



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Management of Post Office Box Service

Audit Report

Report Number
FT-AR-16-004

February 23, 2016





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Background

Post Office Box™ (PO Box) optional delivery service is available at over 31,000 postal facilities. The U.S. Postal Service has over 21 million PO Boxes and collected ██████████ in PO Box rent for fiscal year 2015.

Customers prepay to rent PO Boxes for 3, 6, or 12 months and can renew them beginning 30 days before the service period ends. Postal Service personnel manually block PO Box access on the first of the month for unpaid renewals. They close PO Boxes for non-payment after a 10-day grace period and return all mail to senders. In addition they reconcile PO Box rent receipts between financial and management systems, and complete PO Box annual audit reviews.

This audit was based on an allegation that a New Jersey Post Office had not collected PO Box rents since February 2013. Our objective was to assess the management of PO Box rent revenue.

What the OIG Found

The Postal Service could improve management of its PO Box revenue. At the sites we visited personnel did not always:

- Perform daily PO Box rent receipt reconciliation between financial and management systems.

- Perform manual procedures to prevent access to PO Boxes or timely stop delivery and return all mail to senders for customers who have not paid their PO Box rent.
- Identify all discrepancies in the PO Box annual audit review report. In addition, they could not locate a copy of the latest annual audit report.

These issues occurred because controls did not exist to ensure performance of these manual procedures and to complete the PO Box annual audit review. We believe these issues extend to all facilities that rent PO Boxes and, thus, believe any corrective actions should be taken nationwide. Controls could improve operations and decrease the risk that PO Boxes remain open without payment.

We did not find sufficient evidence to support the allegation of uncollected PO Box rent.

What the OIG Recommended

We recommended management develop and implement controls to ensure personnel complete reconciliations between financial and management systems. We also recommended management establish controls to ensure personnel complete manual PO Box billing procedures and correctly complete the PO Box annual audit review.

Transmittal Letter

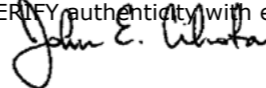


OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

February 23, 2016

MEMORANDUM FOR: RICHARD B. ROSOFF
ACTING VICE PRESIDENT, CONTROLLER

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

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop


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

SUBJECT: Audit Report – Management of Post Office Box Service
(Report Number FT-AR-16-004)

This report presents the results of our audit of Management of Post Office Box Service (Project Number 15BG020FT000).

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 and Audit Response Management

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Findings

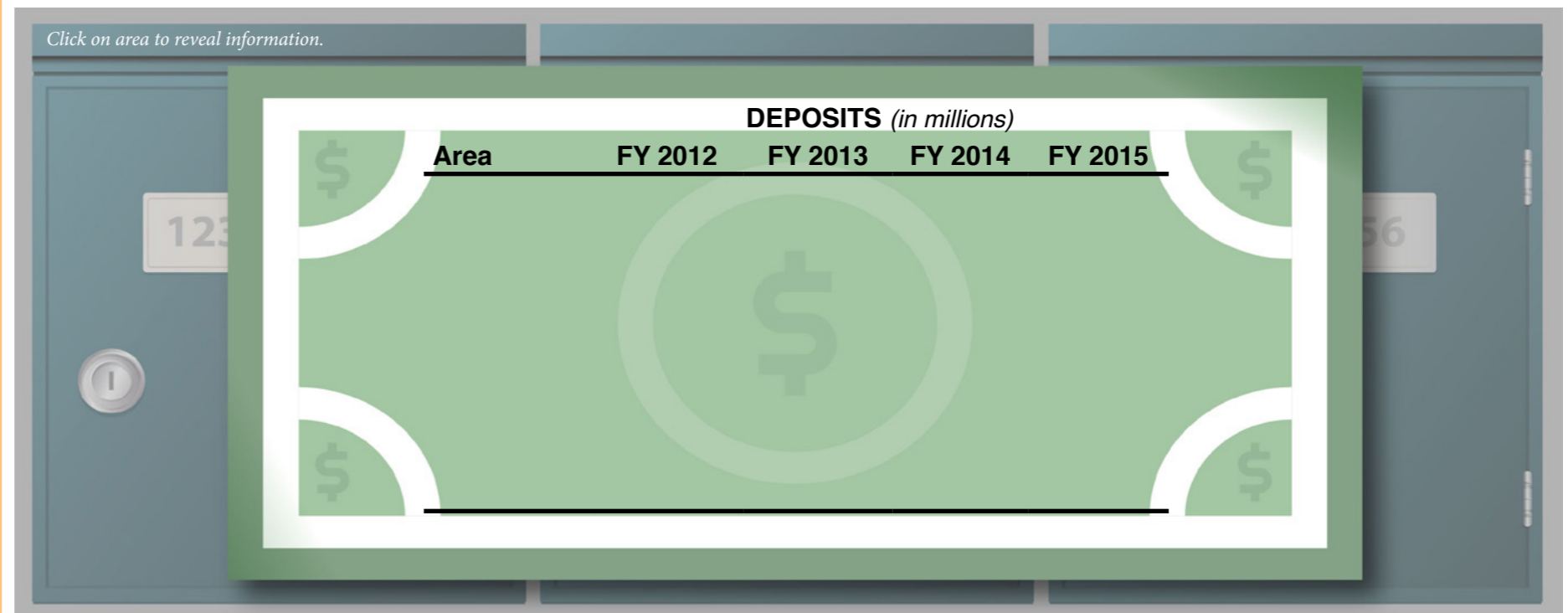
PO Box Service is a premium service the Postal Service offers to customers at over 31,000 post offices and contract postal units.

Introduction

This report presents the results of our audit of the U.S. Postal Service's management of Post Office Box™ (PO Box) Service (Project Number 15BG020FT000). The objective of our audit was to assess the management of PO Box rent revenue. This audit was self-initiated based on an allegation that a New Jersey Post Office has not collected PO Box rents since February 2013. See [Appendix A](#) for additional information about this audit.

PO Box Service is a premium service the Postal Service offers to customers at over 31,000 post offices and contract postal units¹ for 3, 6, or 12 months.² Customers prepay PO Box rent for the entire service period and can renew beginning 30 days before the period ends. Boxes come in five sizes and availability and rental rates vary by facility. In fiscal year (FY) 2015, the Postal Service collected ██████████ in PO Box rent. Customers can make PO Box rent payments in person at post offices, by mail, online, or at self-service kiosks. Over the past 3 years, PO Box rent payments have increased, as shown in Figure 1.

Figure 1. Customer Post Office Box Rent Payments



Source: Enterprise Data Warehouse (EDW).³

The Postal Service deployed the Web Box Activity Tracking System (WebBATS) application in the fall of 2003 to manage PO Box Service. WebBATS provides information to reconcile daily PO Box receipts at post offices and perform PO Box billing, and complete the PO Box annual audit review⁴ (annual audit) revenue protection steps.

- ¹ Subordinate units in the service area of a main Post Office. They are operated by a contractor who accepts mail from the public, sells postage and supplies, and provides selected Special Services.
- ² Customers may qualify for Group E (free) PO Box Service if their physical address is within the geographic delivery ZIP Code boundaries administered by a Post Office, the address constitutes a potential carrier delivery point of service, and the Postal Service does not provide carrier delivery to a mail receptacle at or near a physical address.
- ³ The Postal Service's repository for managing all of its data assets. It provides a wide variety of users with a single source of accurate data that can be manipulated in a variety of ways for deeper analysis.
- ⁴ Annual audits ensure compliance with policies and payment of PO Box rent, and confirm PO Box inventory.

Controls could improve operations, and decrease the risk that PO Boxes remain open without payment.

Management acknowledged they use WebBATS to make business decisions and to manage PO Box service. When personnel do not perform reconciliations, discrepancies may go unidentified and WebBATS reports may be inaccurate.

Summary

The Postal Service could improve management of its PO Box revenue. Specifically, at the sites we visited personnel did not always:

- Perform daily PO Box rent receipts reconciliation of financial and management systems.
- Perform manual procedures to prevent access to PO Boxes or promptly stop delivery and return mail to senders when customers have not paid their PO Box rent.
- Include all discrepancies in the PO Box annual audit review report. In addition, they could not locate a copy of the latest annual audit review report.

These issues occurred because controls did not exist to ensure personnel performed manual procedures and completed the PO Box annual audit review. Controls could improve operations, and decrease the risk that PO Boxes remain open without payment.

We believe these issues extend to all facilities that rent PO Boxes and, thus, believe any corrective actions should be taken nationwide.

We conducted interviews and reviewed PO Box renewal payments at the [REDACTED] NJ, Post Office in response to the allegation received. We did not find sufficient evidence to support the allegation of uncollected PO Box rent.

Daily Post Office Box Receipts Reconciliation

Post Office personnel did not always perform the required daily PO Box receipt reconciliation of Postal Service (PS) Form 1412, Daily Financial Report,⁵ to the WebBATS *Receipt by Date Report*.⁶ Postal Service policy⁷ requires closeout personnel at sites using Retail Systems Software (RSS) and Point-of-Service ONE (POS ONE)⁸ to perform the daily reconciliation. Supervisors then adjust WebBATS for identified discrepancies. However, neither closeout personnel nor supervisors at the sites we visited were aware of this requirement. Management acknowledged there is no specific control in place to ensure personnel complete the daily reconciliation.

Although WebBATS does not impact the general ledger, management acknowledged they use WebBATS to make business decisions and to manage PO Box service. When personnel do not perform reconciliations, discrepancies may go unidentified and WebBATS reports may be inaccurate.

The Postal Service is developing an automated process to generate an exception report of PO Box payment differences between PS Forms 1412 and WebBATS. It anticipates the automation will show differences at the transaction level and allow management to issue corrective entries. The Postal Service expects to fully implement the automated process in April 2016; however, at this time management still believes, and we agree, that they need to complete daily PO Box receipts reconciliation.

⁵ Post offices electronically report their financial activity, which includes the PO Box rent payments, on PS Form 1412.

⁶ This report includes a list of PO Box rent payments by date, PO Box number, and Account Identifier Code (AIC). The AIC is a three-digit code that assigns PS Form 1412 financial transactions to the proper account in the general ledger.

⁷ Handbook F-101, *Field Accounting Procedures*, Section 6-6.4.2, dated August 2015.

⁸ POS ONE captures retail business transactions as they take place at the retail unit. The Postal Service is currently replacing its existing retail POS software with RSS. As of October 2015, the Postal Service has implemented RSS at 11,331 retail sites. It plans to complete the national deployment by May 2016. RSS and POS ONE accounted for about 80 percent of the FY 2015 PO Box deposits.

WebBATS does not provide confirmation that the report has been printed or the procedures are completed. Therefore, management does not have an effective oversight tool, which increases the risk PO Box rent will not be paid.

Post Office Box Billing Procedures

Personnel did not always perform manual PO Box billing procedures to prevent access to PO Boxes or to return mail timely when customers have not paid their PO Box rent to renew the service. Postal Service policy⁹ requires personnel to:

- Prevent access to PO Boxes for customers who have not paid their PO Box rent by the first business day of the month after the due date.
- Stop delivery to the PO Box and return all mail to sender for customers who have not paid their PO Box rent by the 11th of the month after the due date.

While personnel at the [REDACTED] MN, Post Office performed these procedures correctly, personnel at the [REDACTED] NJ, Post Office did not prevent access to delinquent PO Boxes on the first business day of the month after the rent is due. Instead the PO Box clerk left the PO Box open and mail was available to the customer until the 11th of the month. In addition, the [REDACTED] Post Office did not return all mail to sender on the 11th and the PO Box clerk held the customer's mail for an additional month. On-site management was unaware of these deviations from procedure.

Clerks did not always follow manual procedures because there are no controls over the process and management did not monitor to ensure these procedures were performed. Personnel can generate the WebBATS *Delinquent Payment Report* that provides information to manually complete these procedures; however, WebBATS does not provide confirmation that the report has been printed or the procedures are completed. Therefore, management does not have an effective oversight tool, which increases the risk PO Box rent will not be paid.

Post Office Box Annual Audit Review

While personnel at both the [REDACTED] MN and [REDACTED] NJ post offices performed PO Box annual audit reviews, the annual audit reports did not include existing discrepancies and on-site management could not locate copies of the latest annual audit review report. In addition, we compared the WebBATS *Box Inventory Report* payment status to each physical box at the [REDACTED] NJ, Post Office.¹⁰ Specifically:

- Our review of PO Box status at the [REDACTED] NJ, Post Office disclosed that:
 - Five PO Boxes were physically open and receiving mail but listed as available for rent in WebBATS:
 - For four PO Boxes, customers had not paid the rent due on April 30, 2011, April 30 and June 30 2013, and November 30, 2014. On-site management did not report the discrepancies in the FY 2013 through FY 2015 annual audits.
 - For one PO Box, a customer had not paid the rent due July 31, 2015. However, this occurred after the FY 2015 annual audit was completed on April 6, 2015.

⁹ *Postal Operations Manual* (Issue 9), Section 841.22, July 2002, updated with changes through October 15, 2015.

¹⁰ We did not confirm PO Box status at the [REDACTED] MN, Post Office.

Controls do not exist to ensure these annual audit review procedures are completed or that higher level management reviews the reports to ensure corrective action is completed.

- Three different PO Boxes were physically blocked and not receiving mail but recorded as paid in WebBATS. Customers had paid the rent on these PO Boxes — two paid through December 31, 2015, and one paid through January 31, 2016. On-site management did not report the discrepancies in the FY 2015 annual audit.
- On-site management could not provide copies of past annual audit reports.¹¹
- The annual audit reported that daily PO Box receipt reconciliations were performed; however, on-site management acknowledged the reconciliations were not performed. See [Daily PO Box Receipts Reconciliation](#) for more information.

Every year by July 1, Customer Services Operations and Retail policy requires on-site management must complete the annual audit and may use the PO Box clerk to assist with this process. On-site management is required to:

- Validate the status of PO Boxes by comparing the WebBATS *Box Inventory Report* of the payment status of each PO Box to each physical PO Box. Non-payment for service is indicated when a PO Box is actually open and receiving mail but listed as closed or available in WebBATS.
- Include all discrepancies in the annual audit and take corrective action.
- Confirm a copy of the prior year's annual audit is on file.
- Confirm the PO Box daily receipt reconciliation is performed.
- Certify that the annual audit is complete, file the report locally, and send a copy to the district coordinator.

However, controls do not exist to ensure these annual audit review procedures are completed or that higher level management reviews the reports to ensure corrective action is completed. We discussed the eight PO Box discrepancies with on-site management, who took corrective action.

¹¹ We obtained the reports from the Postal Service's internal website.

Recommendations

We recommend management develop and implement controls to ensure personnel complete reconciliations between financial and management systems, establish controls to ensure personnel complete manual PO Box billing procedures, and correctly complete the PO Box annual audit review.

We recommend the vice president, Retail and Customer Service Operations, coordinate with the acting vice president, Controller, to:

1. Develop and implement controls to ensure personnel complete the daily Post Office box receipt reconciliation between Postal Service Form 1412, Daily Financial Report, and the Web Box Activity Tracking System *Receipts by Date Report*.
2. Develop and implement controls to ensure manual Post Office box billing procedures are completed.
3. Develop and implement controls to ensure the *Post Office Box Annual Audit Review* is completed properly and reviewed by higher level management.

Management's Comments

Management agreed with the findings and recommendations. Regarding recommendation 1, management will provide additional guidance to post offices for performing the daily PO Box receipts reconciliation. They also developed a new reconciliation report, leveraging existing functionality, that will compare the daily PO Box data from WebBATS to the daily receipts totals and provide the ability to identify post offices out of balance. These changes will be implemented by June 30, 2016.

Regarding recommendation 2, management will develop a *Printed Billings Labels Report* from WebBATS, add management certification, and develop a hierarchy and alert system for non compliance by December 31, 2016. In the interim, management will disseminate the PO Box billing process to appropriate personnel and circulate information through various communication channels by March 31, 2016.

Regarding recommendation 3, management will ensure only managers can initiate the PO Box annual audit and will add additional certification from the next higher level of supervision. They will create a new role in eAccess¹² to prevent sales and service associates from initiating an audit, and a core team will review and possibly revise the existing audit report. Management will implement these changes by December 31, 2016. In the interim, management will disseminate the audit process to appropriate personnel and circulate information through various communication channels by March 31, 2016.

See [Appendix B](#) 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.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All 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.

¹² eAccess is used for requesting and approving access for Postal Service applications and other information technology infrastructure access in the Postal Service.

Appendices

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to the right to navigate
to the section content.*

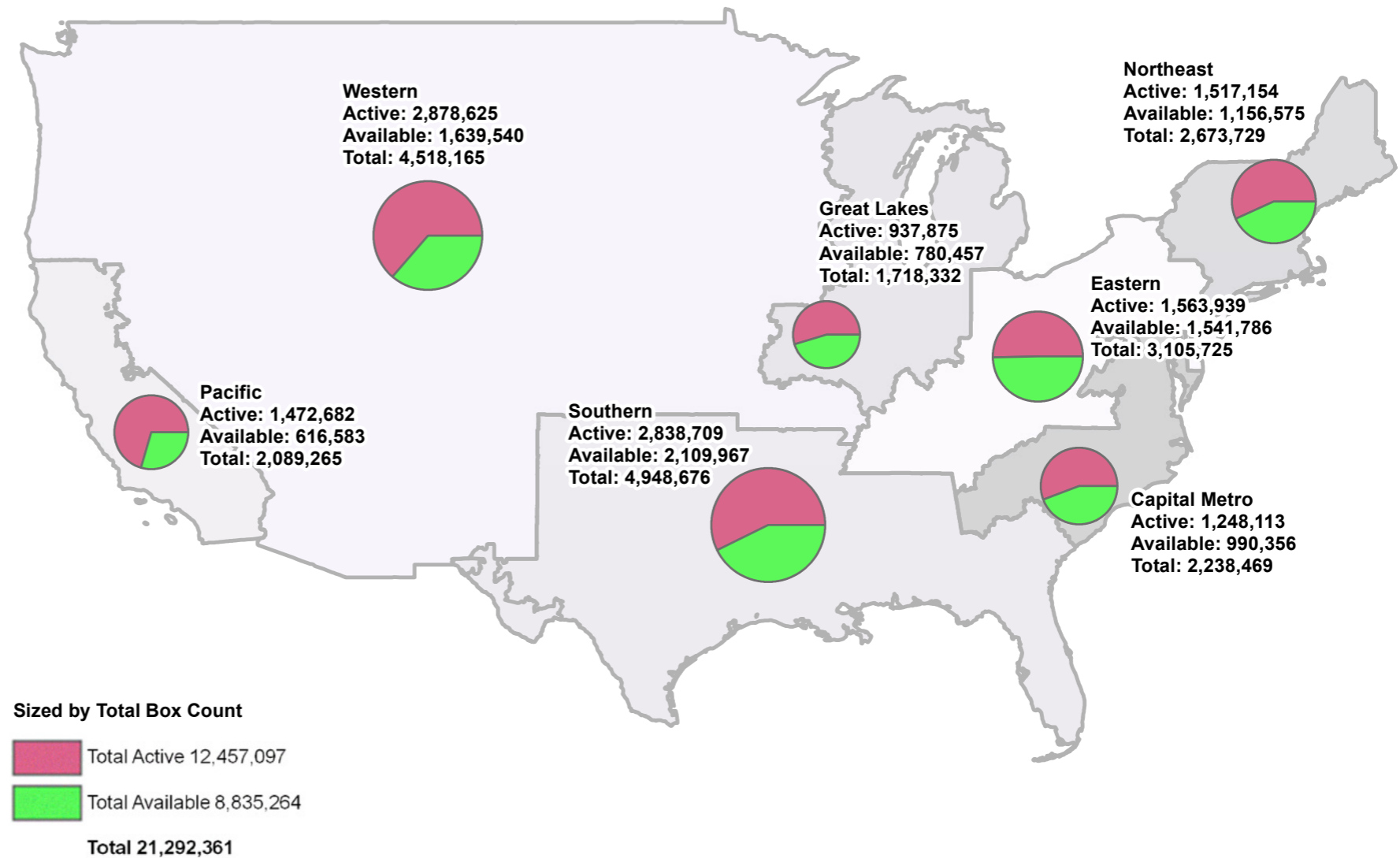
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Appendix A: Additional Information

Background

PO Box Service is a premium service the Postal Service offers its customers. The service consists of mail delivery provided only through receptacles the Postal Service or its agents own or operate. In FY 2015, the Postal Service collected [REDACTED] in PO Box rent. Nationwide, the Postal Service manages over 21 million PO Boxes at over 31,000 post offices and contract postal units. As of September 30, 2015, the inventory of PO Boxes is distributed among the seven Postal Service areas, as shown in Figure 1.

Figure 1. Post Office Box Inventory as of September 30, 2015



Source: WebBATS Monthly Summary Report.

The Postal Service assigns PO Box rental fee groups based upon the 5-digit zip code and the PO Box size. There are five PO Box sizes and availability varies by facility. A customer rents a PO Box by prepaying the entire rent for 3, 6, or 12 months and can renew at the end of the service period. Service periods begin on the first of the month. Rent renewal notices, reminders, and emails are provided during the last 30 days of the service period.

Customers may renew their PO Box by paying rent at any time beginning in the last 30 days of their service period. PO Boxes are blocked to prevent mail pick up on the first day of the month rent is not paid. After a 10-day grace period, the Postal Service closes PO Boxes for unpaid rent and returns all mail to senders.

The Postal Service deployed WebBATS in the fall of 2003 to manage PO Box Service. When the Postal Service transitioned to WebBATS to track rent receipts, responsibility for collecting and accounting for each Post Office's PO Box revenue remained with the postmasters or station managers.

Objective, Scope, and Methodology

Our objective was to assess the management of PO Box rent revenue. We reviewed Postal Service PO Box rent policies and controls in place during FY 2015 at two post offices. To achieve our objective we:

- Interviewed Postal Service personnel.
- Conducted walk-throughs of PO Box processes at the [REDACTED] MN, and [REDACTED] NJ, post offices.
- Reviewed annual audit reports.
- Reviewed PO Box inventory data from WebBATS.
- Compared PO Box receipts per WebBATS to receipts per store revenue reports from the EDW.
- Compared the actual PO Box status to the status recorded in WebBATS at the [REDACTED] NJ, Post Office.

We conducted this performance audit from August 2015 through February 2016, 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 January 21, 2016, and included their comments where appropriate.

We assessed the reliability of PO Box reported revenue at two post offices by accessing general ledger revenue by day at the finance number level and the revenue reported in the WebBATS Daily Receipts for FYs 2013 and 2014. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

| Report Title | Report Number | Final Report Date | Monetary Impact |
|--|------------------------------|-------------------|-----------------|
| <i>Postal Service Management of Closed Post Office Boxes</i> | DP-AR-13-007 | 6/18/2013 | \$5,322,026 |

Report Results: The Postal Service's EDW PO Box management reports did not evaluate units and identify potential PO Box risks. In addition, the Postal Service did not have a process to require management to review national PO Box reports periodically to identify potential PO Box risks. Additionally, we visited 26 sites to conduct reviews of closed PO Boxes requiring lock changes and found the Postal Service did not block access to or was delivering mail to 27 percent of the boxes reviewed. Management disagreed with the reported findings and recommendations.

Appendix B: Management's Comments



February 12, 2016

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management of Post Office Box Service (Report Number FT-AR-16-
DRAFT)

We welcome the opportunity to review and comment on the subject draft audit report. In general, we agree with the findings and recommendations within this report. The U.S. Postal Service has a desire to grow Post Office Box revenue and excel in the service we provide to our customers.

OIG Recommendations

We recommend the Vice President, Retail and Customer Service Operations coordinate with the Acting Vice President, Controller, to:

Recommendation 1:

Develop and implement controls to ensure personnel complete the daily Post Office box receipt reconciliation between Postal Service Form 1412, Daily Financial Report, and the Web Box Activity Tracking System Receipts by Date Report.

Management agrees as described within this recommendation's response.

Management will provide additional guidance to Post Offices as to the importance of performing the daily Post Office box receipt reconciliation. A Retail Digest article and Service management alert highlighting the current reconciliation steps and requirements will be sent to all Post Offices.

In addition, the Postal Service developed a new reconciliation report. This new PO Box reconciliation will leverage existing functionality within e1412 and RSS/POS technologies by comparing the daily submission of PO Box Data from WebBATS to the PS 3544 daily receipts totals. This reconciliation will significantly strengthen the existing controls and will allow Saint Louis Accounting Service Center the ability to identify offices out of balance.

Recommendation 2:

Develop and implement controls to ensure manual Post Office box billing procedures are completed.

Management agrees as described within this recommendation's response.

As a technical solution, management agrees to develop a Printed Billing Labels Report from WebBATS and add management certification to the report. Also, management will develop a hierarchy and alert system for non-compliance.

Implementation Date: December 2016

Responsible Manager: Manager, Retail Operations

In the interim, management agrees to disseminate the billing process to Area Marketing Managers (AMM), Manager Delivery Program Support (MDPS), and Area WebBATS Coordinators (AWC). In addition, the following methods of communication will be utilized to circulate information regarding the box labels:

- Retail Digest
- POS/RSS messaging
- WebBATS Newspaper

Implementation Date: March 2016

Responsible Manager: Manager, Retail Operations

Recommendation 3:

Develop and implement controls to ensure the Post Office Box Annual Audit Review is completed properly and reviewed by higher level management.

Management agrees as described within this recommendation's response.

As a technical solution, management agrees to ensure only managers can initiate audit. Management also agrees to add additional certification from the next higher level of supervision. There will also be a new role created in eAccess that will prevent SSA's from initiating audit. A core team from Retail Operations will review and possibly revise the existing audit report that will be pushed to the AWC.

Implementation Date: December 2016

Responsible Manager: Manager, Retail Operations

In the interim, management agrees to disseminate the Audit process to the AMM, MDPS, and the AWC. In addition, the following methods of communication will be utilized to circulate information regarding the box labels:

- Retail Digest
- POS/RSS messaging
- WebBATS Newspaper

Implementation Date: March 2016

Responsible Manager: Manager, Retail Operations



Richard B. Rosoff
Acting Vice President,
Controller



Kelly M. Sigmon
Vice President
Retail and Customer Service Operations

cc: Manager, Corporate Audit Response Management



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