

Office of Inspector General | United States Postal Service

## Audit Report

# Payments to Contract Postal Unit and Village Post Office Suppliers

Report Number 20-157-R21 | February 19, 2021



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# Highlights

## Objective

Our objective was to determine if the U.S. Postal Service timely terminated payments to Contract Postal Unit (CPU) and Village Post Office (VPO) suppliers when services were no longer provided.

The Postal Service fulfills its universal service obligation partly through its Alternate Access Channels programs, which offer postal products and convenient mail services where customers live, work, and shop. These programs include CPUs and VPOs. All CPUs and VPOs provide Postal services as required by contract with the Postal Service in a supplier-owned or supplier-leased facility.

CPUs are facilities that suppliers operate under contract with the Postal Service. CPU contract compensation types include:

- Firm-Fixed Price: The Postal Service pays the supplier a set amount monthly.
- Performance-Based: The Postal Service pays the supplier an agreed upon percentage of sales.

Regular CPUs generally operate as an extension of the Post Office, offering similar products and services. Community Post Offices (CPO) operate the same as a regular CPU, except they are located in rural communities where independent post offices have been discontinued and are usually compensated through firm-fixed price contracts.

VPOs are community businesses that partner with the Postal Service to sell stamps and offer prepaid packaging materials. They are compensated through firm-fixed price contracts.

All CPU and VPO contracts are established for an indefinite period until terminated. Contracts can be terminated upon a time-specific notice from either the supplier or the Postal Service based on the termination clause. The host administrative office is responsible for managing and overseeing CPUs and VPOs, but both are ultimately the responsibility of the district manager.

The Postal Service does not require CPU or VPO suppliers to submit invoices. Invoices are generated from a web-based system that captures data from retailer

and supplier locations and are automatically sent for payment. This process increases the risk that the Postal Service could pay suppliers who stopped providing services.

The Postal Service paid CPU, CPO, and VPO suppliers \$194,826,151 from fiscal year (FY) 2017 through FY 2019. We identified 1,082 payments totaling \$785,304 during that time frame to 766 regular CPUs, CPOs, and VPOs after the prescribed contract termination dates. We determined 369 of the payments totaling \$423,536 for performance-based contracts were valid based on the percentage of prior month's revenue or outstanding payments for actual services rendered prior to the effective date of the termination. Therefore, we excluded them from further analysis. We reviewed the remaining 713 payments for firm-fixed price contracts totaling \$361,768.

## Findings

Payments to CPU and VPO contract suppliers were not always terminated timely when services were no longer provided. We identified 173 overpayments totaling \$67,311 to 57 suppliers with firm-fixed price contracts. Of the 57 suppliers, overpayments were made to eight regular CPUs, six CPOs, and 43 VPOs. Specifically, we found that host administrative office representatives were not always aware that VPOs stopped providing services; therefore, the representatives did not notify district personnel to initiate the termination process in a timely manner and automatic payments continued. We found that 25 of the 43 overpaid VPOs had discontinued services but their contracts were not terminated until five to 13 months later. Further, responsible district, area, and headquarters personnel did not always initiate or complete CPU or VPO termination procedures timely. We reviewed termination notification forms for 30 of the 57 suppliers who were overpaid and found 34 instances where responsible personnel either did not initiate termination procedures or did not sign termination documentation timely.

These issues occurred because host administrative office and district personnel performing CPU and VPO functions did not always carry out their duties or maintain required contract documentation. In addition, postmasters stated they were unaware of the resources available to them, such as online operational

guides and web-based system reporting tools. Further, the manual process of obtaining signatures and routing the termination notification forms to and from different levels of approval compounded the delays.

We also found host administrative offices and district personnel did not always pursue collection of supplier overpayments. Of the 30 districts where overpayments occurred, we identified only two that collected overpayments in full and one that collected a partial overpayment. This occurred because the Postal Service did not have policies and procedures to collect overpayments on terminated contracts. Collection of supplier overpayments was at the district's discretion. Additionally, host administrative offices and district officials were unclear about their responsibilities and did not know how to manage overpayments.

We confirmed that as of August 6, 2020, the Postal Service recovered only \$5,790 of the \$67,311 in overpayments.

## Recommendations

We recommended management:

- Reiterate CPU and VPO program requirements to host administrative office and district personnel and certify that they are aware of their responsibilities and available tools to manage CPU and VPO operations.
- Streamline contract termination procedures by implementing systems enhancements, such as automating approval signatures and generating system or email notifications to next approvers.
- Recover \$61,521 in overpayments identified in this report.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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February 19, 2021

**MEMORANDUM FOR:** ANGELA CURTIS  
VICE PRESIDENT, RETAIL & POST OFFICE OPERATIONS

A handwritten signature in black ink, reading "M. S. Schoenberg", with a horizontal line extending to the right.

**FROM:** Mitchell S. Schoenberg  
Deputy Assistant Inspector General for Finance & Pricing

**SUBJECT:** Audit Report – Payments to Contract Postal Unit and Village  
Post Office Suppliers (Report Number 20-157-R21)

This report presents the results of our audit of the U.S. Postal Service's Payments to Contract Postal Units.

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: Postmaster General  
Corporate Audit Response Management

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service's payments to contract postal units (CPU) (Project Number 20-157). Our objective was to determine if the U.S. Postal Service timely terminated payments to CPU and Village Post Office (VPO) contract suppliers when services were no longer provided. See [Appendix A](#) for additional information about this audit.

## Background

The Postal Service fulfills its universal service obligation partly through its Alternate Access Channels programs, which offer postal products and convenient mail services where customers live, work, and shop. These programs include CPUs and VPOs.

CPUs are facilities operated by suppliers under contract with the Postal Service. CPU contract compensation types include:

- Firm-Fixed Price: The Postal Service pays the supplier a set amount monthly, regardless of their revenue.
- Performance-Based: The Postal Service pays the supplier an agreed upon percentage of the sales.

Surety bonds<sup>1</sup> are required for firm-fixed price suppliers who must report daily sales via PS Form 1412, Daily Financial Report.<sup>2</sup> These CPUs receive all postage and stamps 'on consignment'<sup>3</sup> and are held accountable for postage on hand. In lieu of a surety bond, an irrevocable letter of credit or a cashier's check on deposit to the Postal Service is acceptable.

There are five different types of CPUs:

1. Community Post Offices (CPO) provide postal services in rural communities where independent post offices have been discontinued. They usually bear



the community's name and ZIP Code. CPOs are stand-alone facilities (not located in a supplier's business) and are usually paid under firm-fixed price contracts.

2. Public Service CPUs provide postal services for community convenience or business reasons. Their contracts are usually firm-fixed price and may not exceed \$100 annually.
3. Seasonal CPUs provide postal services where seasons dictate the need for a CPU, such as ski resorts open only during winter or areas open only during summer in a warm weather area. These CPUs are paid automatically during the open season under a firm-fixed price contract.

<sup>1</sup> A surety or insurance company serves as a co-signor and will be legally liable to the Postal Service for the supplier's debt or failure to satisfy a contractual obligation.

<sup>2</sup> Provides a running record of receipt controls of all retail and philatelic sales, money order transactions, stamp accountability, and cash retained.

<sup>3</sup> The seller only pays for what is sold and may return what is unsold to the vendor.

4. Temporary (Emergency) CPUs provide postal services when a previous contract is terminated on short notice and the lack of a CPU creates a hardship on the community. Contracts may not exceed six months and are paid under a firm-fixed price contract.
5. Regular CPUs are performance-based or firm-fixed price contracts that are not classified as one of the other four types of CPUs.

VPOs, introduced in July 2011, are another type of Alternate Access Channel. The Postal Service partners with community businesses such as banks or gas and convenience stores under firm-fixed price contracts to sell stamps and offer prepaid packaging materials. The suppliers purchase their own stamps, do not submit daily PS Forms 1412, and do not need to provide surety bonds.

All regular CPU, CPO, and VPO contracts are established for an indefinite period until terminated. CPU suppliers may terminate their contracts with the Postal Service with 60 to 120 days written notice, as specified in the contract termination clause. VPO suppliers may terminate with 30 days written notice. The Postal Service may terminate with a day's written notice, if the termination is in its best interest. The host administrative office is responsible for managing and overseeing the CPUs and VPOs. The host administrative office representative is normally the postmaster of an office near the CPU or VPO, but CPUs and VPOs are ultimately the responsibility of the district manager.

## Finding Summary

Payments to CPU and VPO contract suppliers were not always terminated timely when services were no longer provided. We analyzed Contract Postal Unit Technology<sup>4</sup> (CPUT) data from fiscal year (FY) 2017 through FY 2019 and identified 173 overpayments totaling \$67,311 to 57 suppliers with firm-fixed price contracts. Of the 57 suppliers, overpayments were made to eight regular CPUs, six CPOs, and 43 VPOs.

The Postal Service does not require suppliers to submit invoices but instead relies on CPUT to generate invoices based on the compensation agreed upon in the supplier's CPU contract. Since CPUT automatically generates monthly invoices for the firm-fixed price contracts and sends them for payment, there is a risk that the Postal Service could pay suppliers that stopped providing services.

## Finding #1: Firm-Fixed Price Contract Payments

We reviewed 57 suppliers with firm-fixed price contracts that were paid after the prescribed contract termination date from FY 2017 through FY 2019 and found that:

- Host administrative office representatives were not always aware that VPOs stopped providing services; therefore, the representatives did not notify district personnel to initiate the termination process in a timely manner and automatic payments continued. We found 25 of the 43 overpaid VPOs had discontinued services but their contracts were not terminated until five to 13 months later.
- Responsible district, area, and headquarters personnel did not always initiate or complete CPU and VPO termination procedures timely. We reviewed termination notification forms for 30 of the 57 suppliers who were overpaid and found 34 instances where responsible personnel either did not initiate termination procedures or did not sign termination documentation timely.<sup>5</sup>

As a result, the Postal Service issued 173 overpayments totaling \$67,311 to 57 suppliers with firm-fixed price contracts. To date, the Postal Service has recovered \$5,790 of these overpayments (9 percent) prior to our audit. We consider the remaining \$61,521 as questioned costs.<sup>6</sup>

## VPO Oversight

Host administrative office representatives were not always aware that VPOs stopped providing services; therefore, the representatives did not notify district personnel to initiate the termination process in a timely manner and automatic payments continued. We found 25 of 43 overpaid VPOs had discontinued

<sup>4</sup> A web-based application that calculates the correct supplier payment each month. The payment reflects the agreed upon amount in the supplier's contract.

<sup>5</sup> In some instances, initiation or approval of a termination form was delayed more than once.

<sup>6</sup> Questioned costs are unnecessary, unreasonable, or an alleged violation of law, regulation, or contract. May be recoverable or unrecoverable. Usually a result of historical events.

services through abandonment or without notice,<sup>7</sup> but their contracts were not terminated until five to 13 months later. These included:

- A VPO closed on January 18, 2018, due to a fire and never re-opened. The postmaster was unaware of this situation and monthly payments of \$75 continued for 13 months.
- A VPO closed on February 24, 2019, for renovations but never re-opened. The postmaster stated that the supplier kept saying he was going to re-open but never did. Monthly payments of \$117 continued for five months.
- A VPO closed on January 2, 2018, because the supplier sold the business. The postmaster stated that he did not know they had sold the business until the new supplier contacted him. Monthly payments of \$100 continued for five months.

We did not speak with host administrative office and district officials responsible for the 43 VPOs in our sample because they had retired or had been re-assigned. However, we spoke to host administrative office and district personnel from 15 districts where overpayments occurred. We determined host administrative office and district personnel primarily relied on on-the-job training for performing the VPO functions and did not always complete available training:

- Six host administrative office representatives we interviewed stated that they relied on reading materials.<sup>8</sup>
- Only two stated that they recently completed CPU training on HERO.<sup>9</sup>

A postmaster and an area marketing manager stated that when the VPO program was implemented, the focus was to open VPOs, but training was not provided on how to manage them. Additionally, a contracting officer stated that district personnel were unaware of resources available to them, such as CPUT and

reporting tools, that can help manage the VPOs. Postal Service policy does not require specific training for personnel with VPO responsibilities.

This also occurred because host administrative office representatives did not always maintain required documentation for CPUs and VPOs. Only two of 15 postmasters interviewed maintained required documentation to support efficient and effective monitoring. Postal Service policy states that the first responsibility of the host administrative office is to create an official contract administration file. All documentation related to the CPU and VPO will be maintained in this file. In the event of termination, the official file must be retained for six years subsequent to the termination.

VPOs are not required to report daily operations and, as a result, they warrant more attention than CPUs. Postal Service policy<sup>10</sup> states that the host administrative office is responsible for managing and overseeing postal operations at their CPUs and VPOs. It requires host administrative offices to ensure the supplier is providing the hours outlined in their contract and that the required hours adequately meet the needs of their customers. It also states that host administrative offices must ensure CPUs and VPOs are operating according to their contractual obligations and providing products and services as outlined in their contract.

Prior U.S. Postal Service Office of Inspector General (OIG) audits<sup>11</sup> identified similar oversight issues where host administrative office and district officials did not adequately monitor overall CPU operations. Management developed a CPU oversight quick reference guide and a host office responsibility reference tool.

## Termination Procedures

Responsible district, area, and headquarters personnel did not always initiate or complete CPU or VPO termination procedures timely. We reviewed termination

<sup>7</sup> These VPOs were categorized as Abandoned or Closed Without Notice in CPUT. The remaining 18 VPOs were terminated due to supplier requests, eviction, or Postal Service request.

<sup>8</sup> Such as *Host Administrative Office Guide for Managing Contract Units* (May 2018), *VPO Contract Field Step Process* (April 21, 2016), *Termination Process and Notification Form* (September 20, 2018).

<sup>9</sup> A Postal Service learning portal providing employees with continuous opportunities to self-develop.

<sup>10</sup> *Host Administrative Office Guide for Managing Contract Postal Units* (May 2018).

<sup>11</sup> *Contract Postal Unit Operations Oversight* (Report Number FT-AR-17-002, dated November 3, 2016), *Contract Postal Units* (Report Number DR AR-15-001, dated November 13, 2014), *Contract Postal Units Contract Oversight* (Report Number CA-AR-11-007, dated September 30, 2011).

notification forms for 30 of 57 suppliers that were overpaid from FY 2017 through FY 2019 and found:

- Twenty instances (67 percent) where district retail specialists initiated termination procedures from 20 to 417 days after the supplier stopped providing services.<sup>12</sup>
- Eight instances (27 percent) where area marketing managers signed the termination documents from five to 32 days after the district retail manager's signature.
- Six instances (20 percent) where the Headquarters Program Office signed the termination documents from eight to 36 days after the area marketing manager's signature.

These included:

- A VPO closed on April 1, 2016. No action was taken until the Headquarters Program Office, as part of a separate review, noticed the VPO was active in CPUT and instructed the district to take immediate action to terminate the VPO on October 26, 2016. No further action was taken until September 5, 2017, when district personnel, upon reviewing CPUT payment reports, noticed the supplier was still getting paid and requested termination. The contracting officer terminated the VPO on September 6, 2017. Monthly payments of \$167 continued during this time frame, for total overpayments of \$2,833.
- A VPO closed on June 30, 2017. The host administrative office notified the district and removed postal equipment, property, and supplies from the VPO. The district did not initiate termination procedures until July 2018. Monthly payments of \$200 continued during this time frame, for total overpayments of \$2,400.

- A CPO supplier requested termination effective July 31, 2017, and a new supplier immediately took over. The district was not aware of the change until the two suppliers came up for the CPO quarterly review. Also, the district official was not aware that both suppliers would be paid. Both suppliers continued receiving payments for two months until September 2017, for total overpayments of \$9,400.
- A VPO closed on October 6, 2018. The district initiated termination procedures timely. However, the termination notification forms were not ready for Headquarters Program Office approval until March 27, 2019. Monthly payments of \$200 continued during this time frame, for total overpayments of \$1,200.

This occurred because district retail personnel did not always understand the urgency of initiating termination notification forms as the first step to stopping automatic payments.

Further, the manual process of obtaining signatures and routing the termination notification forms to and from different levels of approval compounded the delays.<sup>13</sup>

Postal Service policy<sup>14</sup> requires that district personnel enter the termination request information in CPUT; print the CPUT-generated termination notification form; and route it to the host administrative office official, district marketing manager, and area marketing manager for signature. Finally, district personnel scan and email the termination notification form to the Headquarters Program Office<sup>15</sup> for approval. Once approved, the contracting officer terminates the contract to stop the recurring payments. For firm-fixed price contracts, contract termination must be entered into CPUT, approved by management, and effectively terminated by the contracting officer no later than the 30th day of the month to stop the next automatic payment.

<sup>12</sup> We did not find significant delays in host administrative office personnel or district retail manager signing the termination documents after the district retail specialists initiated termination procedures.

<sup>13</sup> In all cases we reviewed, the contracting officer immediately terminated the contracts after receiving the completed termination notification forms.

<sup>14</sup> CPAC BlueShare document, *Termination Procedures* (last modified on September 20, 2018).

<sup>15</sup> The Program Office - Headquarters manages and oversees the CPU, CPO, and VPO programs.

### Recommendation #1

We recommend the **Vice President, Retail & Post Office Operations**, reiterate Contract Postal Unit (CPU) and Village Post Office (VPO) program requirements to host administrative office and district personnel and certify that they are aware of their responsibilities and available tools to manage CPU and VPO operations.

### Recommendation #2

We recommend the **Vice President, Retail & Post Office Operations**, streamline contract termination procedures by implementing systems enhancements, such as automating approval signatures and generating system or email notifications to next approvers.

## Finding #2: Overpayment Recovery

Host administrative office and district personnel did not always pursue collection of supplier overpayments. Of the 30 districts where overpayments occurred, we identified only two that collected the overpayment in full and one that collected partial overpayment. Specifically:

- One district pursued collection through the supplier's surety bond and collected the overpayment in full (\$2,890 recovered).
- Another district collected in full only when the supplier requested release of their surety bond and issued a check to the Postal Service to reimburse the overpayment (\$2,400 recovered).
- A third district recovered three of five overpayments to a supplier. The Postal Service voided one check to the supplier and the postmaster held on to the other two checks because they were undeliverable (\$500 of \$833 recovered).<sup>16</sup>

This occurred because the Postal Service did not have policies and procedures in place regarding collection of terminated CPU and VPO contract overpayments. Further, collection of supplier overpayments was at the district's discretion; therefore, host administrative office and district officials were unclear about their responsibilities for handling overpayments. For example:

- A postmaster received a check from a former supplier in April 2018 for two overpayments in the amount of \$9,438. The postmaster did not deposit the check because she was not instructed on what to do with it. As of July 2020, the postmaster stated that she still had the check.
- A post office clerk at another district did not know how to proceed when a CPU supplier wanted to reimburse them for an overpayment of \$2,400. Host administrative office and district personnel stated that there are no instructions for handling overpayments; therefore, it took about four weeks for repayment to occur.

### Recommendation #3

We recommend the **Vice President, Retail & Post Office Operations**, recover \$61,521 in overpayments identified in this report.

## Management's Comments

Management agreed with the findings and recommendations but disagreed with the monetary impact associated with recommendation 3. Management stated that they have numerous well-documented oversight procedures in place, but they understand that occasions for improvement may exist and are receptive to addressing any defects identified. They also stated that they are committed to streamlining their practices, providing training, and collecting monies due to the Postal Service until program expectations have been met.

Regarding recommendation 1, management will implement a nationwide communication and training plan on CPU-CPO-VPO operations. The training plan will require area Marketing, and district Retail and Host Associate Office employees to be certified on operations CPU-CPO-VPO management. Management plans to implement this action by September 30, 2021.

Regarding recommendation 2, management stated that the CPU Program office will work with Contract Postal Access Channel and IT/Engineering to upgrade the CPUT system to incorporate an improved signature approval process and provide

<sup>16</sup> We did not receive information on the remaining two payments.

electronic signatures. Management plans to implement this action by September 30, 2021.

Regarding recommendation 3, the CPU Program will work with the Office of the Controller, Accounting Services, to collect overpayments. Further, they will escalate any outstanding invoices to the Department of the Treasury to collect remaining monies. Management plans to implement this action by May 31, 2021.

Regarding the monetary impact, management agreed that overpayments occurred, but disagreed with the amount of \$61,521, because \$3,505 worth of checks were not cashed after issuance.

See [Appendix B](#) for management's comments in their entirety.

## Evaluation of Management's Comments

We consider management's comments responsive to the recommendations in the report and corrective actions should resolve the issues identified. Regarding monetary impact, we acknowledge that some suppliers may not have cashed the checks issued to them; however, management was unaware and did not act on those transactions until we brought it to their attention. Accordingly, we continue to believe our impact assessment fairly represents the issue.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. The recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

# Appendices

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# Appendix A: Additional Information

## Scope and Methodology

The Postal Service paid CPU, CPO, and VPO suppliers \$194,826,151 from FY2017 through FY 2019, as shown in Table 1.

**Table 1. Payments to CPU, CPO, and VPO Suppliers by Fiscal Year**

Fiscal Year	Payments			Total
	CPU	CPO	VPO	
2017	\$54,408,700	\$10,484,961	\$1,310,046	\$66,203,707
2018	53,463,301	10,399,071	1,072,916	64,935,288
2019	52,475,230	10,265,269	946,657	63,687,156
<b>Total</b>	<b>\$160,347,231</b>	<b>\$31,149,301</b>	<b>\$3,329,619</b>	<b>\$194,826,151</b>

Source: Contract Postal Unit Technology (CPUT) System.

We reviewed payments made to CPUs, CPOs, and VPOs after the prescribed contract termination dates, from FY 2017 through FY 2019.

We extracted and analyzed CPUT data from FY 2017 through FY 2019 and found that the Postal Service issued 1,082 payments to 766 regular CPUs, CPOs, and VPOs after the prescribed contract termination date. The total amount associated with these payments was \$785,304, as shown in Table 2.

**Table 2. CPUs Paid After Prescribed Contract Termination Date and Corresponding Number of Payments and Dollar Amounts**

	Fiscal Year			Total
	2017	2018	2019	
Number of CPUs Paid After Prescribed Contract Termination Date	312	238	216	766
Number of Payments	452	325	305	1,082
Payment Amount	\$294,607	\$248,774	\$241,923	\$785,304

Source: OIG analysis of CPUT data.

We classified these payments according to the type of contract (see Table 3).

**Table 3. Payments by CPU Compensation Type**

CPU Compensation Type	Number of Payments	Amount
Performance-Based	369	\$423,536
Firm-Fixed Price	713	361,768
<b>Total</b>	<b>1,082</b>	<b>\$785,304</b>

Source: OIG analysis of CPUT data.

We did not identify any overpayments for performance-based contracts. Payments were based on the percentage of revenue in arrears for the month, or outstanding payments for actual services rendered prior to the effective date of the termination. Therefore, we excluded them from further analysis.

For firm-fixed price contracts, we identified 173 overpayments to 57 suppliers totaling \$67,311 as shown in Table 4.

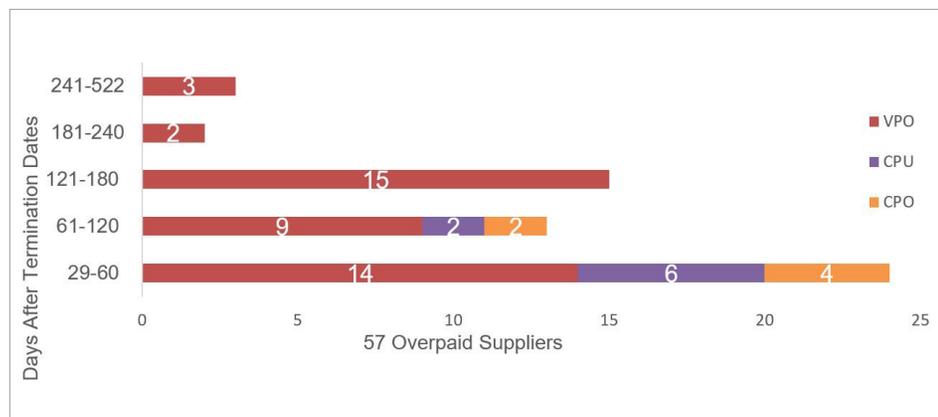
**Table 4. Overpayments to Suppliers with Firm-Fixed Price Contracts**

Contract Type	Number of Suppliers	Percentage	Number of Payments	Percentage	Amount	Percentage
VPO	43	75%	153	89%	\$21,497	32%
CPU	8	14%	11	6%	24,470	36%
CPO	6	11%	9	5%	21,344	32%
<b>Total</b>	<b>57</b>	<b>100%</b>	<b>173</b>	<b>100%</b>	<b>\$67,311</b>	<b>100%</b>

Source: OIG analysis of CPUT data.

We selected a judgmental sample of 30 out of 57 suppliers, covering all postal areas,<sup>17</sup> to determine processing timeline from initiation to completion. We found payments on firm-fixed price contracts were issued from 29 to 522 days after contract termination dates, as shown in Figure 1.

**Figure 1. Number of Days Payments Continued After Prescribed Contract Termination Date**



Source: OIG analysis of CPUT data.

We selected a judgmental sample of 27 of 30 districts where overpayments occurred to inquire about their controls and oversight of CPUs, justification for the overpayments, and recovery efforts. We did not include three districts

with one overpayment each. We also selected a judgmental sample of 15 host administrative offices based on overpayment amounts or significant delays in terminating the contracts.

To accomplish our objective, we:

- Reviewed applicable laws, regulations, policies, and procedures related to Postal Service CPUs.
- Interviewed Postal Service officials responsible for CPUs, CPOs, and VPOs at Postal Service Headquarters, Retail Operations, and the contracting officer at the Denver Category Management Center to obtain a better understanding of the business process flows, controls, and oversight over the CPU program.
- Reviewed Postal Service CPUT and Contract Authoring and Management System<sup>18</sup> systems payment and contract details.
- Interviewed host administrative office officials to determine how they handled the termination procedures.
- Obtained and reviewed supporting documentation from headquarters, district, and host administrative office personnel regarding the timeline of the termination process.

<sup>17</sup> At the time of our audit the Postal Service organization included seven areas.

<sup>18</sup> Contract Authoring and Management System is a web-based application that facilitates the solicitation, award, and administration of Postal Service contracts.

We conducted this performance audit from May 2020 through February 2021 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our 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 19, 2021, and included their comments where appropriate.

We assessed the reliability of CPUT data by tracing to source documents in Contract Authoring and Management System specific to the contract and payment terms. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Contract Postal Unit Operations Oversight</i>	Determine whether Postal Service oversight controls over CPUs and their accountable property were adequate, effective, and followed.	FT-AR-17-002	11/3/2016	None
<i>Contract Postal Units</i>	Assess CPUs' revenue performance for FY 2011 through FY 2013.	DR-AR-15-001	11/13/2014	\$2
<i>Contract Postal Units Contract Oversight</i>	Evaluate Postal Service oversight of CPU contracts; primarily oversight the CO provides in assigning and overseeing COR duties.	CA-AR-11-007	9/30/2011	\$162

# Appendix B: Management's Comments

ANGELA H. CURTIS  
VICE PRESIDENT, RETAIL AND POST OFFICE OPERATIONS  
HEADQUARTERS



February 12, 2021

JOSEPH WOLSKI  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Payments to Contract Postal Unit and Village Post Office Supplier  
(Report number 20-157-DRAFT)

Thank you for allowing Postal Management the opportunity to address the Findings related to OIG Draft Report: Payments to Contract Postal Unit and Village Post Office Supplier (Report number 20-157-DRAFT)

Management already has numerous operational procedures in place meant to provide oversight to Contract Postal Units (CPU's), Community Post Offices (CPO's) and Village Post Offices (VPO's). These processes are well documented within the CPAC Blueshare application - the main source of guidance for these Retail Partners. Management understands however, that occasions for improvement may exist and is receptive to addressing any deficits when identified.

Management is committed to streamlining its practices, providing training and collecting any monies due the Postal Service until the expectations of the Program have been met.

**Monetary Impact:**

Management does not agree with the Monetary Impact as defined in the OIG audit after identifying a discrepancy with the analysis used. It should be noted that the OIG only took into consideration those payments that were issued – and not those that were actually cashed. This resulted in the Monetary Impact being overstated at \$61,521 vs \$58,015 – a difference of \$3,505. This error was confirmed by the USPS Accounting Service Office.

**Recommendation #1:**

We recommend the Vice President, Retail & Post Office Operations, reiterate Contract Postal Unit (CPU) and Village Post Office (VPO) program requirements to host administrative office and district personnel and certify that they are aware of their responsibilities and available tools to manage CPU and VPO operations.

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WASHINGTON DC 20260

**Management Response/Action Plan:** Management Agrees

A nationwide communication and training plan on CPU-CPO-VPO operations will be developed and implemented. The training plan will require Area Marketing, District Retail and District Host Associate Office (HAO) employees to be certified on operations CPU-CPO-VPO management.

**Target Implementation Date:**

September 30, 2021.

**Responsible Official:**

Manager, Retail Operations  
Retail and Post Office Operations

**Recommendation 2:**

We recommend the Vice President, Retail & Post Office Operations, streamline contract termination procedures by implementing systems enhancements, such as automating approval signatures and generating system or email notifications to next approvers.

**Management Response/Action Plan:** Management Agrees

The CPU Program Office will work with Contract Postal Access Channel (CPAC) and IT/Engineering to develop Contract Postal Unit Technology (CPUT) system upgrades that incorporate an improved signature approval process and provides electronic signatures.

**Target Implementation Date:**

September 30, 2021.

**Responsible Official:**

Manager, Retail Operations  
Retail and Post Office Operations

**Recommendation 3:**

We recommend the Vice President, Retail & Post Office Operations, recover \$61,521 overpayments identified in this report.

**Management Response/Action Plan:** Management Agrees in Part

While Management agrees that overpayments occurred, the amount of \$61,521 reported by the OIG is incorrect. The OIG failed to take into account that not all payments to the Suppliers were cashed after issuance. This error resulted in a difference of \$3,505 from what was reported in the audit and the actual amount of \$58,015. The correct totals were confirmed by the USPS Accounting Services Office.

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The CPU program will work with the Office of Controller, Accounting Services by establishing Account Receivable invoices in an attempt to collect the overpayments. Any outstanding invoices will be escalated to the Department of the Treasury in an attempt to collect remaining monies.

**Target Implementation Date:**  
May 31, 2021.

**Responsible Official:**  
Manager, Retail Operations  
Retail and Post Office Operations

E-SIGNED by ANGELO H CURTIS  
on 2021-02-12 16:22:03 CST

Angela H. Curtis

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

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