



November 29, 2007

LYNN MALCOLM  
VICE PRESIDENT, CONTROLLER

MICHAEL K. PLUNKETT  
ACTING VICE PRESIDENT, PRICING AND CLASSIFICATION

SUBJECT: Audit Report – Postal Accountability and Enhancement Act, Section 709,  
Assessment of Certain Rate Deficiencies (Report Number FF-AR-08-030)

This report presents the results of our audit of the Postal Service's revenue deficiency assessments and appeals process (Project Number 07BD012FF000). We conducted this audit in response to requirements contained in Section 709 of the Postal Accountability and Enhancement Act<sup>1</sup> (the Postal Act of 2006). The Postal Act of 2006 requires us to study and report on the adequacy and fairness of the Postal Service process by which assessments are determined and appealable for Nonprofit rate mailings under Section 3626(k), Title 39, United States Code, including whether the Postal Regulatory Commission or any other outside body should be assigned a role in the process. The Postal Act of 2006 also requires us to determine whether Congress should establish a statute of limitations for the commencement of proceedings by the Postal Service.

## **Background**

The Postal Service is required to collect all monies due before rendering service. If after rendering service the Postal Service believes that a mailer underpaid postage or fees, it can assess the mailer the balance due in the form of a revenue deficiency. If a mailer chooses to appeal rather than pay a revenue deficiency, a Postal Service decision official considers the appeal and renders a final decision.

On January 11, 2000, Congress requested our office look into mailers' concerns about the identification, adjudication, and collection of revenue deficiencies. These concerns, which mailers expressed in a letter to the Postmaster General, alleged unfair treatment, ambiguous and inconsistent information about mail preparation standards, inattention to solving problems before they occur, and untimely and inaccurate revenue deficiency billings. In response to the Congressional request, the U.S. Postal Service Office of Inspector General (OIG) conducted an audit that identified several issues. (See the Prior Audit Coverage section.)

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<sup>1</sup> Public Law 109-435, Postal Accountability and Enhancement Act, December 20, 2006.

In response to the OIG audit, mailer complaints, and Congressional inquiries, the Postal Service implemented several changes to improve the revenue deficiency assessment and collection process. For example, on July 20, 2001, the Postal Service updated and issued Management Instruction (MI) DM-140-2001-1, *Assessing and Collecting Deficiencies in Postage or Fees*. The document outlined the revenue deficiency reporting, recording, notification, and appeal and collection process. Additionally, the Postal Service consolidated three Rates and Classification Service Centers (RCSC) into one Pricing and Classification Service Center (PCSC) located in New York, New York. Further, the Postal Service disbanded the Revenue Assurance Group tasked with protecting revenue and ensuring collection of monies due the Postal Service. However, Congressional leaders continued to express concerns. As a result, the Postal Act of 2006 included a requirement that the OIG study and report on the “adequacy and fairness of the process” by which rate deficiency assessments are “determined and appealable.”

### **Objectives, Scope, and Methodology**

Our objectives in reviewing the Postal Service’s administration of assessments, appeals, and collections of postage deficiencies for Nonprofit rate mailings<sup>2</sup> were to determine:

1. The adequacy and fairness of the revenue deficiency assessments and appeals process.
2. Whether Congress should assign an outside body a role in the assessments and appeals process.
3. Whether Congress should establish a statute of limitations for commencement of proceedings by the Postal Service.

To accomplish our objectives, we:

- Obtained and reviewed all 20 revenue deficiency appeals the PCSC decided from January 2005 through May 2007.
- Requested District Revenue Deficiency Assessment logs covering the period from October 2004 to April 2007 and examined the 23 logs provided to obtain an understanding of revenue deficiencies.<sup>3</sup>

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<sup>2</sup> We identified two Nonprofit revenue deficiency appeals filed with the PCSC during the period of review. Since the process governing revenue deficiencies is essentially the same for all classes of mail, we expanded the scope to include all revenue deficiency appeals decided between January 2005 and May 2007.

<sup>3</sup> Thirty-four districts responded they maintained logs; however, only 23 logs contained current data.

- Interviewed PCSC personnel, six mailing associations,<sup>4</sup> and one publisher,<sup>5</sup> as well as 16 of the 20 mailers<sup>6</sup> who filed appeal cases.
- Met with Congressional, Postal Regulatory Commission, and Postal Service staff and considered their comments where appropriate.
- Surveyed the mailers and reviewed and analyzed responses.
- Reviewed applicable policies and procedures for assessing and collecting deficiencies in postage and fees, which included MI DM-140-2001-1.<sup>7</sup>
- Reviewed and analyzed all 20 appeal cases and considered the application of existing policy to each.

We conducted this audit from March through November 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management officials on September 13, 2007, and included their comments where appropriate. We traced recorded revenue deficiencies to and from supporting documentation. We did not assess the reliability of computerized data as we did not use such data to support our findings.

### **Prior Audit Coverage**

The OIG issued a report titled *Revenue Assurance Process* (Report Number AC-AR-00-003, dated July 14, 2000). The report indicated the revenue deficiency assessments and appeals process did not effectively meet Postal Service objectives. Specifically, the audit concluded that the Postal Service had treated mailers “unfairly” in the past and the Postal Service’s corrective actions demonstrated a willingness to address mailers’ concerns but did not fully address all of the issues mailers raised.

The report provided 10 recommendations to improve the revenue assurance process. Management agreed with eight of the 10 recommendations. We have included the results of our follow up on the prior audit recommendations in Appendix A.

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<sup>4</sup> Mailing associations we interviewed included Alliance of Nonprofit Mailers, Association for Postal Commerce, Direct Marketing Association Nonprofit Federation, Magazine Publishers of America, Mailers Council, and National Newspaper Association.

<sup>5</sup> Landmark Community Newspapers.

<sup>6</sup> Four mailers were not available for comment: two businesses were sold, one business discontinued U.S. operations, and we could not reach another business after three attempts.

<sup>7</sup> Management Instruction DM-140-2001-1, *Assessing and Collecting Deficiencies in Postage or Fees*, July 20, 2001.

## Results

Overall, we found the assessments and appeals process was adequate and fair. Also, we did not find a compelling reason for Congress to assign an outside body a role in the assessments and appeals process. Further, we determined there was no need to establish a statute of limitations because management issued, and generally adhered to, guidance establishing a 12-month time limit for revenue deficiency assessments. Although we believe the process in place is fair and adequate, we identified issues with the Postal Service's monitoring of revenue deficiencies and updating current procedures.

### **Adequacy and Fairness of the Assessments and Appeals Process**

Overall, we found the assessments and appeals process was adequate and fair. The Postal Service improved the process since our fiscal year (FY) 2000 audit by issuing guidance, training employees, consolidating operations, and complying with newly prescribed procedures. Specifically, the Postal Service issued MI DM-140-2001-1, which:

- Reduced the 24-month time limit for assessing postage deficiencies to 12 months.
- Established a \$500 minimum threshold for assessing postage deficiencies.
- Required notification of the mailer before the Postal Service can make assessments for content-based deficiencies.<sup>8</sup>

The Postal Service also refocused the business mail entry unit (BMEU) training policy, including the use of newsletters and webcasts, to improve employee knowledge and increase consistency in both mail acceptance and customer assistance. Further, in FY 2005, the Postal Service consolidated the three RCSCs<sup>9</sup> into a single PCSC located in New York City to provide consistent application of Postal Service rates and mailing standards.

We reviewed all 20 revenue deficiency appeals filed with the PCSC during the period January 2005 through May 2007 and determined the Postal Service generally followed policies and procedures when processing appeals. The PCSC decisions sided with the Postal Service in 16 of the 20 appeals and with the customer in the remaining four cases. Based on the information presented, we found the PCSC appeal decisions were generally consistent with policies and procedures.<sup>10</sup>

Further, we found the PCSC reviewed and sometimes modified the original assessment to the benefit of mailers. For example, in three of the 16 cases, the PCSC reduced deficiency amounts during the appeal process, even though they denied the customer's appeal. In one

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<sup>8</sup> The typical basis for a content-based deficiency would be the contents of the mailing were not eligible for the class of mail or rates claimed, such as a Nonprofit mailing containing a credit card advertisement. Credit card advertisements are prohibited in Nonprofit mailpieces.

<sup>9</sup> The RCSCs were located in Chicago, New York, and San Francisco.

<sup>10</sup> The PCSC made the final decision on all appeals we reviewed.

of these cases, the PCSC disagreed with the universe of mailings included in the calculation. A second assessment was recalculated to correct the rates applied, and a third was reduced to meet the 12-month limit on prior period assessments.

Additionally, we found the PCSC sometimes deviated from Postal Service policy, but those deviations favored mailers and reflected sound business judgment on the part of the PCSC. For example, we noted one decision where the PCSC denied an appeal for a \$117,560 assessment, but referred the matter to the District Manager, Finance, for collection with a recommendation to consider mitigating circumstances. Local management considered the recommendation and settled the deficiency for \$1,000. In another case, the PCSC decided in favor of the appellant based on considerations other than regulations, even though the PCSC could have technically denied the appeal. The mailer, a recognized church, had not appropriately filed and received approval to mail at Nonprofit rates. The PCSC upheld the appeal, reasoning the church was entitled to Nonprofit rates because they mailed at the Nonprofit rates for many years, and they subsequently applied for and received the required authorization.

### Monitoring Revenue Deficiencies

Although we believe the overall assessments and appeals process is fair and adequate, the Postal Service could better monitor revenue deficiencies. District offices did not always maintain Revenue Deficiency Assessment logs or record all revenue deficiencies when they did. Specifically, only 34 of 80 districts reported they maintained a log. Further, district personnel should have recorded 14 of the 20 appeals reviewed in those 34 logs; however, we found they only recorded four of those 14. When units do not properly maintain logs, the Postal Service has an increased risk that it will not consistently apply collection efforts to all mailers.

We contacted 23 district offices to determine how they review and monitor revenue deficiencies and to ask for their opinion on the current process. Sixteen offices responded to our questions. Five districts reported the current process in the MI was adequate to monitor outstanding items. The remaining 11 district offices responded they did not monitor outstanding items or used a process different from that prescribed in the regulation. These 11 district offices specifically stated they did not adhere to the MI because it was outdated, prescribed controls that districts were unable to comply with, and referenced regulations and terms no longer in use. For example, the MI directs units to use Account Identifier Codes (AIC) that no longer exist.<sup>11</sup> Units previously used AIC 119 to record revenue deficiencies found and used AIC 759 to record revenue deficiencies issued. However, the Postal Service ceased recording uncollected revenue deficiencies in these AICs. Although, the Postal Service included procedures for collecting revenue deficiencies in the *Postmasters*

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<sup>11</sup> MI DM-140-2001-1, page 3, states districts must record probable collection amounts on logs and in financial records using AIC 119, *Revenue Deficiency Found*, and 759, *Revenue Deficiency Issued*. AICs are three-digit codes used to classify financial transactions as outlined in Handbook F-1, *Post Office Accounting Procedures*, Glossary, November 1996 (updated with *Postal Bulletin* revisions through July 19, 2007).

*Field Guide*<sup>12</sup> and the draft *Field Accounting Procedures*,<sup>13</sup> they did not include the updated procedures in the MI.

We found that the Postal Service did not pursue collections on three revenue deficiencies totaling \$8,725, where the PCSC ruled in the Postal Service's favor, until we brought the deficiencies to their attention. Specifically:

- A mailer deposited \$5,469 in their trust account to pay for a revenue deficiency. However, the district did not withdraw the funds until 4 months later when we inquired about the uncollected deficiency.
- The district assessed a \$266 deficiency in April 2006. The district did not collect the \$266 until June 2007, when we inquired about the collection.
- The district assessed a \$2,990 deficiency in December 2005. When we asked the District Finance Manager about the deficiency in April 2007, the Finance Manager sent another letter requesting payment; however, as of August 31, 2007, the customer had not paid the deficiency.

We consider \$8,725 to be recoverable revenue (monetary impact) and will report this amount in our *Semiannual Report to Congress*. (See Appendix B.)

### **Recommendation**

We recommend the Vice President, Controller, in coordination with the Acting Vice President, Pricing and Classification:

1. Update Management Instruction DM-140-2001-1, *Assessing and Collecting Deficiencies in Postage or Fees*, to improve the revenue deficiency monitoring and collection process; and to reflect current Postal Service regulations, terminology, and accounting codes.

### **Management's Comments**

Management agreed with the recommendation and stated there is a current effort to replace MI DM-140-2001-1 with a new MI that will improve reporting revenue deficiencies and provide concise instructions for those with roles in the process. The scheduled completion date is Quarter 3, FY 2008. Further, management is exploring the use of a system that will automate revenue deficiency monitoring.

Management also concurred with the monetary impact and noted that the districts successfully recovered uncollected revenue deficiencies totaling \$5,735 and are currently

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<sup>12</sup> *Postmaster/Field Guide*, Version 5.0 (the Guide), pages 167 – 168, July 2006.

<sup>13</sup> *Field Accounting Procedures*, Section 607.9, August 2007, Draft.

pursuing the additional \$2,990 not yet paid. Management's comments, in their entirety, are included in Appendix C.

### **Evaluation of Management's Comments**

Management's comments are responsive and the planned action should correct the issues identified in the report. The OIG encourages continued exploration of automated revenue deficiency monitoring methodologies to improve effectiveness.

### **Independent Body in the Assessments and Appeals Process**

We did not find a compelling reason Congress should assign an outside body, including the Postal Regulatory Commission, a role in the revenue deficiency assessments and appeals process. As noted in this report, the policies, procedures, and actions currently in place generally provide for an adequate and fair process:

- The Postal Service issued a policy to address Congressional, mailer, and OIG concerns.
- The Postal Service consolidated the principal appeals decision authority into one experienced group at the PCSC.
- There were only 20 revenue deficiency appeals decided from January 2005 through May 2007.
- The PCSC processed the appeals timely, on average within 1 month.<sup>14</sup>
- Recent PCSC decisions were fair and letters of denial addressed concerns presented by the mailer.

### **Establishing a Statute of Limitations**

The Postal Service generally adhered to a self-imposed 12-month limit<sup>15</sup> on assessments of revenue deficiencies. The agency included the 12-month prior period limitation, with certain exceptions, in the revised MI DM-140-2001-1. Some mailers expressed concern the Postal Service may change the 12-month limitation; however, our discussions with management indicated they do not plan any changes. In addition, discussions with mailers disclosed, in general, they were satisfied with the self-imposed 12-month limit. As a result, we believe a statute of limitations is not necessary.

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<sup>14</sup> We based the average on 17 appeals because of missing documentation for three of the appeals.

<sup>15</sup> With certain exceptions, the Postal Service limits revenue deficiencies to 12 months from the date of discovery. For example, if the Postal Service identifies a deficiency today for a mailing that occurred more than 12 months ago, it would not assess a revenue deficiency. If the mailing occurred within the last 12 months, the Postal Service would include that mailing in the deficiency assessment.

We reviewed all 20 revenue deficiency appeals and found the Postal Service generally adhered to the established time limits and the PCSC reviewed calculations as part of the appeals process. In one case, the PCSC recommended a \$4,661 reduction to an assessment in the appeal decision letter. The PCSC recalculated the deficiency using the prior 12-month limit rule instead of the prior 24 months local management initially assessed. Additionally, we noted that local management applied the 12-month limit in four other assessments and referenced it in the original assessment letters.

We did find one assessment in which the Postal Service exceeded the 12-month time limit prescribed by the policy, and the PCSC did not reduce the amount in the appeal decision letter. The district calculated the revenue deficiency based on the prior 27 months. The MI states the Postal Service looks back no more than 12 months before the date it discovered the deficiency. This condition occurred because both the district and PCSC overlooked the limitation. In addition, the district did not advise the mailer of the 12-month time limit established in the MI. As a result, the mailer did not appeal to reduce the amount and paid \$7,832 in additional postage. Using the 12-month time limit, the mailer should have paid \$3,052 (an overpayment of \$4,780). On September 12, 2007, the PCSC issued a letter to the mailer authorizing a refund for the overpayment. We consider the \$4,780 to be refundable revenue (monetary impact) and will report this amount in our *Semiannual Report to Congress*. (See Appendix B.)

### **Recommendation**

We recommend the Vice President, Controller, and the Acting Vice President, Pricing and Classification:

2. Clarify and communicate the 12-month time limit for assessing revenue deficiencies to appropriate Postal Service officials and mailers.

### **Management's Comments**

Management agreed with the recommendation and stated the new MI (replacing the current MI DM-140-2001-1) will clarify the 12-month time limit. Management will communicate the policy through insertion in publications used by internal and external parties. The document will include instructions for postal officials and mailers. The scheduled completion date is Quarter 3, FY 2008.

Management also concurred with the monetary impact and noted the refund is being coordinated through the mailer's local post office.



### Evaluation of Management's Comments

Management's comments are responsive and the planned action should correct the issues identified in the report.

The OIG considers recommendations 1 and 2 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions, or need additional information, please contact Kevin Ellenberger, Director, Field Financial East, or me at (703) 248-2100.



John E. Cihota  
Deputy Assistant Inspector General  
for Financial Accountability

#### Attachments

cc: Patrick R. Donahoe  
Anita J. Bizzotto  
Mary Anne Gibbons  
Linda Kingsley  
H. Glen Walker  
Katherine S. Banks

## APPENDIX A

### FOLLOW UP TO RECOMMENDATIONS MADE IN REPORT AC-AR-00-003<sup>16</sup>

Recommendations	Management Responses	Status
1. Ensure postmasters and all staff assisting mailers are properly trained on business mail preparation standards.	Agree: Ongoing process trains both new and current employees involved in acceptance and mailpiece design. Information regarding business mail acceptance issues is disseminated to postmasters.	The Postal Service implemented training policy, including newsletters and webcasts, intended to improve BMEU employee knowledge and increase consistency in both mail acceptance and customer assistance.
2. Reduce the current 24-month timeframe for assessing postage deficiencies.	Agree: Working with mailers to improve mail quality issues when they arise. Mailers will be provided a notice of problems and recommended remedies and allowed sufficient time to correct the process prior to the Postal Service assessing any monetary deficiencies.	On July 20, 2001, the Postal Service issued MI DM-140-2001-1. The guidance provides that, with certain exceptions, the Postal Service looks back no more than 12 months before the date it discovered the deficiency. (See footnote 15.)
3. Provide mailers the opportunity to correct mailing practices prior to assessing revenue deficiencies.	Agree: Working with customers when and where mailing problems are identified.	MI DM-140-2001-1 provides that, with certain exceptions, the Postal Service cannot make an assessment on content-based deficiencies unless it has previously notified the mailer of such a deficiency.
4. Communicate to all field locations and mailers that monetary goals have not been established for the revenue assurance process.	Agree: The Chief Financial Officer held a telecon with all area managers of Finance and Revenue Assurance Coordinators and addressed mailers at a Mailers Technical Advisory Committee (MTAC) meeting.	In 2003, the Postal Service eliminated the Revenue Assurance Analyst position within Postal Service Finance.
5. Establish a strategy that balances revenue collection with prevention. The strategy should (1) realign the revenue assurance reporting structure within the districts to focus on identifying and correcting the causes of deficiencies and (2) coordinate the efforts of bulk mail acceptance and revenue assurance personnel in detecting and preventing revenue deficiencies.	(1) Disagree: The reporting structure does not need to be changed in order to identify and correct the cause of deficiencies. Implementation of the various processes outlined in <i>Revenue Assurance Process</i> (Report Number AC-AR-00-003, dated July 14, 2000) will address these issues.  (2) Agree: The Mail Quality Analysis Program 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.	In 2003, the Postal Service eliminated the Revenue Assurance Analyst position within Postal Service Finance. There is no group currently dedicated to identifying and collecting deficiencies. Further, the number of assessments and appeals dropped significantly. Between January 2005 and May 2007, we identified 20 revenue deficiency appeals filed with the PCSC.

<sup>16</sup> *Revenue Assurance Process* (Report Number AC-AR-00-003, dated July 14, 2000).

Recommendations	Management Responses	Status
6. Develop a comprehensive management information system that allows managers at all levels to track and analyze revenue deficiencies.	Disagree: Marketing and Finance already have the following systems in place: Permit, Revenue Assurance WEB page, and the Standard Field Accounting System. Integrating the systems would be too expensive. There is no need for managers at all levels to have access to revenue deficiency information.	The Postal Service consolidated the three RCSCs into one PCSC. The PCSC tracks postage revenue deficiency appeals in the Official Classification Records and Authorizations System. Additionally, MI DM-140-2001-1 directs districts to track all revenue deficiencies. However, we noted an instance of noncompliance in our current audit. See our discussion regarding "Monitoring Revenue Deficiencies" on page 5 and related recommendation 1.
7. Perform a cost-benefit analysis to determine a dollar threshold for pursuing deficiencies.	Agree: Finance will conduct a study to determine a minimum tolerance level that will be pursued.	MI DM-140-2001-1 indicates that, with certain exceptions, the minimum threshold to assess revenue deficiencies is \$500. There is no minimum threshold for deficiencies based on underpayment of fees.
8. Finalize action plans for each of the initiatives as soon as possible.	Agree: Committed to continuing the two-way communication process through MTAC and other mailing industry association meetings. Complete by Quarter 2, FY 2001.	MI DM-140-2001-1 addresses many mailer concerns and recommendations. The Postal Service continues to communicate with mailers through MTAC and various public websites.
9. Ensure plans address all issues identified in the report.	Agree: The responses to recommendations 1 through 8 are addressed through actions taken and ongoing processes put in place. Complete by Quarter 2, FY 2001.	MI DM-140-2001-1 addresses many mailer concerns and recommendations. Certain provisions of the MI, such as appeal rights, were placed in the <i>Domestic Mail Manual</i> (DMM) for public access. Additionally, the Postal Service continues to provide ongoing business mail acceptance training to its employees and communicates with mailers through MTAC and various public websites.
10. Issue final guidance that communicates revised procedures to mailers and postal employees.	Agree: Working with MTAC and other mailing associations and will continue to be an integral part of operations. In FY 2001, a letter will be issued to the field outlining the new policies and processes. This change will be included in a revised MI to be issued in FY 2001. Complete by Quarter 2, FY 2001.	The Postal Service sent a memorandum, dated July 20, 2001, in conjunction with the updated MI DM-140-2001-1, to Area Finance and Marketing Managers and PCSC managers. Certain provisions of the MI, such as appeal rights, were placed in the DMM for public access.

**APPENDIX B**

**SCHEDULE OF MONETARY IMPACT**

<b>Recommendation Number</b>	<b>Finding</b>	<b>Recoverable Revenue Amount</b>	<b>Refundable Revenue Amount</b>	<b>Total Amount</b>
1	Revenue deficiency collected as a result of our review	\$5,469		\$5,469
1	Revenue deficiency collected as a result of our review	266		266
1	Revenue deficiencies not collected	2,990		2,990
2	Revenue deficiency assessment in excess of 12-month limit - not adjusted on appeal		\$4,780	4,780
		<b>\$8,725</b>	<b>\$4,780</b>	<b>\$13,505</b>

## APPENDIX C MANAGEMENT'S COMMENTS



November 14, 2007

JOHN E. CIHOTA  
DEPUTY ASSISTANT INSPECTOR GENERAL  
FINANCIAL ACCOUNTABILITY

SUBJECT: Draft Audit Report – Postal Accountability and Enhancement Act,  
Section 709, Assessment of Certain Rate Deficiencies (Report Number  
FF-AR-08-DRAFT)

We have reviewed the above referenced report on the Postal Service's revenue deficiency assessment and appeals process and we concur with both recommendations. Although the Management Instruction DM-140-2001-1 has not been recently updated, Headquarters' Accounting Policy ensured that changes to the process of recording uncollected revenue deficiencies were communicated to the field offices via a memorandum sent to the Area Accounting Managers, dated August 25, 2003. That memo outlined the new procedures for handling the collection of payments for revenue deficiencies. The new instructions were also provided in a subsequent update of the Postmasters Field Guide.

### **RECOMMENDATION 1:**

Update Management Instruction DM-140-2001-1, Assessing and Collecting Deficiencies in Postage or Fees, to improve the revenue deficiency monitoring and collection process, and to reflect current Postal Service regulations, terminology, and accounting codes.

### ***RESPONSE:***

Management agrees that the Management Instruction DM-140-2001-1 needs to be updated. Currently there is an effort at Corporate Headquarters to create a new Management Instruction to replace it. This effort, which is being coordinated with Business Mail Acceptance, Pricing and Classification, Customer Service Support, and the Law Department, will improve the reporting of identified revenue deficiencies and provide concise instructions to those involved in the process.

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Our completion for this new Management Instruction is targeted for Postal Quarter III, Fiscal Year 2008. Finance is also exploring the feasibility of automating the monitoring of revenue deficiencies.

**RECOMMENDATION 2:**

Clarify and communicate the 12 month time limit for assessing revenue deficiencies to appropriate Postal Service officials and mailers.

*RESPONSE:*

Management agrees there is a need to ensure that postal officials and customers are aware of and understand the 12 month time limit for assessing revenue deficiencies. The new Management Instruction will clarify the 12 month time limit and provide instructions to postal officials and mailers.

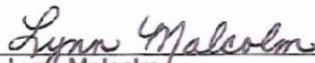
Upon finalizing the new Management Instruction, Accounting Policy, and Pricing and Classification will coordinate communications in the appropriate publications used by internal and external parties.


**MONETARY IMPACT:**

Management recognizes the amount of \$13,505 to be recoverable and refundable revenue. The districts successfully recovered uncollected revenue deficiencies in the amount of \$5,735. There is an additional deficiency in the amount of \$2,990 which is being pursued by the District Finance Manager but has not yet been paid. The refundable amount of \$4,780 is being coordinated through the mailer's local Post Office.

**FOIA STATEMENT:**

Information contained in this report was reviewed for exemptions to the Freedom of Information Act (FOIA) policy; no exemptions were noted.

  
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Lynn Malcolm  
Vice President, Controller

  
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Michael K. Plunkett  
Acting Vice President  
Pricing and Classification