



HIGHLIGHTS

May 17, 2012

Financial Controls Over Automated Postal Centers

Report Number FI-MA-12-007

IMPACT ON:

U.S. Postal Service automated postal centers (APC) – a convenient self-service kiosk, serving as an alternative to the full-service counter – and the customers who use APC services.

WHY THE OIG DID THE AUDIT:

To validate the effectiveness and sufficiency of system verification controls, such as limiting the number of transactions per card per day, to minimize fraudulent APC credit and debit card purchases and to evaluate the effectiveness of internal controls over APC stock examinations.

WHAT THE OIG FOUND:

Controls over APC stock examinations were effective; however, opportunities exist for the Postal Service to reduce fraudulent credit and debit card purchases. Management implemented many security measures to significantly reduce the number and amount of credit card chargebacks (reversals of previously settled transactions). They could further reduce chargebacks and the cost of investigating suspicious credit card activity by implementing [REDACTED]

Management did not previously [REDACTED] because they believed the security measures in place were sufficient. However, in December 2011,

chargebacks more than tripled from the previous month, which amounted to 27 percent of all chargebacks in calendar year 2011. Because of this recent increase, vast improvements to credit card security features, rapidly growing technology, and the popularity of self-service kiosks, we believe the Postal Service should revisit AVS.

WHAT THE OIG RECOMMENDED:

We recommended management conduct and document a feasibility study and [REDACTED] as appropriate, to reduce the number and amount of credit card chargebacks and reduce costs associated with handling chargebacks.

WHAT MANAGEMENT SAID:

Management generally agreed with our recommendation. They will review the level of chargebacks at the end of fiscal year 2013 and complete a cost benefit analysis by March 2014. The analysis will include costs associated with the software that provides print-on-demand stamps at APC kiosks.

AUDITORS' COMMENT(S):

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