

July 14, 2000

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SUBJECT: Transmittal of Audit Report on the Revenue Assurance Process (Report
Number AC-AR-00-003)

This report presents the results of our audit of the Postal Service's revenue assurance process (Project Number 00PR005AC000), which was conducted in response to a congressional request. Our objectives were to determine whether the revenue assurance process treated mailers fairly, the process was meeting its objectives, and Postal Service corrective actions were responsive to mailers' concerns.

The audit disclosed that the revenue assurance process was not effective in meeting its objectives in that the Postal Service had treated mailers unfairly in the past, and that the Postal Service's corrective actions, while demonstrating a willingness to address mailers' concerns, did not fully address all of the issues raised by mailers. This report provided ten recommendations to further improve the revenue assurance process. Management agreed with eight of the ten recommendations to improve the revenue assurance process, however, two recommendations remain unresolved and will be addressed through the resolution process. Management's comments, in their entirety, are included in the Appendix of this report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions, please contact Robert L. Emmons, deputy assistant inspector general, Business Operations, at (703) 248-2430 or me at (703) 248-2300.

Ronald K. Stith
Acting Assistant Inspector General
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Attachment

cc: John J. Sadler
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EXECUTIVE SUMMARY

Introduction

In response to a congressional request, the Office of Inspector General (OIG) initiated an audit to determine the validity of mailers' concerns about the identification, adjudication and collection of revenue deficiencies. These concerns, which were expressed in a letter to the postmaster general, alleged unfair treatment, ambiguous and inconsistent information about mail preparation standards, and the lack of constructive cooperation and attention to solving problems before they occur. Additionally, government mailers were concerned about untimely and inaccurate revenue deficiency billings.

Postal Service management has taken several steps to educate employees and mailers about the revenue assurance process. During fiscal year (FY) 1999, the Office of Finance, Revenue Assurance:

- Produced a revenue assurance video.
- Cochaired Postal Service/industry team.
- Established cross-functional teams.
- Developed a website (RA.USPS.GOV).

In addition, the manager, Revenue Assurance made presentations to 22 mailers and mailing associations that represent hundreds of mailers about the revenue assurance process. Through the Mailers' Technical Advisory Committee, the Postal Service has been making an effort to address the concerns of the mailers as well as educate the mailers about postal standards and operations.

In January 2000, the Postal Service launched several initiatives to improve working relationships with its mailing partners, correct deficiencies before they occur, and ensure more consistent treatment of mailers. The Postal Service also took additional steps to address the concerns of government mailers.

To address mailer concerns and the Postal Service's response to these concerns, we determined whether (1) the revenue assurance process treated mailers fairly, (2) the process was meeting its objectives, and (3) corrective actions taken by the Postal Service adequately addressed mailers' concerns.

Results in Brief

Our audit disclosed that the Postal Service has treated mailers unfairly in the past. We found that revenue deficiency assessments were not timely, mailers did not receive advance notice of deficiencies, and deficiencies assessed were sometimes attributable to incorrect information given by business mail entry personnel at the time of mail acceptance. Further, mailers perceived that the Postal Service encouraged analysts to assess deficiencies through the use of monetary goals, and that the revenue assurance process did not provide mailers with sufficient opportunities to challenge Postal Service assessments.

Unfair treatment occurred because postal policy permitted assessments of postage deficiencies up to two years after mail acceptance, revenue assurance analysts were discouraged from contacting recipients of revenue deficiency notices, and acceptance personnel were not fully knowledgeable of overly complex rate standards. In addition, mailers were not given the opportunity to challenge deficiency assessments because discussions with the Postal Service did not occur until the revenue collection phase of the process.

The revenue assurance process did not balance revenue collection goals with preventing and correcting deficiencies. The organizational structure and financial incentives also contributed to the imbalance. Sources and trends of deficiencies could not be accurately identified and analyzed, and substantial resources were devoted to the collection of immaterial amounts of postage. Further, the Postal Service lacked a comprehensive management information system for the revenue assurance process, reliable revenue deficiency data, and thresholds for assessing deficiencies.

In January 2000, the Postal Service outlined several initiatives to resolve issues raised by mailers about the revenue assurance process. It also took additional steps to address billing concerns expressed by government mailers. While these efforts demonstrated a willingness to address mailers' concerns, they did not fully address all of the issues raised by mailers. Additionally, the Postal Service has not finalized action plans or developed guidance for implementing these initiatives.

The revenue assurance process is an important tool for protecting postal monies. However, a balanced approach that includes early identification and correction of problems would help ensure postage due the Postal Service is paid and reduce expenditures for collection activities.

**Summary of
Recommendations**

To ensure mailers are treated fairly, we recommend the chief financial officer and executive vice president, in coordination with the chief marketing officer and senior vice president and other appropriate officials, ensure that postmasters and other staff who assist mailers are properly trained in business mail preparation standards. We also recommend the period for assessing deficiencies be reduced, mailers be given the opportunity to correct mailing practices prior to the assessment of revenue deficiencies, and the Postal Service communicate that monetary goals have not been established for the revenue assurance process.

To improve the effectiveness of the revenue assurance process, we recommend the chief financial officer and executive vice president work with the vice presidents of Area Operations to establish a strategy to better balance deficiency prevention and revenue collection, develop a comprehensive management information system, and determine a threshold for pursuing deficiencies.

Finally, we recommend that in implementing its January 2000 initiatives, the Postal Service quickly develop action plans, ensure the plans address the issues identified in this report, and issue final guidance that communicates revised procedures to mailers and postal employees.

**Summary of
Management's
Comments**

Management generally agreed with our findings and recommendations. They indicated that they would, provide mail acceptance training for both new and current employees and provide mailers with a notice of problems and recommended remedies. Management also stated that they would conduct a study to determine a dollar threshold for pursuing deficiencies, and issue revised Management Instruction on revenue deficiencies by the second quarter of FY 2001.

Management disagreed with our recommendation to realign the revenue assurance reporting structure as part of an overall strategy to balance collection with prevention and collection. They believe that the various processes outlined in this report will address this issue. In addition, management disagreed with our recommendation to develop a comprehensive management information system. They stated that the Postal Service already has the following systems in place: Permit, Revenue Assurance WEB page, and the Standard Field Accounting System. Management also stated that integrating these systems would be too expensive. Management's comments, in their entirety, are included in the Appendix of this report.

Overall Evaluation of Management's Comments

Management's comments were generally responsive to our findings and recommendations. However, we disagree with management's assertion that the implementation of the various processes in this report will address the issue of balancing revenue collection with prevention. We do not believe that management has presented a strategy that balances revenue collection with prevention. Until such a strategy is established, we believe there is a significant risk that the issues identified in this report will continue. Consequently, we view the disagreement on this recommendation as unresolved.

In addition, we disagree that the Permit System, the Revenue Assurance WEB page, and the Standard Field Accounting System track and analyze revenue deficiencies effectively. Although these systems are in place, we believe they are fragmented and not used to analyze trends and identify systemic issues throughout the Postal Service. We recognize that implementing an integrated system may be expensive. However, in our opinion the revenue assurance process would be more cost effective with a system which could track causes and allow managers the ability to identify the systemic issues throughout the Postal Service. We view the disagreement on this recommendation as unresolved.

INTRODUCTION

Background

The revenue assurance process ensures the collection of postage and fees due the Postal Service for postal products and/or services rendered. Prior to the establishment of the Revenue Assurance Group in 1997, the Inspection Service performed revenue audits. Since its inception in 1997, the Postal Service's chief financial officer and executive vice president has managed the revenue assurance process, which consists of the identification, adjudication, and collection of deficiencies.

Revenue deficiencies are identified at the point of entry or after the mail has been processed and delivered, and are generally reported to either the postmaster or appropriate manager of Business Mail Entry. After a deficiency is reported, the postmaster or manager of Business Mail Entry notifies the mailer by letter of the decision to collect a revenue deficiency, in accordance with the September 1999 management instruction for Assessing and Collecting Deficiencies in Postage or Fees. A copy of the notification letter is sent to the district finance manager, who records the revenue deficiency in the general ledger and on the district revenue deficiency log.

After receiving the notice of deficiency, the mailer can either pay the deficiency or appeal it to the rates and classification service center for adjudication. In cases where deficiencies are identified by the rates and classification service center or related to a nonprofit mailing, mailers can be appealed to the manager of Mail Preparation and Standards.

If the deficiency is upheld by a rates and classification service center, the case is returned to the district finance office for collection. If a mailer does not pay the deficiency, the district finance manager may forward the information to the legal field office to seek civil action to recover the deficiency.

**Objectives, Scope
and Methodology**

The objectives of our audit were to determine whether the revenue assurance process treated mailers fairly, (2) the process was meeting its objectives, and (3) corrective actions taken by the Postal Service adequately addressed mailers' concerns.

To determine whether the revenue assurance process treated mailers fairly, we judgmentally selected and interviewed representatives of six mailing associations that represented 5030 mailers. These included the National Newspaper Association, PostalCom, the Magazine Publishers Association, and the Alliance of Nonprofit Mailers. We also judgmentally selected and interviewed six mailers and five Postal Service account representatives. To identify the concerns of government mailers, we interviewed a representative from the General Services Administration's Office of Governmentwide Policy. We compared information received from these interviews with revenue assurance procedures.

To determine if the process was meeting its objectives, we reviewed the revenue assurance mission statement and charter. We surveyed all 117 revenue assurance analysts and coordinators, and received responses from 111. We also interviewed selected managers responsible for revenue assurance, mail preparation and standards, business mail entry, and marketing technology and channel management. We requested district revenue deficiency logs¹ from all 85 districts for FY 2000 and examined all 71 logs that were provided to determine their completeness and accuracy. Finally, we reviewed case management reports from two of the five rates and classification service centers.

To determine if corrective actions taken by the Postal Service adequately addressed concerns raised by mailers, we reviewed the correspondence, provided by the congressional office that requested this review, between the mailers and the Postal Service. In addition, we attended Mailers Technical Advisory Committee and revenue assurance planning meetings. We also discussed the

Postal Service's proposed actions with the chief financial

¹ The September 1999 Management Instruction required the districts to maintain District Revenue Deficiency logs.

officer and executive vice president.

We conducted our audit between January and April 2000 in accordance with generally accepted government auditing standards, and included tests of internal controls, as were considered necessary under the circumstances.

AUDIT RESULTS

Fair Treatment of Mailers

Our review disclosed the Postal Service has treated mailers unfairly in the past. Revenue deficiency assessments were not timely, mailers did not receive advance notice of deficiencies, and deficiencies assessed were often attributable to incorrect information given by business mail entry personnel at the time of mail acceptance. Further, mailers perceived that the Postal Service encouraged analysts to assess deficiencies through the use of monetary goals, and that the revenue assurance process did not provide mailers with opportunities to challenge Postal Service assessments.

Unfair treatment occurred because postal policy permitted assessments of postage deficiencies up to two years after mail acceptance, revenue assurance analysts were discouraged from contacting recipients of revenue deficiency notices, and acceptance personnel were not fully knowledgeable of overly complex rate standards. Also, mailers were not given the opportunity to challenge deficiency assessments because discussions with the Postal Service did not occur until the revenue collection phase of the process.

Consequently, assessments of back postage were sometimes unreasonable, creating financial hardships for mailers, and did not allow mailers to address problems that caused deficiencies in a timely manner. This type of treatment undermines the Postal Service's Voice of the Customer goal to provide mailers consistent and accurate service.

Timeliness of Assessments

According to individual mailers and mailing association representatives, the Postal Service assessed postage deficiencies as much as two years after mail acceptance. For example, one mailer received a deficiency notice in 1999 for a violation that occurred in 1998. After the mailer paid the 1998 violation and believed his account was in good standing, the Postal Service issued the mailer a deficiency notice for a 1997 violation. In another example, a government mailer was assessed a two-year deficiency although the mailer had worked closely with Postal Service representatives to prepare its mail.

Untimely assessments sometimes created financial hardships for mailers, who had to negotiate a payment schedule to pay deficiencies. This was especially problematic for government mailers who received deficiency notices after obligating all prior-year funds.

Our review disclosed that untimely assessments were attributable to postal policy that allowed employees to consider the previous 24 months in assessing deficiencies. This policy emphasized detection rather than prevention, reducing the incentive to identify problems and collect revenues at the time service was rendered.

Although the Postal Service is required by government regulations to collect all monies due, it competed with other companies that did not assess deficiencies after the point of acceptance. Such a policy was perceived by mailers as unfair and costly, and could hinder the Postal Service's ability to remain competitive.

Accuracy of Postal Service Guidance

Postal personnel frequently gave mailers inaccurate or inconsistent guidance about mail preparation procedures. Four out of the six mailing association representatives interviewed indicated business mail entry personnel frequently gave inaccurate and inconsistent guidance. For example, one mailer told us two revenue deficiencies could have been avoided if an updated verification certificate had been submitted. Postal Service personnel accepted the mail without a certificate because they were not aware of the requirement that certificates be updated every 90 days. Further, one mailing association official stated his organization knew more about business mail regulations than many of the postmasters, and had provided training to several postmasters.

Postal managers and analysts we surveyed indicated that postal employees were not fully knowledgeable of business mail entry regulations. They attributed this lack of knowledge to an overly complex rate structure and the

absence of continuous training. By providing inconsistent and inaccurate information, the Postal Service assessed mailers with revenue deficiencies that could have been avoided. Not only does this impact the Postal Service's ability to develop partnerships with its mailers, but also such actions did not support the Postal Service's Voice of the Customer goal to provide consistent and accurate service.

Communication with Mailers

The Postal Service did not consistently inform mailers of revenue deficiencies prior to assessment. Interviews with mailers indicated that some were given advance notice of deficiencies, while others were not. This was confirmed through internal postal correspondence. For example, correspondence from the Great Lakes Area detailed regular contact with mailers prior to revenue deficiency assessments, while headquarters correspondence emphasized revenue assurance analysts should not contact mailers.

Inconsistent communication occurred because the Postal Service lacked a written policy on communicating with mailers prior to deficiency assessments. As a result, each area determined the type and extent of communication with mailers. Consequently, some mailers were not afforded the opportunity to correct the problem before the deficiency was assessed. Communicating with mailers prior to assessments ensures they understand and correct problems to prevent their recurrence.

Monetary Goal Perception

Mailers perceived revenue assurance analysts were encouraged and rewarded for assessing deficiencies and that the Postal Service used monetary goals to evaluate the performance of revenue assurance analysts. Revenue assurance analysts surveyed shared the perception of mailers.

The chief financial officer and executive vice president confirmed the monetary goal perception existed and explained that it was based on a meeting attended by revenue assurance analysts where a senior official discussed a revenue challenge of \$100 million dollars. However, the chief financial officer and executive vice president emphasized a monetary goal was not established or communicated to revenue assurance analysts. This

perception, if allowed to continue, could negatively impact the partnerships the Postal Service is trying to establish with its mailers.

Dispute Discussion

Mailers and mailing association representatives told us they were not given the opportunity to challenge the Postal Service's assessments of revenue deficiencies. They indicated there were often mitigating circumstances that needed to be considered in assigning responsibility for the deficiency. For example, mailers were not given the opportunity to disclaim responsibility for revenue deficiencies that were caused by incorrect advice from postal personnel assisting in mail preparation and acceptance.

Mailers were not given the opportunity to challenge deficiency assessments because discussions with the Postal Service occurred during the revenue collection phase of the process. As a result, mailers often met with finance managers who focused on collecting and scheduling payments. The lack of opportunity for mailers to be heard could impact the cooperative effort and partnerships between the Postal Service and its mailers.

Recommendation

We recommend that the chief financial officer and executive vice president in coordination with the chief marketing officer and senior vice president, and other appropriate officials:

1. Ensure postmasters and all staff assisting mailers are properly trained on business mail preparation standards.

**Management's
Comments**

Management agreed with our finding and recommendation and indicated that they have begun training for both new and current employees involved in acceptance and mailpiece design through multiple training programs. In addition, management is disseminating information to both postal personnel and mailers to address and improve the acceptance process at postal facilities.

Evaluation of Management's Comments	Management's actions taken are responsive to the recommendation.
Recommendation	2. Reduce the current 24-month timeframe for assessing postage deficiencies.
Management's Comments	Management agreed with our finding and recommendation and has initiated a new proactive approach, which provides mailers notice of problems and recommended remedies. The new approach will also allow mailers sufficient time to correct the process prior to any monetary deficiencies being assessed.
Evaluation of Management's Comments	Management's actions are responsive to the recommendation.
Recommendation	3. Provide mailers the opportunity to correct mailing practices prior to assessing revenue deficiencies.
Management's Comments	Management agreed with our finding and recommendation and stated that they will provide mailers notice of problems and recommended remedies. The Postal Service will also allow mailers sufficient time to correct the process prior to any monetary deficiencies being assessed.
Evaluation of Management's Comments	Management's actions are responsive to the recommendation.
Recommendation	4. Communicate to all field locations and mailers that monetary goals have not been established for the revenue assurance process.
Management's Comments	Management agreed with our finding and stated that this recommendation had been completed via teleconference on January 12 between the chief finance officer and all managers of Finance and Revenue Assurance coordinators. In addition, it was addressed to the mailers at a Mailers and Technical Advisory Committee meeting.

**Evaluation of
Management's
Comments**

Although communication was made on January 12, 2000, audit indicated that in February 2000 some Revenue Assurance analysts were unaware that no monetary goals existed. Management should consider communicating again that monetary goals do not exist for the revenue assurance process. We will not pursue resolution on this recommendation at this time.

Effectiveness of Revenue Assurance Process

The revenue assurance process did not balance revenue collection goals with goals for preventing and correcting deficiencies, causes of deficiencies could not be identified and analyzed, and substantial resources were devoted to the collection of immaterial amounts of postage.

The process was not balanced because it focused on revenue collection, no formal role or responsibility for revenue assurance was assigned to the business mail entry function, and the Postal Service lacked a comprehensive strategy encompassing both prevention and detection. The causes of deficiencies could not be identified and analyzed because the Postal Service lacked a comprehensive management information system and reliable revenue deficiency data. Immaterial amounts of postage were also collected because no threshold had been established for assessing deficiencies.

A more balanced and focused approach would allow the Postal Service to identify and correct problems early in the process. Early identification and correction of problems would also reduce the cost of assessing and collecting revenue deficiencies.

Balance Between Prevention and Detection

The revenue assurance process did not achieve its intended purpose because it focused primarily on collecting revenue and not on correcting the underlying causes of deficiencies. The management instruction on Assessing and Collecting Deficiencies in Postage or Fees states revenue deficiencies must not only be collected, but their causes must be determined and corrected.

Because the revenue assurance function was managed by finance, the process had a revenue collection focus. Revenue assurance analysts reported to the area or district finance managers, and were primarily responsible for identifying and assessing revenue deficiencies. Further, a formal role or responsibility for revenue assurance was not assigned to business mail entry personnel. Consequently, business mail entry personnel did not focus on preventing deficiencies through early detection.

The Postal Service also did not have a comprehensive strategy for preventing and detecting revenue deficiencies.

As a result, there was no detailed plan for preventing over \$84 million² in revenue deficiencies at the point of entry.

Greater emphasis on prevention could reduce some of the Postal Service's costs in revenue collection, increase revenue, and convey to mailers the Postal Service's interest in constructively working with mailers to solve problems before they occur.

Analysis of Revenue Deficiencies

The Postal Service could not identify the causes of revenue deficiencies to prevent recurrence. Specifically, the Postal Service did not have an integrated management information system for monitoring and analyzing revenue deficiencies. As a result, information on revenue deficiencies was maintained manually by each field location. Consequently, managers could not share and analyze data to determine the underlying causes of deficiencies.

An automated information system would allow managers to analyze trends in districts and to identify systemic issues throughout the Postal Service. The chief financial officer and executive vice president also told us that an integrated information system would enhance the effectiveness of the revenue assurance process.

Our review also disclosed that deficiency logs used to track postage or fees due were incomplete. The log tracks nine elements of information for each mailing deficiency. We reviewed 71 logs and found 31 logs were missing one to six elements. Entries for the mailer name and address, date, type, or amount of deficiency were incomplete and inaccurate. For example, some postal personnel recorded the dollar amount of deficiencies as percentages and others listed the Postal Service's address instead of the mailer's address.

District revenue deficiency logs were incomplete and inaccurate because the Postal Service did not have adequate management controls. There was no

² Revenue assurance analysts during FY 1999 identified approximately \$84 million.

standardized log format, and detailed instructions were not available that addressed each element of information. As a result, deficiency logs could not be used to make management decisions.

District Revenue Threshold

The Postal Service pursued small revenue deficiencies that cost more to collect than the deficiency itself. For example, our review of postage deficiencies recorded in the 71 district revenue deficiency logs disclosed that 44 percent³ were below \$500 and represented less than one percent of the total revenue from deficiencies identified on the logs. In some cases, as little as \$.08 was recorded and as little as \$1.86 was collected.

Immaterial deficiencies were pursued because postal policy requires employees to collect all monies due the Postal Service. However, the Postal Service should reevaluate this policy considering the costs of collecting small deficiencies. Establishing a threshold for collecting revenue deficiencies would allow the Postal Service to reduce costs and free up resources to prevent revenue deficiencies.

Recommendation

We recommend the chief financial officer and executive vice president work with the chief marketing officer and senior vice president and the chief operating officer and executive vice president to:

5. Establish a strategy that balances revenue collection with prevention. The strategy should:
 - Realign the revenue assurance reporting structure within the districts to focus on identifying and correcting the causes of deficiencies.
 - Coordinate the efforts of bulk mail acceptance and revenue assurance personnel in detecting and preventing revenue deficiencies.

Management's Comments

Management agreed with our recommendation to coordinate the efforts of bulk mail acceptance and revenue assurance personnel. However management did not agree

³Forty-four percent represents 635 out of 1,452 recorded postage deficiencies recorded in 71 logs.

to realign the revenue assurance reporting structure within the districts to focus on identifying and correcting the causes of deficiencies.

Evaluation of Management's Comments	<p>Management's comments were not responsive to the intent of our recommendation. Although management agreed that efforts between bulk mail acceptance and revenue assurance should be coordinated; they have not presented a strategy that balances revenue collection with prevention. Until such a strategy is established the issues identified in this report will continue to occur.</p> <p>We view the disagreement on this recommendation as unresolved.</p>
Recommendation	<p>6. Develop a comprehensive management information system that allows managers at all levels to track and analyze revenue deficiencies.</p>
Management's Comments	<p>Management did not agree with our recommendation to develop a comprehensive management information system. They stated there are three systems in place and that developing an integrated system would be too expensive.</p>
Evaluation of Management's Comments	<p>While the Permit System, the Revenue Assurance WEB page, and the Standard Field Accounting System are in place, these tools are not used to analyze trends and identify systemic issues throughout the Postal Service. We recognize that implementing an integrated system may be expensive, however the revenue assurance process would be more cost effective with a system which could track causes and allow managers the ability to identify the systemic issues throughout the Postal Service.</p> <p>We view the disagreement on this recommendation as unresolved.</p>
Recommendation	<p>7. Perform a cost benefit analysis to determine a dollar threshold for pursuing deficiencies.</p>
Management's Comments	<p>Management agreed with our recommendation and will conduct a study by the end of Postal Quarter I, FY 2001.</p>

**Evaluation of
Management's
Comments**

Management's plan to conduct a study to determine a minimum dollar threshold is responsive to our recommendation.

Adequacy of Postal Service Corrective Actions

In January 2000, the Postal Service reached an agreement with the Mailers Technical Advisory Committee to resolve issues surrounding revenue assurance reviews. This agreement outlined several initiatives that the Postal Service would undertake including:

- A quality charter that would ensure that quality assurance problems are resolved at the point of entry.
- Ongoing two-way communications on the process and feedback on mail quality trends.
- Enhanced training on mail acceptance criterion.
- Continued efforts to standardize and streamline acceptance, verification, and mail quality review processes.
- Continuation of the appeals process.

According to postal officials, the Postal Service will also be reviewing pending assessed deficiencies and will make final determination based on the initiatives discussed in the January 2000 agreement. The deficiencies will be reviewed at the district level on a case by case basis. Revenue deficiencies will not be pursued in instances where the review determines that there were mitigating circumstances in which the Postal Service contributed to the deficiencies.

These initiatives demonstrated the Postal Service's willingness to address mailers' concerns; however, they did not fully address all of the issues raised by mailers. In addition the initiatives do not address the responsibility of the mailers to prepare mailings that meet postal standards. Further, the Postal Service needs to finalize plans for implementing these initiatives to avoid misunderstandings with mailers.

Timeliness of Assessments

The Postal Service plans to develop evaluation criteria to standardize the mail quality review process. As part of this effort, postal personnel will communicate with mailers at the earliest phase of the process so that problems can be identified and remedied. Mailers will not be assessed

deficiencies as part of the notice process; however, if after notice is given and identified problems continue to occur, deficiencies will be assessed.

To address government mailer concerns, the Postal Service has taken additional steps to ensure more timely and correct billing, including distributing reconciliation reports to each agency to monitor actual postage due and enhancing system tracking of deficiencies. The Postal Service has also instructed revenue assurance analysts to communicate deficiencies and billing issues to the government mailer coordinator.

While the Postal Service’s plan demonstrates a willingness to communicate with mailers early in the process, the Postal Service has not addressed whether it will change its policy regarding the 24-month time period covered by deficiency assessments.

Accuracy of Postal Service Guidance

To address mailers’ concerns about the communication of inconsistent and inaccurate information, the Postal Service will focus on enhanced training for postal personnel as well as the mailing community. The Postal Service will also streamline and standardize the acceptance, verification, and mail quality review processes so that they can be more easily understood.

While the Postal Service recognized the need for training, it has not identified who will manage this initiative, the intended recipients, and a timeframe for providing the training. The Postal Service also did not address how it intends to ensure that acceptance personnel remain knowledgeable of changes in mail acceptance and preparation requirements.

Communication with Mailers

In developing the quality charter for the revenue assurance process, the Postal Service plans to emphasize communication with mailers at the earliest phase of the process so that problems can be identified and remedied. The Postal Service also will continue two-way communications with its mailing partners through the Mailers Technical Advisory Committee. Through this process the Postal Service will develop quality initiatives, review policies, discuss issues as they arise, and provide mailers feedback on mail quality trends it discovers.

While this approach addresses formal and informal communications, it is unclear who will be communicating with mailers when deficiencies are identified. Currently, each area determines the type and extent of communication with mailers, which led to inconsistent communication practices in the past.

Monetary Goal
Perception

Based on past experience, the Postal Service found that most problems in the revenue assurance area have resulted from policy, training, or communication issues. As a result, the Postal Service will place added emphasis on each of these areas in developing a quality charter for the revenue assurance process. However, the Postal Service has not addressed how it will correct misperceptions that mailers and revenue assurance analysts share regarding monetary goals.

Mailer Appeal Rights

The Postal Service expects the implementation of its initiatives will significantly reduce the number of deficiency assessments and appeals. With a quality charter that emphasizes resolution of problems before they become deficiencies and enhanced communications with mailing partners, mailers will have the opportunity to understand and discuss the factors contributing to deficiencies.

Implementation of
Initiatives

As of the date of this report, the Postal Service had not issued action plans or further guidance on its January 2000 initiatives. This lack of formal guidance has created concern on the part of the mailers that the Postal Service is not committed to improving the revenue assurance process. According to postal officials, action plans are being developed and should be submitted to the chief financial officer and executive vice president at the beginning of May 2000. If the Postal Service does not finalize its action plans soon, it may risk losing the partnerships it has worked to establish with mailers. Such partnerships are critical to the continued success and future growth of the mail industry.

Recommendation	We recommend the chief financial officer and executive vice president and chief marketing officer and senior vice president: 8. Finalize action plans for each of the initiatives as soon as possible.
Management's Comments	Management agreed with our recommendation and plans to have all initiatives completed by Postal Quarter II, FY 2001.
Evaluation of Management's Comments	Management's comments are responsive to our recommendation.
Recommendation	9. Ensure plans address all issues identified in this report.
Management's Comments	Management agreed with our recommendation and will address these issues through initiatives by Postal Quarter II, FY 2001.
Evaluation of Management's Comments	Management's comments are responsive to our recommendation.
Recommendation	10. Issue final guidance that communicates revised procedures to mailers and postal employees.
Management's Comments	Management agreed with our recommendation and plans to issue a letter to the field outlining the new policies and processes in postal Quarter I, FY 2001. In addition, management plans to issue a revised management instruction on revenue deficiencies in postal quarter II, FY 2001.
Evaluation of Management's Comments	Management's comments are responsive to our recommendation

APPENDIX. MANAGEMENT'S COMMENTS



June 13, 2000

ROBERT L. EMMONS

SUBJECT: Audit Report: Revenue Assurance Process
Report No. AC-AR-00-DRAFT

This is in response to the subject audit on the Revenue Assurance Process, dated April 27, 2000. We have answered the findings jointly in order to reflect the extent to which Finance, Marketing, and Operations are working together to improve the Revenue Assurance Process on behalf of the Postal Service.

A handwritten signature in black ink, appearing to read "R. Strasser", written over a horizontal line.

Richard J. Strasser
Acting Chief Financial Officer
Executive Vice President

A handwritten signature in black ink, appearing to read "A. Kane", written over a horizontal line.

Allen R. Kane
Chief Marketing Officer
Senior Vice President

Attachment

cc: C. E. Lewis

475 L'Enfant Plaza SW
Washington DC 20260

**Management Response to Office of Inspector General Audit Report
Revenue Assurance Process**

1. Ensure postmasters and all staff assisting mailers are properly trained on business mail preparation standards.

We agree with the recommendation. This is an ongoing process. To ensure consistent application of mailing standards and acceptance procedures, the Postal Service is providing training for both new and current employees involved in acceptance and mailpiece design through multiple training programs. Additional information regarding business mail acceptance issues is disseminated to postmasters to address and improve the acceptance process at postal facilities through written communications such as:

- *Postal Bulletin* articles with emphasis on acceptance standards.
- *Mailer's Companion* articles that provide guidance to both mailers and postal personnel.
- Laminated bulk mail acceptance reference cards.

2. Reduce the current 24-month timeframe for assessing postage deficiencies.

We agree with the recommendation, as this was already in place and complete. In the January 11, 2000 letter from the CFO and Executive Vice President to the Industry Chairman of Mailers Technical Advisory Committee (MTAC), the USPS policy of assessing deficiencies for past revenue problems was replaced with a new proactive approach. We have committed to working with mailers to improve mail quality issues when they arise. Generally, mailers will be provided a notice of problems and recommended remedies, and allowed sufficient time to correct the process prior to any monetary deficiencies being assessed. Of course, such notices will not be required where it appears that a mailer is knowledgeable about the rule in question, where the problem is observed prior to acceptance or where circumstances otherwise indicate that insisting upon prior notice would be contrary to good business judgment. Changes covered in this letter will be included in the revised management instruction on revenue deficiencies as discussed in our response to recommendation no. 10, which will be issued PQ II, FY 2001.

3. Provide mailers the opportunity to correct mailing practices prior to assessing revenue deficiencies.

We agree with the recommendation, as this was already in progress and complete. The January 11, 2000 letter from the CFO and Executive Vice President, sent to MTAC, addressed this issue by working closely with customers when and where mailing problems are identified.

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4. **Communicate to all field locations and mailers that monetary goals have not been established for the revenue assurance process.**

We agree with the recommendation, as this has already been completed. On January 12, 2000, a telecon was held between the CFO and all Area Managers of Finance and Revenue Assurance Coordinators. It was also addressed to the Mailers at a subsequent Mailers Technical Advisory Committee (MTAC) meeting.

5. **Establish a strategy that balances revenue collection with prevention and collection. The strategy should:**

- **Realign the revenue assurance reporting structure within the districts to focus on identifying and correcting the causes of deficiencies.**
- **Coordinate the efforts of bulk mail acceptance and revenue assurance personnel in detecting and preventing revenue deficiencies.**

We disagree that the reporting structure needs to be changed in order to identify and correct the causes of deficiencies. The implementation of the various processes outlined in this report will address these issues.

We agree with the second bullet of the recommendation. The Postal Service has a continuing interest in improving its services. An example of this is the Mail Quality Analysis (MQA) program. MQA is a cooperative effort between Business Mail Entry, Revenue Assurance, and Mail Processing. It is designed to improve automated letter/card mail quality, improve service, and protect revenue. This is an ongoing process.

6. **Develop a comprehensive management information system that allows managers at all levels to track and analyze revenue deficiencies.**

We disagree with the recommendation. Marketing and Finance already have the following systems in place: Permit, Revenue Assurance WEB page, and the Standard Field Accounting System (SFAS). There is no current plan to integrate the systems mentioned above, as it would be too expensive. There is no need for all managers at all levels to have access to revenue deficiency information.

7. **Perform a cost benefit analysis to determine a dollar threshold for pursuing deficiencies.**

We agree with the recommendation. Finance will conduct a study to determine a minimum tolerance level that will be pursued. This will be completed by the end of PQ I, FY 2001.

8. **Finalize action plans for each of the initiatives as soon as possible.**

We agree with the recommendation. The USPS is continuing to work with its mailing partners to redirect our attention to prevention by proactively resolving problems. We are committed to continuing our two-way communication process through MTAC

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and other mailing industry association meetings. The chart below summarizes the status of the initiatives begun January 11, 2000.

Action Item	Organization Responsible	Date Due
Quality Charter		
Develop Quality Charter	Revenue Assurance	Completed – May 2000
Communications		
Develop customer statistical data to share with MTAC	Revenue Assurance and Marketing	Ongoing – updated quarterly
Provide guidance to customers regarding mail preparation	Business Mail Acceptance	Ongoing
Training		
Business Mail Entry (BME) Academy	Business Mail Acceptance	Ongoing
Mail Piece Design Analyst training	Business Mail Acceptance	Ongoing
Local training is available to mailing industry	BMEU, Postal Customer Councils and USPS personnel	Ongoing
Evaluation Criteria		
Procedure for accessing revenue deficiency	Business Mail Acceptance/Revenue Assurance/Corporate Accounting	To Be Completed – PQ I, FY 2001.
Appeals Process		
Policy changes	Business Mail Acceptance/Corporate Accounting	Management Instruction update - PQ II, FY 2001

9. Ensure plans address all issues identified in this report.

We agree with the recommendation, as it has always been our approach. The responses to recommendations 1 through 8 have all been addressed through actions taken in the last few months and ongoing processes put in place.

10. Issue final guidance that communicates revised procedures to mailers and postal employees.

We agree with the recommendation. The USPS is continuing to work with MTAC and other mailing associations and this will continue to be an integral part of operations. In PQ I, FY 2001, a letter will be issued to the field outlining the new policies and processes. This change will be included in a revised Management Instruction on Revenue Deficiencies, DM-140-1999-1, to be issued PQ II, FY 2001.

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