



September 19, 2006

SUSAN M. PLONKEY  
VICE PRESIDENT, CUSTOMER SERVICE

SUBJECT: Management Advisory Report – Postal  
Service’s Use of Ghost Numbers  
(Report Number MS-MA-06-002)

This report presents the results of our self-initiated review of the U.S. Postal Service’s use of ghost numbers (Project Number 06YZ001MS000). The review resulted from a complaint the U.S. Postal Service Office of Inspector General (OIG) received from a mail service provider (MSP) regarding the Postal Service’s practice of collecting and using information identifying mail owners.

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## Results in Brief

The Postal Service could improve its collection and use of customer information. Specifically, the Postal Service should clarify mail acceptance procedures and revise Postal Service (PS) Form 3615, Mailing Permit Application and Customer Profile, to include a Privacy Notice statement that would make public the intended use of customer data collected. Management agreed with our findings and recommendations and has initiatives in progress or planned addressing the issues in this report. Management’s comments, in their entirety, are included in the appendix.

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## Background

Business Mail Entry Unit (BMEU) clerks create ghost permit numbers to identify mail owners when no permit number is associated with mail owners’ names in *PostalOne!*.<sup>1</sup> MSPs, or “letter shops,” specialize in preparing mailings for customers. Some MSPs conduct the entire mail process,

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<sup>1</sup> The *PostalOne!*<sup>®</sup> system, designed exclusively for business mailers, offers a web-based alternative to existing manual mailing processes. The system links a customer’s mailing information electronically with Postal Service acceptance, verification, and payment systems, eliminating most of the paperwork. It also provides online information that customers can use to manage their businesses more efficiently.

from printing mailpieces to depositing them into the mailstream, while others presort and mail under the MSP's permit number so that customers do not have to invest in software or equipment. MSPs may combine their customers' mail to take advantage of lower postage rates, such as bulk rates.

MSPs must file PS Form 3615 for a permit number at each Postal Service office of mailing. The PS Form 3615 requires mailers to provide the permit applicant's name, address, contact person, and telephone number. The form is available at [usps.com](http://usps.com), local post offices, mailing requirements offices, and BMEUs. This form is completed and filed only in hard copy. Mailers cannot process their permit requests online via the [usps.com](http://usps.com) website.

When an MSP presents a mailing, mail acceptance clerks verify that the postage statement<sup>2</sup> is complete and includes appropriate documentation. A completed postage statement lists the name and permit number of the MSP in the "By" field (if the MSP is using its own permit number), and the name and actual permit number or ghost permit number of the mail owner in the "For" field. The Postal Service uses these fields on postage statements for marketing purposes, and to track mail volume and sales revenue by customer. Ghost permit number information has no financial statement or Cost and Revenue Analysis (CRA)<sup>3</sup> impact.

Between November 2004 and June 2006, a member of the mailing industry (an MSP) complained to Postal Service officials and the OIG about the Postal Service Sales teams using ghost permit number information to market to customers that the MSP considered its own.

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**Objectives, Scope,  
and Methodology**

Our objectives were to determine:

- What policies or regulations govern the Postal Service's collection and use of MSP customer data.

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<sup>2</sup> A postage statement is a document provided by a mailer to the Postal Service that reports the volume of mail being presented and the postage payable or affixed, and certifies that the mail meets the applicable eligibility standards for the rate claimed.

<sup>3</sup> The CRA report presents Postal Service estimates of revenues, costs, and volumes for each class and subclass of mail and mail service.

- Why the Postal Service has collected MSP customer data and how it has been used.
- What the Postal Service has done to address industry concerns about its use of MSP customer data.

We reviewed applicable sections of the Postal Service's *Domestic Mail Manual* and *International Mail Manual*; Handbooks DM-109, *Business Mail Acceptance*, and AS-353, *Guide to Privacy and the Freedom of Information Act*; policy letters; PS Form 3615; and postage statements. We obtained legal advice from the OIG's General Counsel, and interviewed Postal Service officials in the General Counsel, Consumer Affairs, and Public Affairs and Communications offices, as well as Marketing's Customer Service and Sales departments. We did not conduct tests of internal controls because of the limited scope of our review and did not rely on any computer-generated data to support our report.

We conducted this review from November 2005 through September 2006 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. The scope of our inspection covered the period from November 2004 through May 2006. We discussed our observations and conclusions with management officials and included their comments where appropriate.

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**Prior Audit Coverage**

We did not identify any prior audits or reviews related to the objectives of this inspection.

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**Acceptance Clerks  
Need Better Guidance**

Handbook DM-109 does not provide guidance on the procedures Postal Service mail acceptance clerks are to follow if an MSP refuses to provide the requested mail owner information when submitting a postage statement.

Handbook DM-109, Chapter 4 (August 1999, updated with *Postal Bulletin* articles through March 17, 2005) provides the verification procedures that mail acceptance clerks are to follow when accepting a mailing.

Handbook DM-109, Appendix G states:

. . . The by/for fields on postage statements are necessary in order to track our sales revenue by customer. When a mailing is submitted, the clerk reviews the statement to ensure the by/for field has been filled in, if applicable.

Postal Service management requested and received a legal review of changes to Handbook DM-109. Postal Service General Counsel, as part of its response to Postal Service management, asked whether management had considered or issued any new guidance regarding MSPs' refusal to provide correct customer information about the identity of the mail owner in the "For" field of the postage statement. The most recent draft revision of Handbook DM-109 does not address the General Counsel's inquiry. Postal Service management told the OIG there was no point in obtaining a legal opinion about compelling MSPs to provide information, as the Postal Service would not impose a penalty for an MSP not providing customer information.

Not having guidance could lead to inconsistent acceptance procedures if the MSPs' postage statements do not provide the requested mail owner information in the "For" field. Further, Postal Service Marketing may not be able to properly allocate and assign revenue to both the mailing agent and the mail owner.

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**Recommendation**

We recommend the Vice President, Customer Service:

1. Include in the revision to Handbook DM-109, *Business Mail Acceptance*, the procedures that mail acceptance clerks should follow if a mail service provider refuses to provide a completed postage statement containing the correct customer information.

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**Management's  
Comments**

Management concurred with the finding and recommendation, and stated the revision of the Handbook DM-109 will instruct acceptance clerks to assume the mailing is that of the permit holder if the postage statement does not give the mail owner's name.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to the recommendation. However, because the Postal Service will not mandate that MSPs provide customer information, the revised instructions to acceptance clerks will still allow for improper revenue allocation between the mailing agent and mail owner. Since management is providing the guidance as recommended, we do not plan to pursue this through the formal audit resolution process.

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**Customers Need  
Adequate Privacy  
Notification**

The Postal Service collects and uses customer information for marketing purposes without proper customer notification. Specifically, the Postal Service does not provide adequate privacy notification to customers who apply for mailing permits. Although the Postal Service has incorporated Privacy Notice statements<sup>4</sup> on all postage statements, PS Form 3615 does not include a Privacy Notice statement that refers to the *Privacy Policy*.

The Postal Service *Privacy Policy* is located at [usps.com](http://usps.com), and provides information regarding the uses of information collected from customers, stating in part:

. . . Our privacy policy tells you about our information practices when you provide personal information to us, whether collected online or offline, or when you visit us online to browse, obtain information, or conduct a transaction . . . The Postal Service collects personal information from you and from your transactions with us. We use information we collect to provide you certain products and services, and if needed to respond to your inquiries or requests for information. We occasionally collect data about you from financial entities to perform verification services and from commercial sources. We do this, for example, to prepopulate data fields in call centers to facilitate transactions, or to market products to consumers who have agreed to receive such messages . . . If you are a business, we use an opt-out standard. We assume you are interested in other products and services that could aid you in your business, and so we will provide information to you unless you tell us you do not want to receive it.

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<sup>4</sup> Privacy Notice statements refer mailers to the *Privacy Policy* link on [usps.com](http://usps.com).

Existing applicable policy includes Handbook AS-353, Section 3-2.2, which states in part:

. . . When the Postal Service asks customers . . . to provide information about themselves, and that information is maintained in a system of records, the Postal Service must provide an appropriate privacy notice . . . The Privacy Office must approve all new forms (hard copy and electronic) that collect customer . . . information. This includes hard copy and electronic forms, new forms, and forms scheduled for revision and reprinting.

However, according to Handbook AS-353, Section 3-2.2.b (2):

. . . For business customers, the notice is a statement that the customer privacy policy is available on usps.com.

When the Postal Service does not provide adequate privacy notification, customers applying for mailing permits are not adequately informed of the Postal Service's policy and the intended uses of customer information, as well as its requirements to safeguard customers' records. By not disclosing the intended use of its customers' information, the Postal Service incurs a risk of further complaints, possible legal action from both MSPs and mail owners, and harm to the Postal Service brand.

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**Management Revised  
Internal Policy in Part  
to Address Industry  
Concerns**

In 2005, Postal Service management began revising Handbook DM-109 to clarify internal business mail acceptance policies and procedures. At the time of our review, management planned to issue the final revised handbook in August 2006. As part of this revision, management requested and received, in September 2005, a legal review of changes to Handbook DM-109. Changes to the handbook include the conversion from the Permit System to the *PostalOne!*<sup>®</sup> system and the addition of language stating that the Postal Service can use customers' information for marketing purposes.

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**Recommendation** We recommend the Vice President, Customer Service:

2. Coordinate with the Privacy Office and the Information Policies and Procedures Office to update Postal Service Form 3615, Mailing Permit Application and Customer Profile, by adding a Privacy Notice statement.

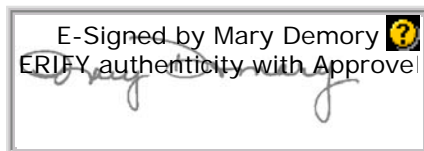
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**Management's Comments** Management concurred with the finding and recommendation, and stated that they added a privacy statement to the PS Form 3615. Management is circulating the revised form and expects to publish it no later than September 2006.

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**Evaluation of Management's Comments** Management's comments are responsive to the recommendation. Management's actions taken and planned should correct the issues identified in the finding.

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



Mary W. Demory  
Deputy Assistant Inspector General  
for Headquarters Operations

Attachment

cc: Anita Bizzotto  
Michael Altavilla  
Sherry Suggs  
Steven R. Phelps

## APPENDIX. MANAGEMENT'S COMMENTS

Susan M. Plonkey  
VICE PRESIDENT, CUSTOMER SERVICE



August 18, 2006

KIM STROUD  
DIRECTOR, AUDIT REPORTING

Subject: Draft Management Advisory – Postal Service's Use of Ghost Numbers (Report Number MS-MA-06-Draft)

Thank you for the opportunity to respond to the findings in your draft advisory – Review of the Postal Service's Use of Ghost Numbers (Report Number MS-MA-06-Draft). We are engaged in the following initiatives to respond to your recommendations:

**Recommendation 1:**

**Include in the Handbook Domestic Manual (DM) 109, the procedures that clerks should follow if a mail service provider refuses to provide a completed postage statement containing the correct customer information.**

Response:

Language is being added to the revised version of the Handbook DM-109 to instruct that "if name of mail owner is not provided on postage statement, acceptance clerk will assume that mailing is that of permit holder."

**Recommendation 2:**

**Coordinate with Privacy Office and the Information Policies and Procedures Office to update Postal Service Form 3615, mailing Permit Application and Customer Profile, by adding a privacy notice.**

Response:

Action has been taken to add the privacy statement to PS Form 3615. The revised form is being circulated for review and is expected to be published no later than September 2006.

If we can be of any further assistance or clarify this response, please do not hesitate to contact Bob Dvonch, Manager, Business Mail Acceptance, at (202) 268-8086.

A handwritten signature in black ink, appearing to read "Susan M. Plonkey".

Susan M. Plonkey

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