



August 9, 2006

All AREA VICE PRESIDENTS

JERRY D. LANE
MANAGER, CAPITAL METRO AREA

SUBJECT: Audit Report – Overdrawn Express Mail® Corporate Accounts
(Report Number DR-AR-06-007)

This report presents the results of our self-initiated audit of Overdrawn Express Mail Corporate Accounts (EMCAs) (Project Number 06XG006DR000). Our audit objective was to determine whether the Postal Service was collecting amounts due from, and closing when appropriate, overdrawn EMCAs.

Background

Express Mail service is the U.S. Postal Service's premium delivery service for documents and packages weighing up to 70 pounds. This money-back guarantee service includes tracking, providing proof of delivery, and insuring packages for up to \$100. Delivery to most destinations is available 365 days a year, with no extra charge for Saturday, Sunday, or holiday delivery. For fiscal year (FY) 2005, the Postal Service reported Express Mail volume of 55.5 million pieces, generating \$872 million in revenue.

A mailer using Express Mail items may pay postage with adhesive stamps, meter stamps, or through an EMCA. The customer has three options for opening and maintaining an EMCA: (1) participating in the Centralized Account Processing System (CAPS),¹ (2) using a personal or business credit card, or (3) establishing a trust account. The mailer establishes a trust account by making an initial deposit of either \$250 or the total postage and fees expected during the first 4 weeks of account usage, whichever is higher. After that, the minimum balance in the trust account must equal either an average week's postage and fees or \$100, whichever is higher. District expedited services specialists (ESS) monitor the trust accounts. As of November 2005,

¹ CAPS is a debit payment option that eliminates the need for customers to deposit funds before submitting mail. CAPS accounts total daily transactions and submit a debit to the customer's bank for payment the next business day.

there were approximately 57,000 trust EMCAs, excluding CAPS and credit card accounts. As shown in Table 1, approximately 3,487 of these trust accounts had overdrawn balances totaling approximately \$1.2 million.

This problem is not new. A Government Accountability Office report titled *Losses From Express Mail Accounts Have Grown* (Report Number GAO/GGD-97-3, dated October 24, 1996) made note of overdrawn EMCA balances. The report disclosed that some customers continued to use EMCAs even though they had insufficient funds in their accounts to cover charges for the Express Mail services they received.

Table 1: Overdrawn Express Mail Corporate Accounts as of November 2005

Area Office	Number of Overdrawn EMCAs	Overdrawn Balances
Northeast	597	\$ 154,348
New York Metro	819	240,719
Capital Metro	206	91,083
Southeast	255	111,931
Eastern	295	105,249
Great Lakes	351	152,243
Southwest	171	62,307
Western	284	95,619
Pacific	509	202,129
Total	3,487	\$1,215,628

Source: Electronic Marketing and Reporting System (EMRS) Records²

Postal Service policy requires that Express Mail service be prepaid or paid for at the time of mailing.³ The manual also states that the Postal Service may close an EMCA with 10 days written notice to the account holder if the ending balance on the mailing activity statement is below the required minimum balance for 2 consecutive months or the account remains inactive for 3 consecutive months, unless circumstances warrant otherwise.⁴

Postal Service policy requires the ESS to process all refunds, close out accounts, and handle negative balance accounts. For service failure refunds, the district ESS posts the amount of the refund into the customer's EMCA account. For negative balance accounts, the district ESS will exhaust all methods of collecting amounts from EMCA customers. To collect, the district ESS sends a letter to notify the EMCA customer that

² The EMRS is responsible for the revenue protection and automated trust fund accounting for EMCAs.

³ *Domestic Mail Manual*, Section 604, Basic Standards for All Mailing Services - Postage Payment Methods, February 2006.

⁴ *Domestic Mail Manual*, Section 114, Express Mail, February 2006.

the balance is due. The letter states that if the customer does not resolve the negative balance, the district will refer the debt to a collection agency and close the account.⁵

In FY 2004, Postal Service Headquarters Corporate Finance initiated a plan to eliminate all EMCA trust accounts. The goal was to convert all EMCA trust accounts (excluding CAPS accounts) to Automated Clearing House (ACH)⁶ or credit card accounts by October 2006.

The plan consists of two phases. The goals of Phase I were to discontinue the local trust payment option for new EMCA accounts and convert those EMCA trust accounts that had negative balances for 3 successive months in 2004 to credit card accounts. Postal Service Headquarters Finance officials compiled a list of 3,000 EMCAs with overdrawn balances for 3 consecutive periods in 2004. Postal Service Headquarters Finance officials sent a series of four letters to these corporate account holders requesting they convert the EMCA trust accounts to credit card accounts. They issued the last letter of this series on November 29, 2005, but 1,701 EMCAs remained overdrawn from the original targeted list of 3,000 overdrawn accounts.

The initiative is currently in Phase II of the plan. The goal of Phase II is for ESSs to transition all EMCA trust accounts to either an ACH or credit card account. Postal Service Headquarters Corporate Finance officials instructed the ESSs to make telephone calls on January 10 and 11, 2006, to all remaining EMCA customers on the targeted list who had not converted their EMCAs to credit card accounts. If the overdrawn EMCA account holders did not convert their accounts, the ESSs were to close the accounts on January 12, 2006.

Objective, Scope, and Methodology

Our initial overall objective was to assess the management of EMCAs. During the survey phase of this audit, we identified a risk of ESSs not collecting Express Mail revenue from EMCA trust accounts. Therefore, we limited the scope of our audit to the management of these accounts. We specifically determined whether ESSs were collecting amounts due from, and closing when appropriate, overdrawn EMCAs.

As of November 2005, there were 3,487 overdrawn EMCAs, totaling \$1.2 million. Of these accounts, we judgmentally selected 450 for review and analysis. These 450 accounts represented 63 percent (\$759,076) of the 3,487 overdrawn balances, as of November 2005. We reviewed reports and documentation for these EMCAs managed in each of the Postal Service's nine areas of operation to determine whether the ESSs collected overdrawn balances. We reviewed applicable regulations, manuals, instructions, and other supporting documentation that included standard operating procedures for Express Mail service. We reviewed reports that contained account

⁵ *Postmaster/Field Guide*, Version 4.0, Procedure, September 2005.

⁶ ACH are debit accounts.

payment and shipping information in the Postal Service's Electronic Marketing and Reporting System (EMRS), EMCA database, Point-of-Service ONE⁷ (POS ONE), and other Postal Service information systems necessary to accomplish our objective. We analyzed overdrawn EMCAs to determine the time period these accounts had been deficient. We also reviewed overdrawn accounts to determine whether ESSs were closing EMCAs that no longer met program requirements.

We relied on data obtained from several Postal Service database systems. We did not audit these systems directly, but performed a limited review of data integrity to support our reliance on the data. We conducted this audit from November 2005 through August 2006 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

Prior Audit Coverage

We did not identify any prior audits or reviews related to the objective of this audit.

Audit Results

ESSs did not always properly manage trust EMCAs. ESSs had not collected revenue from 179 EMCAs with overdrawn balances. Further, ESSs did not close accounts after negative balances existed for 3 consecutive months. Although Postal Service Headquarters Finance implemented a plan to convert the EMCA trust accounts to credit card accounts, ESSs did not collect amounts due from the overdrawn accounts. As a result, the Postal Service has recoverable revenue of \$319,014 from customers who have overdrawn EMCAs and can continue to mail packages. The \$ 319,014 is recoverable revenue and will be reported as such in our *Semiannual Report to Congress*. (See Appendix A.)

Overdrawn and Inactive Express Mail Corporate Accounts

ESSs took appropriate action on 271 of the 450 sampled EMCAs.⁸ However, as shown in Table 2, as of February 28, 2006, 179 EMCAs remained in an overdrawn status, with balances totaling \$319,014.

⁷ POS ONE is an electronic system used at retail facilities to record sales and payment transactions.

⁸ 48 EMCAs were converted to credit card accounts, 126 EMCAs were closed, and 97 EMCAs with overdrawn balances received payment and were no longer overdrawn.

Table 2: EMCAs with Overdrawn Balances as of February 28, 2006

	Number of EMCAs	Amount
No payments and no charges between December 1, 2005, and February 28, 2006	56	(\$ 49,730)
No payments were made, but charges were incurred between December 1, 2005, and February 28, 2006	41	(82,137)
Deposits were made in February 2006 ⁹	37	(87,948)
Last payments made were in January 2006 ¹⁰	31	(77,829)
Last payments made were in December 2005 ¹¹	14	(21,370)
Totals	179	(\$319,014)

Source: EMCA Database

Further, 121 (68 percent) of these EMCA customers continued to use their accounts to ship Express Mail packages. The POS ONE system does not prevent EMCA holders with overdrawn balances from shipping Express Mail packages; however, the initiative to convert all EMCA trust accounts to ACH or credit card accounts should correct this internal control weakness since payment will automatically be deducted at the time of mailing. In addition, 60 of the 179 EMCAs were identified by the FY 2004 Postal Service Headquarters Corporate Finance initiative for conversion to credit card accounts. However, these 60 accounts remained overdrawn and open as of February 28, 2006.

Further, ESSs did not always close EMCAs that were either overdrawn or inactive for 3 consecutive months. As shown in Table 3, of the 179 overdrawn EMCAs, 160 (89 percent) had overdrawn balances at month's end for at least 3 consecutive months. Ninety-two of those 160 had been overdrawn at month's end since October 2004. These overdrawn accounts were not referred to a collection agency. Also, 56 of the 160 EMCAs remained inactive for 3 consecutive months with overdrawn balances of \$49,730.

⁹ Customers' deposits did not exceed the sum of their December 1, 2005, negative balance and any additional charges incurred through February 28, 2006. Therefore, their EMCAs remained overdrawn.

¹⁰ Customers' deposits did not exceed the sum of their December 1, 2005, negative balance and any additional charges incurred through February 28, 2006. Therefore, their EMCAs remained overdrawn.

¹¹ Customers' deposits did not exceed the sum of their December 1, 2005, negative balance and any additional charges incurred through February 28, 2006. Therefore, their EMCAs remained overdrawn.

Table 3: EMCAs Overdrawn for at Least 3 Consecutive Months

Overdrawn Beginning in:	Number of Overdrawn Accounts
October 2004	92
November – December 2004	14
2 nd Quarter, FY 2005	17
3 rd Quarter, FY 2005	27
4 th Quarter, FY 2005	6
October 2005	4
Total	160

Source: EMCAs Database

Although Postal Service Headquarters Finance implemented a plan to convert the EMCA trust accounts to credit card accounts, ESSs did not collect amounts due from the overdrawn accounts and convert them. ESSs did not consistently follow procedures to collect overdrawn EMCA balances. ESSs in the nine areas of operation informed the U.S. Postal Service Office of Inspector General (OIG) that when Postal Service Headquarters Finance officials contacted them to convert the EMCAs to credit card accounts, they were unsure of the proper procedures. Therefore, the ESSs used their own judgment to manage the accounts and relied primarily on phone calls to collect the overdrawn balances. The ESSs believed that if they followed the policies of the *Postmasters Field Guide* for collecting overdrawn balances they would interfere with headquarters' plan by inundating customers with conflicting mailings.

Postal Service policy states that when EMCA holders overdraw their accounts, district ESSs must contact the customers to collect the postage due. The ESSs are required to exhaust all methods of collecting amounts from EMCA customers. Postal Service policy also states that if the ending balance on the mailing activity statement is below the minimum balance required for 2 consecutive months, ESSs may close the accounts and refer the accounts to a collection agency used by the Postal Service.¹² Also, Postal Service Headquarters Finance officials instructed the ESSs to convert targeted overdrawn EMCAs to credit cards.

The longer Express Mail services remain unpaid, the greater the risk of revenue losses from uncollectible accounts. The Postal Service loses interest income on EMCAs that are overdrawn and incurs unnecessary labor costs managing trust accounts for inactive EMCAs. The Postal Service can minimize revenue losses from EMCAs if ESSs contact customers timely to collect postage due.

¹² *Domestic Mail Manual*, Section 114, Express Mail, February 2006.

Recommendation

We recommend the area vice presidents and manager of Capital Metro Area direct district managers to instruct the expedited services specialists to:

1. Contact Express Mail Corporate Account customers with overdrawn balances and collect the postage due of \$319,014 or, if appropriate, close the account and refer it to a collection agency.

Management's Comments

Management in all nine areas agreed with the finding and recommendation and initiated action to close accounts and refer them to a collection agency. Management's comments in their entirety are included in Appendix B¹³.

Recommendation

2. Pursue collection of postage due from Express Mail Corporate Accounts that are inactive for 3 consecutive months before closing the accounts.

Management's Comments

Management in all nine areas agreed with the finding and recommendation and initiated action to collect postage due from inactive accounts.

Recommendation

3. Convert all trust Express Mail Corporate Accounts to Automated Clearing House or credit card accounts.

Management's Comments

Management in all nine areas agreed with the finding and recommendation and indicated they will convert the Express Mail Corporate Accounts to Automated Clearing House or credit card accounts. The conversion will be part of Postal Service Headquarters' Finance Phase II of the EMCA conversion plan scheduled for August or September 2006.

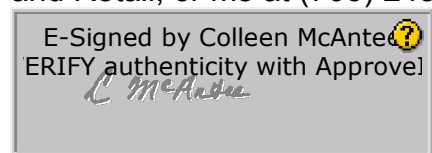
Evaluation of Management's Comments

Management's comments are responsive to our finding and recommendations 1, 2, and 3. Management's corrective actions taken and planned should correct the issues identified in the findings.

¹³ Management comments do not include their related attachments.

The U.S. Postal Service Office of Inspector General (OIG) considers all recommendations significant, and therefore requires OIG concurrence before closure. The OIG has reviewed the information provided in support of these recommendations and agrees that recommendations 1 and 2 should be closed in the follow-up tracking system with the issuance of this report. Consequently, the OIG requests written confirmation when corrective actions are completed for recommendation 3. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation that it can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita F. Oliver, director, Delivery and Retail, or me at (703) 248-2300.



Colleen A. McAntee
Deputy Assistant Inspector General
for Core Operations

Attachments

cc: Patrick R. Donahoe
William P. Galligan
E. Lynn Smith
District Managers
Steven R. Phelps

APPENDIX A

OFFICE OF INSPECTOR GENERAL RECOVERABLE REVENUE CALCULATION

As shown in the table below, the OIG identified \$319,014 in recoverable revenue. The OIG identified 179 EMCAs that remained open with overdrawn balances as of February 28, 2006.

Overdrawn EMCAs by Area

Area	Balance on 2/28/06	Number of EMCA Accounts
Great Lakes	(\$ 74,891)	32
Capital Metro	(61,295)	22
New York Metro	(60,804)	33
Eastern	(38,916)	16
Western	(28,208)	14
Pacific	(24,805)	24
Northeast	(21,991)	23
Southwest	(5,573)	9
Southeast	(2,531)	6
Total	(\$319,014)	179

APPENDIX B. MANAGEMENT'S COMMENTS

AL INIGUEZ
VICE PRESIDENT
PACIFIC AREA OPERATIONS



May 26, 2006

KIM H. STROUD
DIRECTOR AUDIT REPORTING

SUBJECT: Draft Audit Report – Overdrawn Express Mail Corporate Accounts
(Report Number DR-AR-06-DRAFT)

This is in response to the above OIG audit report dated May 9, 2006. The overall objective of this audit was to assess the management of EMCAs in the Pacific Area of which actions are noted in this response.

Recommendations:

1. Contact Express Mail Corporate Account customers with overdrawn balances and collect the postage due of \$319,014 or, if appropriate, close the account and refer it to a collection agency.

Response: Management agrees with the recommendation Pacific Area share is \$24,805.

Pacific Area will share the results of this Audit with all District Managers and require their follow-up action to ensure full District compliance with Express Mail Corporate Account procedures as detailed in Postmaster/Field Guide Version 4.0.

Appendix (page 9) to the Draft document indicates a Pacific Area balance on 2/28/06 of \$24,805 based upon 24 accounts.

Pacific Area has undertaken follow-up actions on each of these accounts and will have all listed accounts closed or in balance by June 16, 2006. Please see attached listing of specific accounts and their status as of May 26, 2006.

In summary, 8 of the 24 listed accounts have made payments clearing their February Negative Balance status. Five accounts have already been closed and referred to the Collection agency. Six accounts have made payments since February, but remain negative and will be brought current. If not cleared by June 16, accounts will be cleared and referred for Collection. Four accounts have been referred for Collection. One account has been found to be of questionable status. It is one of our own District Medical Offices, which utilizes Express Mail to send employee notices. That District is working to resolve whether that account should be an Internal (no-fee) account or not; if not who is liable for payment; and bottom line, to resolve this matter by June 16.

2. Pursue collection of postage due from Express Mail Corporate Accounts that are inactive for 3 consecutive months before closing the accounts.

11255 RANCHO CARMEL DR
SAN DIEGO CA 92197-0100
858-674-3100
FAX: 858-674-3101
www.usps.com

Response: Management agrees with the recommendation.

As noted above, four accounts have already been closed and four others are pending closure. Districts where these accounts are located will provide verification that accounts were referred to the Collection Agency. (Please see attached Letter to District Managers which includes this instruction.)

3. Convert all trust Express Mail Corporate Accounts to Automated Clearing House or Credit Card accounts.

Response: Management agrees with the recommendation.

This OIG Draft report refers to the Postal Service Headquarters Corporate Finance plan to eliminate all EMCA trust accounts initiated in FY 2004. However, in an email message dated May 26, 2006 and signed by Debbie Hitzeroth of Corporate Finance and Joseph Owens, Product Development (attached), we have been informed that Phase II of the EMCA conversion plan will not commence until the "August/September timeframe". Phase II is now planned to run for a 12-month period.

Pacific Area will follow the national timeline for EMCA conversions. If you have any questions, please contact Vincent Morales at 415-538-6505.



cc: Annette Goetz
Eduardo Ruiz

**Attachments; List of Pacific Area Accounts
Pacific Area Letter to District Managers**

VICE PRESIDENT, AREA OPERATIONS
NEW YORK METRO AREA



June 2, 2006

Kim H. Stroud
Director, Audit Reporting
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Draft Audit Report -- Overdrawn Express Mail Corporate Accounts
(Report Number DIR-AR-06-Draft)

In response to the above subject audit be advised we agree with the findings and submit the following management response.

The audit revealed that the New York Metro Area had 33 Express Mail Corporate Accounts overdrawn in the aggregate amount of \$60,804.

"Expedited Services Specialist (ESS) did not always properly manage trust EMCA's"

Recommendation and our response.

1 - "Contact customers with overdrawn balances and either collect postage due or close account and refer to collection agency."

2 - "Pursue collection of postage due from accounts that are inactive for 3 consecutive months before closing."

3 - "Convert all trust EMCA's to ACH or credit card accounts."

We agree with your recommendation.

Action taken to date is as follows: 13 accounts have been closed and forwarded to the collection agency. 8 accounts have been paid up and are awaiting conversion to ACH / Credit Card. 3 accounts have been converted to credit card. The 9 accounts remaining are in the process of being closed once the customers have been notified and these accounts will be referred to the collection agency if payment is not received by June 9th, 2006.

Release of FOIA Information.

No exemption requested.

Any questions or concerns should be directed to Terry Hayes, Manager Accounting Operations @ 718-321-5742.

Frank F. Solomons
for David L. Solomon

142-02 20TH AVENUE, ROOM 318
FLUSHING, NY 11351-0001
(718) 321-5823
Fax: (718) 321-7150

SYLVESTER BLACK
VICE PRESIDENT, WESTERN AREA OPERATIONS



June 6, 2006

Kim H. Stroud
Director, Audit Operations
1735 N. Lynn Street, Room 11054
Arlington, VA 22209-2020

SUBJECT: Overdrawn Express Mail Corporate Accounts
(Report # DR-AR-06-DRAFT)

This letter is provided in response to your May 9, 2006, report on the subject case. Western Area management agrees with the recommendations and has undertaken the following actions:

1. Contact Express Mail Corporate account customers with overdrawn balances and collect postage due of \$319,014 (*note: -\$28,208 for Western Area*) or, if appropriate, close the account and refer it to a collection agency.

Response: Of the 14 accounts listed for the Western Area, seven have been or are in the final process of being closed (to be completed by 6/30/06). Six accounts have cleared the amount due, and the last has converted to credit card (Attachment 1).

2. Pursue collection of postage due from Express Mail Corporate Accounts that are inactive for three consecutive months before closing the accounts.

Response: Districts have been reminded to refer overdue accounts to collection agencies when closing an account (Attachment 2).

3. Convert all trust Express Mail Corporate Accounts to Automated Clearing House or credit card accounts.

Response: USPS Headquarters initiated a program to convert all EMCAs to electronic payment in FY 2005. Phase I was completed in January 2006 (Attachment 3). Phase II, originally set to commence in May 2006, has now been delayed until September 2006 (Attachment 4).

In addition, Districts have been reminded to pursue conversion at every available opportunity (Attachment 2).


Sylvester Black

Attachments

SB:TMT:kj

1745 STOUT STREET, SUITE 1000
DENVER CO 80299-5000
303-313-5100
FAX: 303-313-5102

WILLIAM J. BROWN
VICE PRESIDENT, AREA OPERATIONS
SOUTHEAST AREA



June 5, 2006

MEMORANDUM FOR: Ms. Kim H. Stroud
Director, Audit Reporting
Office of Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Draft Audit Report - Overdrawn Express Mail Corporate
Accounts #DR-AR-06-DRAFT

This is in response to the above referenced memorandum date May 9, 2006. The Office of the Inspector General (OIG) reviewed Express Mail Corporate Accounts to identify the reason overdrawn conditions sometimes exist.

Recommendation:

During that review, six accounts in the Southeast Area were identified as being overdrawn for a total of \$2,531. The recommendation of the OIG is as follows:

1. Contact Express Mail Corporate Account customers with overdrawn balances and collect the postage due of \$319,014; or, if appropriate, close the account and refer it to a collection agency.
2. Pursue collection of postage due from Express Mail Corporate Accounts that are inactive for three consecutive months before closing the accounts.
3. Convert all trust Express Mail Corporate Accounts to Automated Clearing House or credit card accounts.

Action:

Southeast Area Customer Service Program Analyst Roland Bullock has communicated with the districts to remind them of the appropriate steps to take on collecting overdrawn accounts and is continuing to monitor compliance. Where collections cannot be made, he is monitoring to ensure that the account is properly closed and referred for collection. Additionally, he is working with each district in the conversion of all EMCA's to the use of credit cards so that overdrawn situations cease to exist. For questions regarding this action, contact Roland Bullock at (901)747-7646.


William J. Brown

cc: Colleen A. McAntee
Bob Wells
Linda Jacobson
Roland Bullock

225 N HUMPHREYS BLVD
MEMPHIS TN 38166-0100
901-747-7333
FAX: 901-747-7491

MEGAN J. BRENNAN
VICE PRESIDENT, NORTHEAST AREA OPERATIONS



June 12, 2006

MEMORANDUM FOR KIM H. STROUD, DIRECTOR, AUDIT REPORTING
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Draft Audit Report – Overdrawn Express Mail Corporate Accounts
(Project Number 06XG006DR000)

This is in response to your memo dated May 9, 2006 concerning Overdrawn Express Mail Corporate Accounts.

RECOMMENDATION #1

Contact Express Mail Corporate Account customers with overdrawn balances and collect the postage due of (\$21,991 for NEA) or, if appropriate, close the account and refer it to a collection agency.

RESPONSE:

The districts in the Northeast Area have worked diligently to reduce the number of overdrawn accounts and collect the revenue owed. In November, there were 597 accounts totaling \$154,348 in overdrawn balances. In February, this number was reduced to 23 accounts and \$21,991 in overdrawn balances. Since that time, these accounts have been further reduced to 15 accounts and \$11,135. (See attached). All accounts on the list have been contacted and given options to convert to credit cards.

In reference to converting or closing accounts, the Northeast Area is following the conversion plan mandated by Headquarters for Phase II. Implementation was scheduled to begin May 2006 but, due to technical challenges, national conversion has been postponed to August or September.

RECOMMENDATION #2

Pursue collection of postage due from Express Mail Corporate Accounts that are inactive for three consecutive months before closing the accounts.

RESPONSE:

Expedited Service Specialists monitor inactive Corporate Accounts on a regular basis. Those accounts that have not been converted to credit cards, transitioned to a CAPS account, or closed are waiting for Automated Clearing House (ACH) to become available.

6 GRIFFIN ROAD NORTH
WINDSOR, CT 06096-7010
860-285-7040
FAX 860-285-1253

Overdrawn Express Mail
Corporate Accounts
June 12, 2006
Page 2

RECOMMENDATION #3

Convert all trust Express Mail Corporate Accounts to Automated Clearing House or credit card accounts.

RESPONSE:

Many of our Corporate Accounts prefer to switch to ACH. At the present time, ACH is only available to those who qualify under CAPS accounts and many small businesses do not meet the criteria. It will be another six months before ACH will be available for small businesses.

Thank you for the opportunity to respond to these recommendations. We continue to monitor the performance of our Express Mail Corporate Accounts and contact any overdrawn or inactive account. If you need further information, please contact Joan Person, Acting Manager, Business Service Network, at (860) 285-7391.


Megan J. Brennan
Attachments

cc: Patrick R. Donahoe
William P. Galligan
E. Lynn Smith
Laurie A. Timmons
Elizabeth A. Doell
District Managers

ELLIS A. BURGOYNE
A/VICE PRESIDENT, SOUTHWEST AREA OPERATIONS



June 12, 2006

KIM STROUD
DIRECTOR, AUDIT OPERATIONS
1735 NORTH LYNN STREET
ARLINGTON VA 22209-2020

SUBJECT: Overdrawn Express Mail Corporate Accounts
(Report Number DR-AR-06-DRAFT)

Management agrees with the recommendations detailed in the Overdrawn Express Mail Corporate Accounts audit. Following are responses to the recommendations contained in the audit.

Recommendation:

1. Contact Express Mail Corporate Account customers with overdrawn balances and collect the postage due of \$5,572.47, or, if appropriate, close the account and refer it to a collection agency.

Management's Response:

The Expedited Services Specialists contacted Express Mail Corporate Account holders with negative balances identified in the audit. These accounts were either closed and PS form 2134, EMCA Uncollectible sent to the collection agency or the money was collected locally (see attachment).

Recommendation:

2. Pursue collection of postage due from Express Mail Corporate Accounts that are inactive for 3 consecutive months before closing the accounts.

Management's Response:

The Expedited Services Specialists have been directed to contact EMCA customers with overdrawn balances and to pursue the collection of postage due from EMCA that are overdrawn and inactive for 3 consecutive months before those accounts are closed. While this process is dynamic, the Expedited Services Specialists are expected to adhere to policy of the Postal Service for handling EMCA negative accounts as outlined in the Postmaster's Field Guide.

PO Box 224748
DALLAS TX 75222-4748
214-819-8650
FAX: 214-905-9227

- 2 -

Recommendation:

3. Convert all trust Express Mail Corporate Accounts to Automated Clearing House or credit card accounts.

Management's Response:

This is a national initiative at Headquarters. All EMCA accounts will be converted to ACH or Credit Card over a 12-month period beginning in August 2006.

If any additional information is required regarding this matter, please contact the Area Manager Finance, D. Lyn McWhorter at (214) 819-8950.


Ellis A. Burgoyne

Attachment

cc: Patrick R. Donahoe
William P. Galligan
E. Lynn Smith
Steven R. Phelps
District Managers, Southwest Area

MANAGER
CAPITAL METRO OPERATIONS



July 6, 2006

KIM STROUD
DIRECTOR, AUDIT REPORTING
1735 NORTH LYNN STREET
ARLINGTON VA 22209-2020

SUBJECT: Management Response to Fiscal Year 2006 Capital Metro Area Overdrawn Express Mail Corporate Accounts (Report Number DR-AR-06-DRAFT)

This letter is in response to the Office of Inspector General's draft self-initiated audit for Capital Metro (which includes Greensboro, Mid Carolina, and Greater SC) Overdrawn Express Mail Corporate Accounts (EMCAs) report dated May 9, 2006.

Capital Metro management agrees with the recommendation in the report and has taken the specific actions listed below to address the recommendations:

Recommendation 1: Contact Express Mail Corporate Account customers with overdrawn balances and collect the postage due of \$319, 014 or if appropriate, close the account and refer it to a collection agency.

Response

Management agrees with the recommendation and the requested action has been taken. Please reference attached document with specific action taken, including dates, on each account in question.

Recommendation 2: Pursue collection of postage due from Express Mail Corporate Accounts that are inactive for three consecutive months before closing the accounts.

Response

Management agrees with the recommendation and the requested action has been taken. Please reference attached document with specific action taken, including dates, on each account in question.

Recommendation 3: Convert all trust Express Mail Corporate Accounts to Automated Clearing House of credit card accounts.

Response

Management agrees with the recommendation and the requested action has been taken. Please reference attached document with specific action taken, including dates, on each account in question.

In conclusion, Capital Metro Operations' goal is aligned with Postal Service Headquarters Corporate Finance, which is to eliminate all EMCA trust accounts by converting all accounts (excluding CAPS accounts) to Automated Clearing House (ACH) or credit card accounts by October 2006.

If you have any questions or require additional information, please contact Tammy Edwards, Manager, Marketing (Area) at 301-548-1414.

Tammy D. Lane

Attachment

MAILING ADDRESS:
16501 SHADY GROVE ROAD
GATHERSBURG, MD 20898-9988
301 548-1410
FAX: 301 548-1434

PHYSICAL ADDRESS:
6 MONTGOMERY VILLAGE AVENUE
SUITE 655
GATHERSBURG, MD

Alexander Lazaroff
Vice President, Area Operations
Eastern Area



July 14, 2006

Kim Stroud
Director of Audit Reporting
1735 North Lynn Street
Arlington, Virginia, 22209-2020

SUBJECT: Draft Audit Report Overdrawn Express Mail Corporate Accounts

On May 25, 2006 a response to the Audit Report (DR-AR-06-DRAFT) – Overdrawn Express Mail Corporate Accounts was sent to your office. Management agreed with the findings of the inspection team and has completed the following actions in reply to their recommendations:

Recommendation #1: Contact Express Mail Corporate Account (EMCA) customers with overdrawn balances and collect the postage due, or, if appropriate, close the account and refer it to a collection agency.

Response: Management contacted all Express mail Corporate Account Customers with overdrawn balances and either collected postage, closed the account, or referred the account to a collection agency as indicated in the comment section of the attached excel file. This action was completed on June 28, 2006.

Recommendation #2: Pursue collection of postage due from EMCAs that are inactive for 3 consecutive months before closing the accounts.

Response: Management contacted all EMCAs that were inactive for 3 consecutive months to pursue collection of postage due before closing the accounts. This action was completed by June 28, 2006.

Recommendation #3: Convert all trust Express mail Corporate Accounts to Automated Clearing House or credit card accounts.

Response: Management has converted all EMCAs to Automated Clearing House or credit card accounts. Those which were not converted were closed (ref. attachment). This action was completed on June 28, 2006.

Sincerely,

A handwritten signature in black ink that reads "Alexander Lazaroff".

Alexander Lazaroff
Vice President, Area Operations
Eastern Area

Attachment

cc: District Managers
Eastern Area, Marketing Manager
Eastern Area, Finance Manager

One Marquis Plaza
5315 Campbell's Run Road
Pittsburgh, Pa 15277-7010
412-494-2510
Fax: 412-494-2582
www.usps.com

JO ANN FEINDT
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS



June 8, 2006

Kim H. Stroud
Director, Audit Reporting
Office of the Inspector General
1735 North Lynn Street
Arlington, Virginia 22209-2020

SUBJECT: Draft Audit Report – Overdrawn Express Mail Corporate Accounts
(Report Number DR-AR-06-DRAFT)

GLA Management agrees with all recommendations.

Recommendation [# 1]:

We recommend the vice president, Great Lakes Area Operations:

Contact Express Mail Corporate Account customers with overdrawn balances and collect the postage due of \$319,014 or, if appropriate, close the account and refer it to a collection agency.

Response:

GLA Management agrees with this finding.

The Great Lakes Area has been working with and monitoring the District ESSs to close the overdrawn accounts that were identified during the audit sample.

The GLA management will direct the appropriate District ESSs to finalize the remaining accounts by July 31, 2006.

Recommendation [# 2]:

We recommend the vice president, Great Lakes Area Operations:

Pursue collection of postage due from Express Mail Corporate Accounts that are inactive for 3 consecutive months before closing the accounts.

Management agrees with the findings.

The GLA management will instruct the Districts to follow the policy and procedures used to identify and resolve overdrawn EMC accounts.

The GLA Finance Manager will work with the District Finance Managers to have the biannual finance review done by July 31, 2006.

244 KNOLLWOOD DRIVE, FLOOR 4
BLOOMINGDALE IL 60117-1000
630/539-5858
FAX: 630/539-7171

- 2 -

Recommendation [# 3]:

We recommend the vice president, Great Lakes Area Operations:

Convert all trust Express Mail Corporate Accounts to Automated Clearing House or credit card accounts.

Management agrees with the finding.

GLA management acknowledges that the long-term plan is to convert all EMCAs to ACH or credit card. Corporate Treasury has recently detailed their plans to start the national conversion during August or September of 2006 with a 12-month conversion period.

GLA will adhere to the HQ schedule and will work with customers during the conversion period.

The report was reviewed for FOIA concerns and we do not perceive any issues.


for Jo Ann Feindt
Vice President, Great Lakes Area Operation

cc: Steven R. Phelps, Manager, Corporate Audit and Response Management