



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

HIGHLIGHTS

September 6, 2012

Controls Over the Check Acceptance Process

Report Number FI-MA-12-016

BACKGROUND:

U.S. Postal Service retail associates may accept a variety of checks for customer transactions when presented with valid photo identification. While paying by check is convenient for some customers, businesses that accept them take a risk of not receiving payment for goods and services. Occasionally, the account on which the check is drawn has nonsufficient funds available, resulting in a delay or loss of funds transferred to Postal Service accounts. In addition, some customers attempt to defraud the Postal Service by making purchases with fraudulent checks and counterfeit bank account numbers.

Our objective was to determine the effectiveness of controls over the check acceptance process. We reviewed the check acceptance process, returned check management procedures, and check fraud analyses and initiatives. We conducted this audit as a follow up to our prior audit on the effectiveness of Postal Service policies and procedures for collecting and preventing bad checks (*Bad Check Prevention and Collection* Report Number [FI-AR-12-002](#), dated January 10, 2012).

WHAT THE OIG FOUND:

The Postal Service has opportunities to reduce bad check acceptance and deter attempts at defrauding the Postal Service. Although the Postal Service has implemented (or is in the process of

implementing) measures such as establishing an electronic bad check list (with names of check writers), reviewing check acceptances from the previous day's activity, and investigating frequent bad check customers, we found the two primary systems for tracking checks could be enhanced to prevent or detect bad checks. In addition, Postal Service personnel provided little oversight to unit supervisors' override of system-identified bad checks. Further, contract postal units (CPU) do not receive Postal Service-developed bad check lists. As a result, over \$760,000 in bad checks accepted at CPUs nationwide identified in calendar years 2010 and 2011 remain uncollected. By implementing additional controls, the Postal Service could more effectively detect and reduce bad checks.

WHAT THE OIG RECOMMENDED:

We recommended modifying the Point-of-Sale (POS) and Returned Check Management systems and Postal Service Form 1412, Daily Financial Report, to detect bad check customers. Additionally, we recommended directing district management to instruct unit management to provide clear guidance to retail associates on the POS entry and check acceptance process, and requiring host post offices to provide the most recent bad check lists to CPUs.