



# HIGHLIGHTS

January 10, 2012

## Bad Check Prevention and Collection

Report Number FI-AR-12-002

### **IMPACT ON:**

Bad check operations at the Accounts Reconciliation Branch and Finance Branch in Eagan, MN, and at the National Customer Service Center in Memphis, TN.

### **WHY THE OIG DID THE AUDIT:**

Our objectives were to determine whether U.S. Postal Service policies and procedures to prevent and collect bad checks were effective and efficient and whether the process for collecting bad checks was cost effective.

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

Postal Service's policies and procedures to prevent and collect bad checks were effective and efficient. The Postal Service collected about 69 percent of bad check debt, and bad checks represented 0.14 percent of retail check payments, which was over seven times better than the industry average of 1 percent. In addition, the collection process for bad checks was cost effective, and management has decreased staffing to process and collect bad checks concurrently with bad check volume. However, there is additional opportunity to decrease bad check costs by increasing the bad check service fee to the national retail median.

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

The U.S. Postal Service Office of Inspector General (OIG) recommended the vice president, Controller, increase the bad check service fee to the national retail median of \$30.

### **WHAT MANAGEMENT SAID:**

Management agrees with the recommendation to increase the bad check fee and monetary impact of \$577,115. However, management disagrees that the fee increase will reduce costs. Instead, they view the increased fee as an offset to the cost of bad check acceptance. In addition, management does not believe the increased bad check fee will reduce the number of bad checks. The bad check fee increase will take effect by June 30, 2012.

### **AUDITORS' COMMENTS:**

The OIG considers management's comments responsive to the recommendations, and the corrective actions should resolve the issues identified in the report.