the CDU. If the customer needs assistance, the RA can bypass the CDU to read and answer the HAZMAT question for the customer. Management stated providing assistance to customers should be a rare exception and not a normal business transaction. Also, the responsibility for properly packaging and labeling a HAZMAT mailpiece rests with the customer. If RAs continue to answer the HAZMAT question and undisclosed hazardous materials enter the mailstream, it could lead to an unsafe workplace and HAZMAT-related incidents. See Figure 3 for examples of hazardous materials.

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15  Arrington, Nolensville, and Rockvale retail units in the Nashville, TN, district. We did not review access rights at the three retail units visited in the Seattle, WA, district.
16  Arrington and Rockvale.
17  Rockvale.
18  Preapproval access rights refers to requesting access to RSS for any role the RA may be assigned. RAs can have the following roles: administrator, supervisor, retail clerk, cash reserve, closeout clerk, and custodian.
19  eAccess is a portal for requesting access to applications and resources in the Postal Service.
20  When assigning roles locally, the administrator can further restrict the users access by not assigning a role that was authorized during the preapproval process.
21  Handbook F-101, *Field Accounting Procedures*, Section 2.4.8, dated October 2013.
22  Administrator rights allow the employee to add and terminate other staff and assign system roles.
23  Supervisor rights allow the employee to approve refunds of $25 or more and bypass other supervisory approvals.
24  *Retail Digest* published on January 14, 2014.

**Figure 3. Examples of Hazardous Materials**



Source: Post Office poster 37, September 2012.

## Premium Forwarding Service

The Postal Service did not implement three of five recommendations from a prior OIG report [25] addressing PFS control weaknesses. In that report, the OIG recommended management:

- Implement automated controls to ensure customers do not have a current permanent *Change of Address Order* for this temporary change of address service.[26]

- Enhance the system to capture and store all required data for PFS, including the customer's name and proper primary address, first shipment date, last shipment date, service start date, service end date, PFS number of weeks, and shipment total.

- Incorporate into the system the capability to tie all PFS extensions and receipted refunds to the original sales transaction to ensure (1) RAs only disburse refunds for actual customer purchases, (2) RAs refund according to the original payment method, and (3) the system eliminates risks of unintentional and intentional keying input errors.

In response to the OIG report, on November 21, 2013, management stated the controls would be implemented in POS One or its successor (RSS). As of June 1, 2015, management has not implemented these recommendations and the controls were not included in the RSS requirements. At all six retail units we visited:

- RAs continued to manually verify whether the customer had an active forwarding order because RSS did not communicate with the Change of Address Reporting System.[27] A customer who simultaneously has a PFS, a *Change of Address Order,* or an *Authorization to Hold Mail*[28] will result in delayed mail delivery due to the processing order for multiple requests. For example, one customer had two *Change of Address Order* forms on file, along with PFS. The Postal Service processed the *Change of Address Orders* first, then the PFS request, resulting in delayed mail delivery.

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25 *Controls Over the Premium Forwarding Service – Point-of-Service Retail System* (Report Number IT-AR-14-002, dated December 2, 2013).
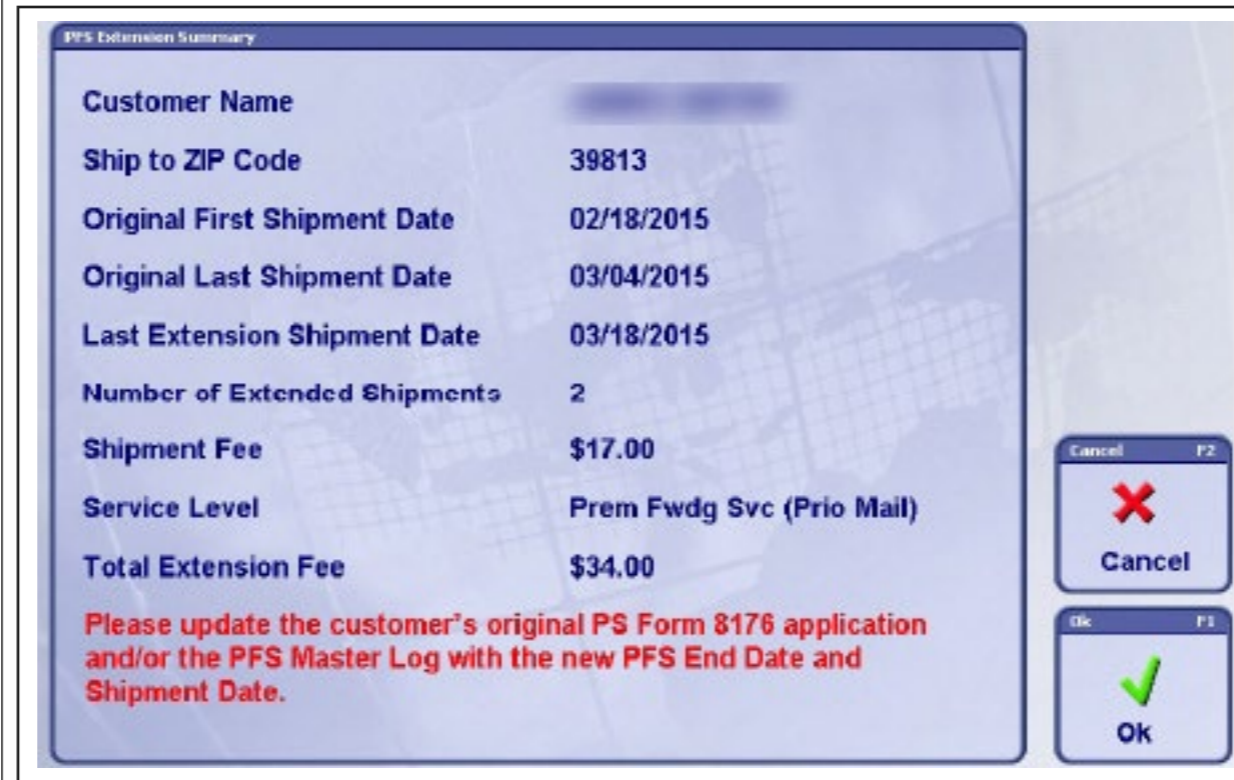26 Postal Service (PS) Form 3575.
27 A central database storing change of address requests.
28 PS Form 8076.

- RAs continued to manually locate the original PFS application to process refunds or make other modifications to the service because RSS did not allow the RA to retrieve the necessary data captured and stored in RSS. RSS requests RAs to document modifications to PFS manually on the PFS application. See Figure 4 for an example of a RSS screenshot requesting manual updates to an original PFS application.

**Figure 4. Example of RSS Screenshot Requesting Manual Update**



Source: OIG photograph.

*Without sufficient RSS business transaction controls, there is an increased risk of inappropriate refunds or questionable activity, and untimely customer service.*

- RSS did not contain a transaction reference number that links related transactions. For example, when processing a PFS extension, the RA must re-enter the customer name, original first shipment date, and original last shipment date, along with the extension information.

International postal administrations' best practices allow employees to access historical transactions, effectively linking related transactions. Furthermore, best practices limit the potential for questionable activity, such as inappropriate refunds, by incorporating automated business transaction controls that link original transactions to subsequent related transactions. Without sufficient RSS business transaction controls, there is an increased risk of inappropriate refunds or questionable activity, and untimely customer service.

## Package Identification Number

RSS did not provide a unique tracking number for Postal Service customer call center purposes. Instead, management used the same reference number to track mailpieces and for customer call centers. RSS includes a package identification (PID) number on the receipt for Media, Library, and First-Class Mail. Management included this functionality in the RSS requirements because call center personnel needed a number to track mailpieces. Postal Service call center personnel can track mailpieces using the PID. However, the customer could also use the PID to track the mailpiece through www.usps.com without paying for the extra service.

See Figure 5 for an example of an RSS receipt disclosing the PID number and the Product and Tracking Information screen where the customer could track delivery.

**Figure 5. Example of RSS Receipt and Product and Tracking Information**



*The Postal Service implemented a rate increase effective May 31, 2015, that includes tracking services for Media, Library, and First-Class Mail. Therefore, we are not making a recommendation.*

Source: OIG photograph and www.usps.com website.

Best practices suggest call center personnel use a unique reference number that is not obvious to customers to track mailpieces. If the Postal Service uses a unique number available only to call center personnel, customers must purchase the extra service, which increases Postal Service revenue.

The Postal Service implemented a rate increase effective May 31, 2015, that includes tracking services for Media, Library, and First-Class Mail. Therefore, we are not making a recommendation.

# Recommendations

We recommend the vice president, Engineering Systems:

1. Implement controls to prevent multiple scans on prepaid barcodes or to alert retail associates when multiple scans occur.

2. Remediate the Retail Systems Software messaging center issue so it is fully functional.

3. Verify that Retail Systems Software site-specific data, including origin-destinations, are correct for all retail units and design a control that periodically validates their accuracy.

4. Implement controls to appropriately limit administrator and supervisor access based on retail unit size.

5. Implement controls to ensure Retail Systems Software communicates with the Change of Address Reporting System.

6. Develop a unique transaction reference number that retrieves all stored Premium Forwarding Service data and links related transactions.

We recommend the vice president, Retail and Customer Service Operations:

7. Reiterate to retail associates that they must use Retail Systems Software to accept prepaid mail at the retail counter.

8. Develop controls to ensure postmasters revoke retail associate access rights when the employee no longer works at the retail unit.

9. Emphasize to retail associates the importance of having the customer read and respond to the hazardous materials question on the customer display unit and ensure compliance with Postal Service guidelines.

We recommend the vice president, Engineering Systems, in coordination with the vice president, Retail and Customer Service Operations:

10. Develop additional methods to communicate Retail Systems Software updates and enhancements directly to retail associates as a workaround until the Retail Systems Software messaging center is fully functional.

## Management's Comments

Management generally disagreed with the recommendations but acknowledged that RSS has had some technical and programmatic challenges. They noted that they have taken measures to address those challenges, streamline program management activities, and resolve critical issues. They further noted RSS processes used established processes from the former point-of-sale software, and enhancements were made when found to increase RSS effectiveness.

Management stated the report provides recommendations that warrant further investigation to determine the cost-benefit of implementation, and noted its program team has been focused on correcting defects, which is a priority for them over improvements.

Management also noted that our report contained out-of-scope, outdated, and inaccurate information. They noted the scope, resources, and schedule of the RSS program was defined in the Decision Analysis Report (DAR), and the Postal Service cannot add scope because there are good ideas. Finally, management noted that key personnel from Engineering were not interviewed or contacted by the OIG for the report.

Management agreed with recommendations 3 and 9 regarding our findings on data file information and hazardous materials, respectively. Regarding recommendation 3, management responded that RSS site-specific data, including origin-destinations, was updated in April 2015 and is now updated as it changes.

Regarding recommendation 9, in May 2015, management updated policy to require RAs verbally ask customers about hazardous materials and have the customer indicate a response on the customer display unit. On June 12, 2015, management posted the updated policy to the Retail and Customer Service Operations website and distributed the updated policy to retail units.

Management disagreed with the remaining recommendations and does not plan to implement any corrective action.

- Regarding recommendation 1, management stated modifying the RSS to prevent multiple scans on a prepaid barcode was outside the scope of the program. Additionally, management noted there are reasons why multiple scans may occur for a single mailpiece and, as customers are not required to bring prepaid mailpieces to the retail unit for acceptance, this change may not capture a large volume of fraudulent duplicate barcodes.

- Regarding recommendations 2 and 10, management stated they communicate software releases through approved communication channels, which was based on the previous POS One system.

- Regarding recommendations 4 and 8, management stated limiting administrator and supervisor access based on retail unit size was outside the scope of the program. Furthermore, approving roles and revoking access rights are subject to semi-annual eAccess reviews.

- Regarding recommendations 5 and 6, management noted that in response to our previous audit, the Postal Service committed to conducting a cost and benefit analysis by January 31, 2016, concerning development of (1) controls to ensure RSS communicates with the Change of Address Reporting System and (2) a unique transaction reference number for Premium Forwarding Service data. At that time, management will decide whether or not to initiate and fund program enhancements after reviewing the analysis.

- Regarding recommendation 7, management stated that prepaid mailpieces can enter the mail stream by options other than the retail counter, which do not require RSS processing. If a customer requests an acceptance scan, these can be performed by RSS, POS One, or a hand-held scanner.

See Appendix B for management's comments, in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 3, 5, 6, and 9, and management's corrective actions for these recommendations should resolve the issues identified in the report.

Management disagreed with recommendations 1, 2, 4, 7, 8, and 10 and, therefore, provided no corrective actions. The OIG considers management's actions unresponsive and will not resolve the issues identified in the report. We disagree that the report contains out-of-scope, outdated, and inaccurate information; or out-of-scope improvements. None of the issues identified are enhancements or out-of-scope improvements. Six of the eight issues identified related to RSS requirements included in the DAR. Furthermore, the remaining two issues−access rights and hazardous materials−are policy issues that should have been included from the outset. Accordingly, correcting these issues should be a priority over other improvements. We intend to take recommendations 1, 2, 4, 7, 8 and 10 through the audit resolution process.

The OIG considers all recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. For recommendation 9, we confirmed the Postal Service updated the policy regarding the hazardous material issue. Therefore, we consider this recommendation closed. The remaining 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.

# Appendices

## Appendix A: Additional Information

## Background

RSS is a new software solution replacing existing retail POS One software. Among its new capabilities, RSS can suspend a partially completed transaction and finish it later and transfer transactions between terminals. RSS also allows managers and postmasters to perform administrative functions, such as nightly closeouts, while maintaining accountability from their Advanced Computing Environment (ACE),[29] and sending messages to offices, even to the clerk level within their area of responsibility. The main benefits of this program are lower annual software maintenance costs, software change costs, and information technology support costs associated with the software maintenance contracts eliminated by this program.[30] Other benefits include a more efficient closeout process and reinforcement of Postal Service policies, such as prompting RAs to ask customers whether there are hazardous materials in their mailings.

The Postal Service is developing each software application separately, starting with POS One. As of May 2015, the Postal Service has deployed RSS to about 3,400 of the 17,781 retail units. The Postal Service plans a complete nationwide deployment by May 2016.

This program supports Postal Service Delivering Results, Innovation, Value, and Efficiency Initiative 3, Transform Access. This initiative aims to maximize revenue by changing the customer experience through increased convenience and access while maintaining rural retail service.

## Objective, Scope, and Methodology

Our objective was to determine whether the controls surrounding point of sale business transactions were in place and effective, and if control issues identified during RSS implementation were adequately remediated.

To accomplish our objective, we:

- Interviewed responsible officials, including the RSS program manager, Revenue and Field accounting personnel, and Accounting Services personnel to determine controls surrounding RSS and to understand the defect-remediation process.

- Reviewed RSS requirements, RSS defect documentation, and Postal Service policies and procedures to assess strengths and weaknesses of business transactions controls.

- Analyzed the OIG's Field Financial Risk Model[31] and Risk Analysis and Data Report (RADR)[32] to judgmentally select Postal Service sites to conduct fieldwork.

- Analyzed financial transaction data and narrowed our scope by focusing on the review of seven processes. These seven processes included Money Order, Nightly Closeout, Post Office Box, PFS, Refunds, Sales and Disbursements, and Trust Accounts. Our review excluded processes such as emergency salary and travel advances, inventory, mail pickups, passports, and stamp stock.

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29  ACE simplifies, standardizes, centralizes, and manages the Postal Service's information technology environment.
30  The three contracts are for POS One, Self Service Kiosks, and Contract Access Retail System.
31  The model identifies locations that are at risk and provides information on areas with emerging risk.
32  RADR highlights areas of risk involving employees, plants, post offices, routes, and warehouses.

- Observed selected RSS processes at the testing facility in St. Louis, MO, Accounting Services.

- Conducted site visits at three retail units in the Seattle, WA, district[33] and three retail units in the Nashville, TN, district[34] to understand RSS and identify and test business transactions controls.

- Compared RSS requirements and defects to the OIG's fieldwork observations and analyses performed.

We conducted this performance audit from October 2014 through July 2015 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 observations and conclusions with management on June 18, 2015, and included their comments where appropriate.

We did not attest to the reliability of computer-generated data for the purposes of this report. Computer processed data was only envisioned to be used as background information. This audit did not plan to conduct any transaction testing as part of any findings or conclusions. Computer-processed data the team used from all sources were not expected to significantly affect the findings, conclusions, or recommendations. The scope of this audit was to look at the effectiveness of controls.

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33  Hoquiam, McCleary, and Medina.
34  Arrington, Nolensville, and Rockvale.

## Prior Audit Coverage

| Report Title | Report Number | Final Report Date | Monetary Impact |
|---|---|---|---|
| *Retail Systems Software Application Requirements* | IT-MA-15-002 | 3/30/15 | $0 |

**Report Results:** The Postal Service did not follow the Technology Solutions Life Cycle (TSLC) process when creating formalized testing documentation. In addition, overall system development guidance for the project was not developed. These issues occurred because management did not provide training and instructions to develop System Integration Test (SIT) and Customer Acceptance Test (CAT) testing that aligns with the TSLC process and Handbook AS-805, Information Security, policy requirements. Without consistency in the development of SIT and CAT testing, RSS may not be fully vetted, creating the risk of system failure, impacting productivity, or resulting in financial loss to the Postal Service. We recommended implementing and providing training and instructions to the RSS SIT and CAT teams on the TSLC Agile Scrum testing process, as well as the requirements in Handbook AS-805 to ensure the team follows the process when developing testing. Management agreed with our findings and recommendations.

| *Retail Systems Software Deployment and Functionality* | MI-AR-15-002 | 3/13/15 | $0 |
|---|---|---|---|

**Report Results:** The current RSS deployment schedule is too aggressive because of the limited experience with the decreased pilot sites, identified functionality issues, help desk issues, and the testing of the Office Data Import tool just 1 month before the projected national deployment. Because of functionality issues, the Postal Service was not able to deploy RSS at all 700 pilots by September 2014. The Postal Service stopped the RSS pilot in December 2014, after deploying the technology to 396 sites. Even though pilot testing was not completed, the Postal Service plans nationwide RSS deployment at 17,219 sites between February and December 2015. We recommended deploying RSS at the remaining 304 pilot sites, demonstrating self-service kiosk functionality, and correcting user-related functionality issues before initiating national deployment. In addition, the Postal Service should evaluate and establish metrics to ensure the RSS help desk is adequately staffed with knowledgeable personnel and is able to support national deployment. Management agreed in part with the recommendations.

| *Controls Over the Premium Forwarding Service – Point-of-Service Retail System* | IT-AR-14-002 | 12/2/13 | $989,326 |
|---|---|---|---|

**UNITED STATES**
**POSTAL SERVICE**

July 7, 2015

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Retail Systems Software – Business Process Controls
(Report Number FT-AR-15-DRAFT)

We have reviewed the subject draft audit report. In general, we agree with some
aspects of the recommendations and responded accordingly in this response
letter.

**General Comments**

Management agrees that Retail Systems Software (RSS) has had challenges
as can be expected with any complex programs. However, the Program Office
has taken appropriate measures to overcome technical and programmatic
challenges, to streamline program management activities, and to resolve critical
issues. It is unfortunate that the report does not acknowledge recent actions that
have been taken to improve the overall state of the program.

In addition, many of the RSS operational processes were built off of established
methods used with the former NCR POS software. Enhancements to these
proven processes have been made when they were found to increase the
effectiveness in RSS.

The report provides some recommended improvements that will need to be
further investigated to determine whether the alleged benefits are cost effective
and can be implemented. If the alleged benefits were quantified through
pertinent data, the cost and benefit validation process would be managed more
effectively. The program team has been focused on correcting defects, which
the report mentions as a concern. Management is of the view that this takes
priority over out of scope improvements.

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The report contains out of scope, outdated and inaccurate information that will be identified and addressed in this response letter. The scope of the RSS program is defined within the Decision Analysis Reports (DARs) approved by the Investment Review Committee and the Postmaster General. Engineering and Retail and Customer Service Operations cannot simply add scope because there are good ideas. There are scope, resource, and schedule constraints defined in the DAR(s).

The report addresses management knowledge; however, the Engineering Program Executive and Program Manager of this activity were not interviewed nor contacted by the auditors for this report. We do understand that the Business Program Manager and others were contacted.

The following are responses to the recommendations:

Engineering Systems recommendations:

### 1. Scanning Prepaid Barcodes

**Recommendation:** Modify the Retail Systems Software to prevent multiple scans on prepaid barcodes or to alert retail associates when multiple scans occur.

**Management Response:**

Management disagrees. There are numerous reasons why multiple scans occur to a single mail piece. In addition, as customers are not required to bring prepaid mail pieces to retail to be scanned as accepted, this may not capture a large volume of fraudulent duplicate barcodes. This is out of scope of the program and would require significant additional analysis.

### 2. Communication

**Recommendation:** Remediate the Retail Systems Software messaging center defect so it is fully functional.

**Management Response:**

Management disagrees. The communication takes place through approved retail communication channels. For each release, Engineering creates New Functionality Guides, which are sent to the Area Retail Equipment Coordinators and distributed through the retail organization. This is a process that is performed on the existing POS system and is approved by labor organizations.

If the report is referencing the Memo View Riposte feature, it is functional. But as noted above, this tool is not for communicating software release updates.

### 3. Data File Information

**Recommendation:** Verify that Retail Systems Software site-specific data, including origin-destinations, are correct for all retail units and design a control that periodically validates their accuracy.

**Management Response:**

Management agrees with the recommendation. Data is now updated as it changes.

Implementation: April 2015

### 4. Limit Access

**Recommendation:** Implement controls to appropriately limit administrator and supervisor access based on retail unit size.

**Management Response:**

Management disagrees with the recommendation. Management has already agreed to processes and procedures that have been previously approved for Point of Service (POS) access. As part of computer access process, RSS roles are subject to management semi-annual eAccess audit reviews. In addition, this is out of scope of the program and requires significant additional analysis.

### 5. CARS Communications

**Recommendation:** Implement controls to ensure Retail Systems Software communicates with the Change of Address Reporting System.

**Management Response:**

Management disagrees with the recommendation. In response to the previous audit in November 2013, Retail and Customer Service Operations has committed to conducting a cost and benefit analysis with expectations of having this completed in January of 2016. If this analysis determines that it is in the best interest of the Postal Service a program will be initiated to fund and implement these enhancements.

Implementation: January 2016

### 6. Premium Forwarding Service

**Recommendation:** Develop a unique transaction reference number that retrieves all stored Premium Forwarding Service data and links related transactions.

**Management Response:**

Management disagrees with the recommendation. In response to the previous Premium Forwarding Service audit in November 2013, Retail and Customer Service Operations has committed to conducting a cost and benefit analysis with expectations of having this completed in January 2016. If this analysis determines that it is in the best interest of the Postal Service a program will be initiated to fund and implement these enhancements.

Implementation: January 2016

Retail and Customer Service Operations recommendations:

### 7. Prepaid Mail Acceptance

**Recommendation:** Reiterate to retail associates that they must use Retail Systems Software to accept prepaid mail at the retail counter.

**Management Response:** Management disagrees. In order to meet customer expectations and convenience, prepaid packages can be entered into the mail stream by several options such as mail receptacles, presented to Letter Carriers, or brought to the Retail counter. These options do not require processing by RSS. If a customer requests an acceptance scan, these can be performed by RSS, POS or a hand-held scanner.

### 8. Access Controls

**Recommendation:** Develop controls to ensure postmasters revoke retail associate access rights when the employee no longer works at the retail unit.

**Management Response:** Management disagrees with the recommendation. Management has already agreed to processes and procedures that have been approved for POS. As part of all computer access, RSS roles are subject to management semi-annual eAccess audit reviews.

## 9. Hazardous Materials

**Recommendation:** Emphasize to retail associates the importance of having the customer read and respond to the hazardous materials question on the customer display unit.

**Management Response:** Management agrees with the recommendation. To increase the effectiveness of the screening process, Retail & Customer Service Operations has issued an updated policy which requires the Sales Services Associate (SSA) to verbally ask the question and indicate that the customer must respond on the Customer Display Unit (CDU). The Retail Service Talk "Keep the Mail Safe" has been updated to reflect this policy (May 2015), disseminated to the field (June 12, 2015) and posted to the Retail & Customer Service Operations webpage.
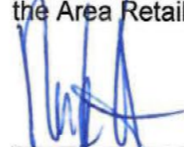
Implementation: June 12, 2015

Recommendations for Engineering Systems and Retail and Customer Service Operations:
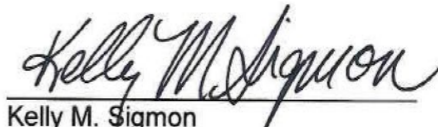
## 10. Communications

**Recommendation:** Develop additional methods to communicate Retail Systems Software updates and enhancements directly to retail associates as a workaround until the Retail Systems Software messaging center is fully functional.

**Management Response:**

Management disagrees with the recommendation. The structure of RSS communications was established based on the current proven NCR POS ONE Change Communication process. The approved process has been to provide information via the New Functionality Guide and to disseminate through the Area Retail Equipment Coordinators to the retail RSS Post Offices and users.

Michael J. Amato
Vice President
Engineering Systems

Kelly M. Sigmon
Vice President
Retail and Customer Service
Operations

cc: Manager, Corporate Audit Response Management

Contact us via our Hotline and FOIA forms, follow us on social networks, or call our Hotline at 1-888-877-7644 to report fraud, waste or abuse. Stay informed.

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