



March 31, 2006

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VICE PRESIDENT, PRODUCT DEVELOPMENT

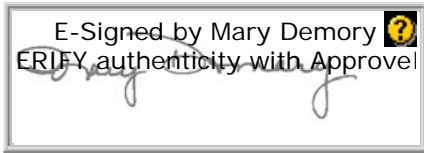
SUBJECT: Audit Report - PC Postage Refund Review
(Report Number MS-AR-06-002)

This report presents the results of our audit of the PC Postage program refund review procedures (Project Number 05WG014MS000). The report responds to a request from the former manager, Program Technology Management, to review the refund review procedures' effectiveness and efficiency.

Overall, the U.S. Postal Service's PC Postage refund process was effective and efficient. During our review, Postal Service management took actions to improve program efficiency. In addition, we believe there are opportunities to improve program oversight. Management needs to improve its use of statistical sampling when reviewing refund requests, update requirements for access to providers' records, request that providers improve security over the storage and destruction of non-dated indicia, and request a system change to prevent duplication of reimbursements to providers. Management could have saved \$102,000 by testing refund requests only for the existence of errors, rather than dollar values. The \$102,000 will be reported as unrecoverable costs in our *Semiannual Report to Congress*.

Management agreed with our four recommendations and has initiatives in progress, completed, or planned addressing the issues in this report. Management also concurred with the findings and monetary benefits as reported. Management's comments and our evaluation of these comments are included in this report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Robert Mitchell, director, Marketing, or me at (703) 248-2300.



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Attachments

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EXECUTIVE SUMMARY

Introduction

This report presents the results of our audit of PC Postage refund review procedures. We performed this audit at the request of U.S. Postal Service management. Our objective was to assess the effectiveness and efficiency of the Postal Service's PC Postage refund process.

Results in Brief

Overall, the Postal Service's PC Postage refund process was effective and efficient. During our review, Postal Service management reduced the program's operating budget in order to make the program more efficient. Postage Technology Management (PTM) published a refund procedures document in January 2006, with full compliance mandatory by April 1, 2006. PTM is also working to fully integrate PC Postage products into the Code of Federal Regulations.

In addition, we believe there are opportunities to improve program oversight. PTM needs to improve its use of statistical sampling when reviewing refund requests, and update requirements for access to providers' physical and electronic records. Security and access controls over the storage and destruction of non-dated indicia at one PC Postage provider were inadequate. Finally, although the Postal Service's National Meter Accounting and Tracking System can verify that a customer account is closed and a requested refund amount is correct, it cannot determine whether a provider previously received reimbursement for the account.

Summary of Recommendations

We recommended the vice president, Product Development, require the manager, PTM, to coordinate with the Postal Service's Statistical Programs Office to develop a valid refund sampling plan that would provide the required oversight and minimize Postal Service resource expenditures.

We also recommended that PTM management update guidelines to ensure that providers' systems of records are available to the Postal Service using remote methods and add the requirements for properly documenting the value of destroyed non-dated indicia, as well as Postal Service presence and verification of the destruction.

Finally, we recommended that PTM management coordinate with the Eagan Integrated Business Systems Solutions Center to request a National Meter Accounting and Tracking System change to help prevent duplicate payments for closed accounts.

Summary of Management's Comments

Overall, management agreed with our findings, recommendations, and monetary benefits. Specifically, management agreed to develop a valid sampling plan, update program guidelines to reflect access to records and indicia destruction procedures, and request a system change for a necessary data field. Management's comments, in their entirety, are included in Appendix B of this report.

Overall Evaluation of Management's Comments

Management's comments are responsive to the recommendations. Actions planned, in progress, and completed, address the issues identified in the report.

INTRODUCTION

Background

PC Postage is a trademark of the U.S. Postal Service for products developed by commercial vendors that allow customers to print postage from personal computers. Customers can print postage onto envelopes, labels, and documents such as self-mailers. The Postal Service licenses and authorizes Endicia.com (PSI Systems Inc.), Pitney Bowes Inc., and Stamps.com as official developers and sellers of PC Postage products.

To purchase postage, a customer establishes a connection with a PC Postage vendor's Internet site. Payment is made through an automated clearing house transaction or by credit card. Customers can store and access the prepaid postage value stored on the vendor's Internet site.

When the customer prints postage, the dollar amount is deducted from the prepaid account. The PC Postage vendors establish their own license fees for software and hardware, plus service fees. The Postal Service receives full payment for the amount of postage printed.

The computer prints a special digital imprint called an Information Based Indicia (IBI). This indicia is valid postage. The IBI contains the date, class of mail, postage amount, originating ZIP Code, and a unique device identification number. It also has a unique two-dimensional barcode that contains ascending and descending register values, machine-readable mail processing information, and security data for revenue protection.

Customers request refunds for unused indicia and the unused postage value remaining in their accounts. The authorized provider grants or denies requests using established Postal Service criteria.¹

The PC Postage program generated approximately \$359 million in Postal Service revenue during fiscal year (FY) 2005, a 47.7 percent increase over FY 2004 revenue. As of September 2005, the PC Postage program served over 512,000 customers, an increase of 18.7 percent from September 2004. Total refunds paid by the Postal Service

¹ Pitney Bowes Inc. does not request or receive reimbursement for PC Postage customer refunds.

to PC Postage providers were about \$2.5 million in calendar year 2004.

The Postal Service Postage Technology Management (PTM) program office is responsible for regulating and managing the PC Postage program, which includes setting policy and ensuring that PC Postage providers issue customer refunds according to Postal Service policy.

Objective, Scope, and Methodology

Our objective was to assess the effectiveness and efficiency of the Postal Service's PC Postage refund process. We reviewed PC Postage refund requests processed by PC Postage providers on behalf of the Postal Service for the 2-year period of May 2003 to May 2005. To accomplish our objective, we reviewed the costs incurred to conduct physical reviews of sampled items at each PC Postage provider location and the processes associated with performing each of the 15 reviews conducted within our scope. We compared the cost to complete the reviews to the value of the refund reviews and validated the Postal Service's methodology for sampling refund requests. We reviewed Postal Service and contractor² employees' travel reimbursement requests, contractor billings, and letters sent to PC Postage providers outlining the results of the reviews performed.

We conducted this audit from June 2005 through March 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.

² Currently, the PTM group manages two contracts associated with the PC Postage program, Watkins Consulting Inc. and Zerone, under which contractor employees provide support for the Meter and PC Postage programs. This support includes performing physical refund reviews of PC Postage.

AUDIT RESULTS

Overall, the Postal Service's PC Postage refund process was effective and efficient. During our review, Postal Service management reduced the program's operating budget in order to make the program more efficient. PTM published a refund procedures document in November 2005, with full compliance mandatory by April 1, 2006. PTM is also working to fully integrate PC Postage products into the Code of Federal Regulations.

In addition, we believe there are opportunities to improve program oversight. PTM should improve its use of statistical sampling when reviewing refund requests, and update requirements for access to providers' physical and electronic records. Security and access controls over the storage and destruction of non-dated indicia at one provider were inadequate. Finally, although the Postal Service's National Meter Accounting and Tracking System can verify that a customer account is closed and a requested refund amount is correct, it cannot determine whether a provider previously received reimbursement for the account.

Opportunities for More Efficiency

PTM can improve its oversight of the of PC Postage refund process. As noted in the footnote on page 2 of this report, PTM employs two companies to perform refund reviews, which currently requires quarterly travel to two of the three providers. PTM uses statistical sampling techniques to perform physical refund reviews.

Statistical Sampling Needs Improvement

The PTM office used an inefficient sampling methodology when reviewing refund requests. For the two samples we reviewed, PTM's sampling methodology did not produce usable precision³ either for rejecting the refund requests or indicating an adjustment amount. This occurred because PTM did not consider sampling precision when developing the individual samples or evaluating sample results. Achieving sufficient precision to support adjusting the dollar

³ Precision is a measure of the closeness of a sample estimate to the true value of the corresponding population characteristic, for a specified confidence level. Precision comes into a sample-based review at two points. First, precision is used, in combination with other factors, to establish a sample size. Second, after the sample has been analyzed, achieved precision is calculated. The achieved precision may be better or worse than the desired precision. Achieved precision is an important indicator of whether enough testing was performed, that is, whether the sample was large enough. In this case, the result is inconclusive because precision is insufficient to state whether "party A" owes "party B" money, or the reverse.

values of requested refunds would have required sample sizes many times larger than those PTM used. The appendix provides our detailed analysis of PTM's sampling methodology.

We suggest testing for the existence of errors, rather than dollar values. This approach reliably tests for control weaknesses with smaller samples than are needed to test the dollar value of refund requests. PTM could have tested for control weaknesses using a sample size of 80 to 150 refund requests per quarter. One option might be to stratify based on time (such as 50 per month) to even out the data collection and analysis load. PTM could total the results quarterly or semiannually, treating each month as a separate stratum.

Table 1 shows that if PTM had selected only 150 sample items per review for each of the 15 physical reviews performed during our scope, PTM could have saved the Postal Service approximately \$102,000 in travel and contractor hourly charges.

Table 1. Travel and Contractor Hourly Charges

Review Number	Trip Grand Total Cost⁴	Total Trip Cost (150 Sampled)⁵	Savings
1	\$4,416.31	\$4,416.31	\$0.00
2	11,522.44	4,125.57	7,396.87
3	13,377.00	5,326.07	8,050.93
4	8,868.42	4,098.40	4,770.02
5	7,594.78	5,335.38	2,259.40
6	15,423.26	4,968.58	10,454.68
7	16,439.00	5,159.32	11,279.68
8	1,547.13	1,547.13	0.00
9	15,402.37	6,871.50	8,530.87
10	20,917.68	6,933.65	13,984.03
11	14,945.10	6,121.75	8,823.35
12	11,739.06	6,864.00	4,875.06
13	14,897.54	6,352.60	8,544.94
14	11,522.30	7,162.08	4,360.22
15	15,265.71	6,613.68	8,652.03
TOTALS	\$183,878.10	\$81,896.02	\$101,982.08

⁴ This is the total cost for all personnel who performed the review. Costs include airfare, per diem, car rental, miscellaneous, and contractor hourly rates.

⁵ This trip cost assumes a sample size of 150 and one traveler to complete the selected sample.

Refund Review Requirements Should be Documented

PTM plans to perform all refund reviews without traveling to provider sites. However, because physical reviews are not currently conducted remotely, requirements for those reviews are not included in the updated procedure guidelines. The guidelines, *PC Postage Refund Procedure for Unused Postage*, issued November 2005, do not require PC Postage providers to provide remote access to physical and electronic records. This occurred because PTM managers did not want the requirements to be provider-specific, where access to one provider's electronic systems may be necessary to perform refund reviews while access to another provider's systems may not be.

In addition, PTM managers stated that although *PC Postage Refund Procedure for Unused Postage* requires providers to mail physical evidence supporting exception requests⁶ to PTM, it does not give PTM access to providers' electronic systems or require providers to mail the supporting documentation necessary for PTM's periodic review of physical refunds.

If PTM does not gain remote access to providers' physical and electronic systems of records, PTM will have to continue conducting physical reviews on location at provider sites, which could increase costs to the Postal Service.

Recommendations

We recommend the vice president, Product Development, direct the manager, Postage Technology Management, to:

1. Coordinate with the Postal Service Statistical Programs Office to develop a valid refund sampling plan that would provide the required oversight and minimize Postal Service resource expenditures.
2. Update the *PC Postage Refund Procedure for Unused Postage* guidelines to ensure that providers' systems of records are available to the Postal Service using remote methods.

Management's Comments

Management agreed with recommendations 1 and 2. For recommendation 1, management stated PTM has already contacted the Postal Service Statistical Programs Office

⁶ Exception requests are envelopes or label stock with incomplete postage printed because of a printer jam or other malfunction.

to request assistance in developing a new sampling plan. Management has set a date of August 31, 2006, to complete a new sampling plan. For recommendation 2, by April 1, 2006, PTM will update the PC Postage refund procedures to clarify the definition of "remote" access, and include the requirement for Postal Service access to providers' systems of records.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the recommendations. Management's actions taken and planned should correct the issues identified in the finding.

Need for More Effective Oversight Controls

The PTM office's refund oversight controls need improvement. PC Postage providers should adequately secure, and restrict access to, customer-returned envelopes and labels bearing indicia. This control extends to the storage of such items while awaiting PTM review, as well as the storage and destruction of the items after PTM review. In addition, system processing and accounting controls need strengthening.

Non-dated Indicia Should be Secured

Non-dated indicia at one provider were inadequately secured. These indicia were stored in a limited access room behind a receptionist's desk that was often left open and unlocked during the day, allowing unauthorized personnel potential access. This occurred because the provider moved from a facility where non-dated indicia were previously kept in a vault to a new facility where no vault was available. In addition, although PTM management was aware of the limited access room, it did not require the provider to strengthen controls by restricting access to the non-dated indicia.

Best business practices, as demonstrated by Postal Service policies and procedures for accountable stock, provide for adequate safeguarding of these indicia. Postal Operations Manual, Issue 9-126.24, *Protecting Stamps and Accountable Stock*, states that stamps, postal stationery, blank money orders, and other accountable items must be protected at all times. They may be stored in a locked cash drawer or cabinet for short periods during the duty day. At other times, they must be stored in the main vault or security container that protects them best. Additionally, Handbook F-1, 422.1, *Protecting Stamp Stock*, requires giving postage and nonpostal stamps the best possible protection. Thus, stamps must be kept in places inaccessible to the public and concealed from public view during business hours.

The non-dated indicia stored in the limited access room represent funds returned to the original customer, which could be taken by an unauthorized person and affixed to mailpieces to defraud the Postal Service.

During our audit, PTM management took corrective action by updating the *PC Postage Refund Procedure for Unused*

Postage. The policy over access to non-dated indicia now requires providers to restrict access to authorized personnel by storing the envelopes and labels bearing indicia in a secure location. Access is limited to personnel who process and destroy indicia. The change in Postal Service policy to protect non-dated indicia addresses our concern; therefore, we are making no recommendation.

Controls Over
Destruction Should be
Strengthened

One provider had inadequate security and access controls over the destruction of non-dated indicia. These indicia were destroyed along with other business documents at the provider site by a mobile shredding company without a Postal Service representative present. This occurred because PTM did not require Postal Service presence for the destruction of these items or require the provider to keep a log of the value of non-dated indicia. The provider believed its process was adequate, since PTM had been advised of the process and required no changes.

Postal Operations Manual, Issue 9 – 126.25, *Destroying Stamps and Accountable Stock*, requires all nonsalable postage items to be sent periodically to a designated committee at the stamp distribution office or accountable paper depository for verification and destruction. Handbook F-1, 453, *Stamp Destruction Committee*, provides that the responsibilities of the committee are to:

1. Count and verify that stamp stock submitted for destruction matches the information on Postal Service Form 17, Stamp Requisition/Stamp Return.
2. Log into a spreadsheet the information pertinent to a destruction, including values.
3. Verify stock to be destroyed against the spreadsheet, destroy stamp stock, and certify that the stock has been destroyed.

Non-dated indicia represent funds returned to the original customer, which could be taken by an unauthorized person and affixed to mailpieces to defraud the Postal Service.

System Processing
and Accounting
Controls Need
Strengthening

[Redacted]

[Redacted]

[Redacted]

Recommendations

We recommend the vice president, Product Development, direct the manager, Postage Technology Management, to:

3. Update in the *PC Postage Refund Procedure for Unused Postage* policy the requirements for properly documenting the value of destroyed non-dated indicia, as well as Postal Service presence and verification of the destruction.
4. Coordinate with the Eagan Integrated Business System Solutions Center to request a National Meter Accounting and Tracking System change for the

necessary data field to show that a reimbursement was paid on a closed account.

**Management's
Comments**

Management agreed with recommendations 3 and 4. For recommendation 3, management agreed that controls surrounding the destruction of non-dated indicia should be strengthened by the providers, but do not believe that the Postal Service should mandate the specific controls required. Therefore, in response to this recommendation management revised the PC Postage Refund Procedure for Unused Postage, requiring providers to submit proposed destruction procedures for Postal Service review and approval. Management plans to distribute the revised guidelines to PC Postage providers by April 1, 2006. For recommendation 4, PTM has contacted the Eagan Integrated Business System Solution Center to begin designing and implementing the required change to the National Meter Accounting and Tracking System. Management expects the change to be implemented by August 31, 2006.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the recommendations. Management's actions taken and planned should correct the issues identified in the finding.

APPENDIX A. STATISTICAL REVIEW

Overall

We calculated the achieved precision for two recent PTM samples, at both 95 percent and 90 percent confidence levels, and determined that the samples resulted in a confidence interval that could not be used to determine whether the Postal Service owed the provider money or the provider owed the Postal Service money. A negative to positive swing in the confidence limits⁷ indicated the sample results were inconclusive regarding the total dollar amount of refunds that should be disallowed. The width of a confidence interval provides an indication of uncertainty about the unknown parameter. The interval determined during our review of two refund review samples indicated that more data should have been collected before definite conclusions could be drawn regarding whether the Postal Service should disallow any of the requested refund amount.

Based on our review of two refund review sample selections and results, we determined the following:

- The results with the sample size used do not allow the Postal Service to state that the dollar amount paid is incorrect.
- PTM should not use these achieved results to increase or decrease the reimbursement paid to the vendor.
- PTM should accept the requested refund reimbursement amount, adjusted for any actual errors identified.

Precision

In this review, we observed that the achieved precision exceeded +/- 100 percent of the projected disallowed amounts.

The uncertainty intervals are so large that the U.S. Postal Service Office of Inspector General would not consider the results reportable. The two extremes of the confidence interval lead to completely opposite conclusions. For example, the achieved confidence interval around the projected disallowed amount of \$2,288 ranges from \$5,433 disallowed in the vendor's request to the Postal Service owing the vendor \$895 more than the vendor requested.

Conclusion

The current methodology does not produce usable precision for rejecting the refund requests or indicating an adjustment amount. Therefore, PTM should accept the requested amount and adjust for actual known error amounts.

⁷ Confidence limits for the mean of a sample are an interval estimate for the mean. A confidence limit gives some indication of how close an estimate is likely to be to the mean of a sample. Confidence limits are the lower and upper boundaries (values) of a confidence interval, that is, the boundaries that define the range of a confidence interval.

Sample Size

The precision achieved (two data sets only) provides evidence that PTM would need an extremely large sample size (many times larger than PTM used) to achieve acceptable precision on the adjustment dollar amount. Therefore, we suggest testing for control weakness, with no dollar adjustments made unless errors reach unacceptable levels. Currently, the risk appears low; the dollar amounts of requested refunds are extremely small and there seem to be very few errors.

In an attribute test, the value of an error is not projected, just the existence of an error.

PTM can hold the sample size to a minimum by using a simple random sample (that is, no stratification). Even with stratification, the sample size for an attribute test (of the existence of an error) could be considerably smaller than for the variable test (of the dollar value of an error). PTM can record and separately project a variety of individual error attributes from the same sampled records. For example, PTM could count whether at least one error exists for a record; whether the error is of a particular type; or whether the error amount for that record is above or below some threshold. PTM could then project how many errors exist in the universe with error amounts exceeding a set dollar threshold.

Conclusion

In our opinion, PTM needs a much larger sample to reliably project total dollar errors. However, the error dollars found do not make a larger sample worthwhile.

APPENDIX B. MANAGEMENT'S COMMENTS

NICHOLAS F. BARRANCA
VICE PRESIDENT, PRODUCT DEVELOPMENT



MARY M. DEMORY

SUBJECT: PC Postage™ Refund Review (Report Number MS-AR-06-DRAFT)

We want to take this opportunity to thank the Office of the Inspector General (OIG) for assistance in helping us fine tune the PC Postage refund process with your recommendations included in the above referenced report. We concur with the findings and \$102,000 in monetary benefits claimed in the report. In theory we concur with the recommendations but believe that a brief background of the PC Postage program puts these findings in their proper perspective. Our individual responses to the recommendations follow.

Background

Postage Technology Management (PTM), as the regulator of the postage meter industry, used the same business model for the distribution of PC Postage products as that for postage meters—the use of private commercial companies to develop and market products to customers at no cost to the Postal Service. This model had been successfully deployed with postage meters since the 1920s, producing nearly \$20 billion in annual postal revenues at the lowest possible cost to the Postal Service.

The introduction of PC Postage provided PTM with an opportunity to improve on this already highly efficient, cost effective model. These improvements were realized in four areas:

1. Increased access to Postal Service products and services for households and small businesses.
2. Increased security of physical devices through compliance with Federal Information Processing Standards (FIPS) requirements verified by independent National Institute of Standards and Technology (NIST) certified laboratories.
3. Ability to detect counterfeit indicia through the introduction of unique Information Based Indicia (IBI) on every mailpiece.
4. Lower costs to the Postal Service through the transfer of certain administrative functions to commercial providers.

Two functions transferred to commercial providers in an effort to improve the efficiency and cost effectiveness of the PC Postage channel relate to customer refunds: 1) the refund of unused postage indicia; and 2) the refund of the balance on a customer's device.

Refunds of unused postage indicia for postage meters are processed at the retail window. Retail clerks are responsible for determining the validity of indicia prior to granting a refund. With traditional postage meter indicia, there is little data available for the clerk to use to determine validity. An IBI produced by a PC Postage system contains a two-dimensional barcode that, if scanned, contains data that can be used to verify validity. Reading the barcode data requires investment in scanners capable of decoding two-dimensional barcodes.

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Therefore, processing of refunds by commercial providers equipped with the necessary equipment has decreased the likelihood of refunding invalid indicia. In addition, this policy has resulted in the avoidance of equipment and personnel costs to the Postal Service of millions of dollars.

Checks for refunds of the balance on postage meters are processed by the Accounting Service Center in Eagan, Minneapolis. With PC Postage, individual customer refunds are paid by the commercial provider. The Postal Service then periodically reimburses the provider for the total of all refunds granted to customers. Given the high customer turnover in the early years of PC Postage, we believe that this process had resulted in the avoidance of several million dollars in costs to the Postal Service.

PC Postage products and the resulting complexities of processing their customers' refunds have evolved since first approved. Introduction of product features such as non-dated indicia and integrated Product Identification Codes (Delivery Confirmation, CONFIRM, etc.) have contributed to these complexities resulting in a learning curve for both postal and provider staff. We believe that these changes could not have been brought about as timely and efficiently had the responsibility for processing the associated refunds not been confined to a few commercial providers instead of over 37,000 individual postal facilities.

Recommendation 1:

Coordinate with the Postal Service Statistical Programs Office to develop a valid sampling plan that would provide the required oversight and minimize Postal Service resource expenditures.

Response

We agree with the recommendation and have discussed with the Postal Service Statistical Programs Office the development of a new sampling plan. PTM always intended to modify the sampling method over time as the systems and staff of both PTM and the providers evolved enough to provide the level of comfort necessary to rely on a pure attribute sampling approach.

As a result of the sampling approach utilized by PTM, reductions were made to refund reimbursements of \$23,108.99 for the 15 reviews considered in the report. Although the report indicates that the "sampling procession did not produce usable precision for either rejecting the refund requests or indicating an adjustment amount," the approach was agreed to by both parties and therefore adjustments were made. These adjustments would not have been considered under a pure attribute sampling approach. Therefore, while we agree there was monetary impact, we cannot ignore the recovered funds (\$23,108.99).

We have set a date of August 31, 2006, for the completion of the development of a new sampling plan.

Recommendation 2:

Update the PC Postage Refund Procedure for Unused Postage guidelines to ensure that providers' systems of records are available to the Postal Service via remote methods.

Response

We agree that the PC Postage Refund Procedure for Unused Postage guidelines do not explicitly state that providers' systems of records must be made available via remote methods but we would like to clarify what "remote" means in this context. Under the new PC Postage™ refund procedures, all refund requests will be transmitted to Eagan for initial processing, refund requests that require the physical indicia will be sampled (under the new sampling plan) and those identified indicia will be physically mailed to PTM in Arlington, Virginia, for final processing. "Remote" access to the system of records means these two transmissions (initial file upload and physical shipment).

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With this definition of "remote" we will update the PC Postage™ refund procedures, include the recommendation, and have this completed by April 1, 2006.

Recommendation 3:

Update in the PC Postage Refund Procedure for Unused Postage policy the requirements for proper value documentation of destroyed non-dated indicia, as well as Postal Service presence and verification of the destruction.

Response

We agree that controls surrounding the destruction of non-dated indicia can be strengthened by the providers but do not believe that the Postal Service should mandate the specific controls required. In response to this recommendation we have added the following statement to the PC Postage Refund Procedure for Unused Postage:

The Provider must submit its proposed destruction procedures for undated indicia to the Postal Service for review and approval. The procedures must provide for sufficient advance notice of the destruction to allow PTM to schedule observation by its designated representative who shall verify that the destruction is performed in accordance with a Postal Service approved method or process.

The revised guidelines will be distributed to PC Postage providers by April 1, 2006.

Recommendation 4:

Coordinate with the Eagan Integrated Business System Solution Center to request a National Meter Accounting and Tracking System change for the required data field.

Response

We agree with the recommendation and have contacted the Eagan Integrated Business System Solution Center to begin design and implementation of the required change to the National Meter Accounting and Tracking System. We expect the change to be implemented by August 31, 2006.

It is our opinion that the report and this response do not contain any Freedom of Information Act (FOIA) exempt information.

We appreciate the opportunity to respond to your recommendations and provide the necessary background information to put them into the proper perspective. Again, thank you for the comments that will help us build a better PC Postage refund processing system.



Nicholas F. Barranca

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