



May 7, 2009

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SUBJECT: Audit Resolution, Shortpaid Postage

This memorandum summarizes the results of our December 15, 2008, meeting and subsequent efforts to resolve open significant recommendations from two U.S. Postal Service Office of Inspector General (OIG) audit reports:

1. Shortpaid Postage – Information Based Indicia (IBI) Priority Mail
(Audit Report Number MS-AR-09-001, dated October 10, 2008)
2. Shortpaid Postage – Information Based Indicia Parcel Post
(Audit Report Number MS-AR-09-002, dated October 14, 2008)

Recommendations

Recommendation 5 in each report read as follows:

We recommend the Vice Presidents for Expedited Mail, Retail Operations, and Delivery Operations coordinate with the Vice President, Network Operations Management, and the Vice Presidents, Area Operations, to require supervisors to conduct random verifications of postage paid on IBI [Priority® and Parcel Post] mail, ensure employees follow appropriate procedures to collect additional postage, and maintain a daily log for the random verifications results. Results should be consolidated at the district level to identify potential sources of abuse.

Management's Initial Response and OIG Evaluation of Management's Comments

Management disagreed, stating that the Information-Based Indicia – Revenue Protection (IBI-RP) application utilized by the Postal Inspection Service successfully identifies counterfeit/duplicate abusers, and future enhancements are being evaluated to identify shortpaid mailpieces processed on the Automated Package Processing System (APPS).

The OIG noted that management's comments were only partially responsive to the recommendation and would not fully resolve the issue identified in the report. While the IBI-RP system is currently used to identify and prosecute IBI counterfeit/duplicate abusers, it does not address shortpaid labels; the Postal Inspection Service is experimenting with IBI-RP enhancements which are not yet in place; and field-level supervisors' random sampling could be effective against both the counterfeit/duplicate and shortpaid abuse. Finally, the OIG agreed that an automated solution would be optimal; however, until such a solution is in place and working effectively, additional intervention is needed to help prevent this significant revenue leakage.

The OIG and management agree that an automated solution is preferable to manual sampling. In addition to the IBI-RP and APPS enhancements referred to in the audit report, management expects that by April 2009, APPS would have the ability to "push" information about package weights to IBI-RP. There are plans for an automated billing system that would charge customers who short pay. Management also emphasized the need for intensive workforce education, to make it easy for clerks to identify shortpaid pieces in the normal course of their duties.

The OIG noted that this solution addresses only parcels, so it would not apply to letters or flats. There are still concerns over the APPS' inability to consistently weigh packages accurately. And there is no reliable data on the extent of coverage that the limited number of available APPS machines would provide.

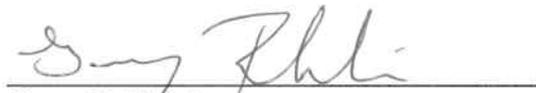
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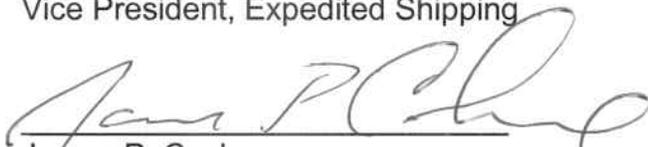
The OIG has held additional discussions with the Postal Inspection Service and management, to better understand the direction envisioned for automated solutions to shortpaid postage. Although management has not completed its planned actions, the OIG acknowledged in subsequent audit work (e.g., our recent report on IBI Stealth Postage) that management's approach is reasonable. In light of the U.S. Postal Service's present financial situation, substantial expenditures for the solutions that management envisions may be difficult to make in the immediate future. Therefore, the OIG does not intend to further pursue this issue.

Management will submit a timeline for implementing these corrective actions, as appropriate, or requests to close the recommendations if actions have already been implemented.

E-Signed by Darrell E. Benjamin, Jr. 
VERIFY authenticity with ApproveIt 

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