



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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***Domestic Mail Manual* Preparation  
and Acceptance Mail Instructions**

**Audit Report**

February 2, 2012

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Report Number CI-AR-12-004



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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# HIGHLIGHTS

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February 2, 2012

## ***Domestic Mail Manual Preparation and Acceptance Mail Instructions***

Report Number CI-AR-12-004

### ***IMPACT ON:***

Mail Entry, Payment Technology management, pricing management, existing and new customers, and employees.

### ***WHY THE OIG DID THE AUDIT:***

Our objective was to determine whether there are opportunities to simplify the mail preparation/acceptance procedures in the *Domestic Mail Manual*.

### ***WHAT THE OIG FOUND:***

In this time of decreasing mail volume, the U.S. Postal Service should make every effort, given digital age alternatives, to simplify mail preparation/acceptance and remove any unnecessary barriers to entry. Currently, existing customers, new customers, and employees must navigate over 2,300 pages of mail preparation/acceptance instructions and mailers must complete postage statements ranging from five to 25 pages, depending on the class of mail.

In addition, there are approximately 800,000 mailing permits in *PostalOne!*® and approximately 61 percent are inactive, denied, canceled, or deleted. The remaining 39 percent are active. Our analysis shows that each mailer has, on average, 66 mailing permits and the Postal Service has an opportunity to reduce the number of active permits

from 300,000 to a range of 4,600 to 10,000 by eliminating multiple permits

### ***WHAT THE OIG RECOMMENDED:***

We recommended the vice president, Mail Entry and Payment Technology, and the vice president, Pricing, combine all current mail preparation/acceptance policies and remove all duplications. We also recommended the vice president, Mail Entry and Payment Technology, migrate to a one permit per customer requirement and archive all denied, canceled, or deleted permits

### ***WHAT MANAGEMENT SAID:***

Management agreed that preparation and acceptance guidance should be clearly defined, but not combined as they perform separate and distinct functions and acceptance guidance is proprietary. The Enterprise Payment (EP) will allow the option to pay postage through a single account at the option of the mailer. Finally, the *PostalOne!* system is operating as expected but deployment of the EP will allow for archiving permits.

### ***AUDITORS' COMMENTS:***

Management's comments are responsive to the recommendations and the stated corrective actions should resolve the majority of the issues identified in the report.

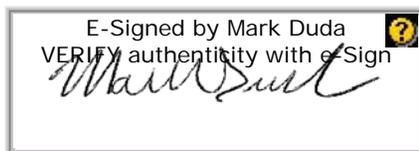
[Link to review the entire report](#)



February 2, 2012

**MEMORANDUM FOR:** PRITHA MEHRA  
VICE PRESIDENT, MAIL ENTRY AND PAYMENT  
TECHNOLOGY

MAURA ROBINSON  
VICE PRESIDENT, PRICING



**FROM:** Mark W. Duda  
Assistant Inspector General  
for Audit

**SUBJECT:** Audit Report – *Domestic Mail Manual* Preparation and  
Acceptance Mail Instructions  
(Report Number CI-AR-12-004)

This report presents the results of our audit of the U.S. Postal Service's *Domestic Mail Manual* preparation and acceptance mail instructions (Project Number 11WG002CI000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michael L. Thompson, director, Planning, Innovation, and Optimization, or me at 703-248-2100.

Attachments

cc: Ellis Burgoyne  
Paul Vogel  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit of the U.S. Postal Service's *Domestic Mail Manual* (DMM) preparation and acceptance mail instructions (Project Number 11WG002CI000). Our objective was to determine whether there are opportunities to simplify the mail preparation/acceptance procedures in the DMM. See [Appendix A](#) for additional information about this audit.

The Postal Service delivers over 170 billion<sup>1</sup> letters, flats, and parcels annually and the DMM contains mailing preparation standards and pricing rates for customers. Included in the DMM is the Price List, Notice 123 (Notice), which lists more than 10,000 domestic and international prices the Postal Service charges for three primary product lines: letters, flats, and parcels, along with additional services, such as insurance, delivery confirmation, and certified mail. Supplementing the DMM are 170 pages of Quick Service Guides (QSG) for customers. The QSG illustrates DMM requirements. In addition, DM-109<sup>2</sup> serves as a guide for Postal Service employees to verify and accept all categories of business mail and comply with the Postal Service's internal financial and procedural controls. DM-109 stresses the importance of providing mailers the most up-to-date business processes and policies and predictable acceptance procedures in order to provide the best customer experience. Also, the Business Mail Acceptance Job Aids (Job Aids) and the 42 Customer Support Rulings (CSRs) issued between 2001 and today provide additional instructions about mail preparation/acceptance standards.

## Conclusion

In this time of decreasing mail volume, the Postal Service should make every effort to simplify mail acceptance and remove any unnecessary barriers to entry. The importance of simplification was highlighted by the Postal Service's president and chief marketing/sales officer. He said concerning a new and simpler shipping program that *"...when we make it simple to mail, our customer's will do business with us."* However, existing customers, new customers, and employees must currently navigate almost 2,300 pages between the DMM (over 1,700 pages), the QSG (170 pages), and DM-109 (200 pages); 95 pages of Job Aids; and 133 pages of CSRs. In fact, the number of pages in the DMM has increased 286 percent since 1981. The Postal Service should make all mail acceptance guidance (the DMM, QSG, DM-109, Job Aids, and CSRs) more customer-centric. Instead of mail preparation/acceptance guidance being contained in many different manuals, all guidance should be in one preparation/acceptance guide, with two-way linking of associated screens and each screen containing a discrete block of information. This would help avoid duplications and enhance ease of use.

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<sup>1</sup> *United States Postal Service Annual Report 2010.*

<sup>2</sup> *Handbook DM-109, Business Mail Acceptance*

For the Postal Service to accept commercial mail, mailers are required to have a mailing permit and pay an annual mailing fee at every location where they enter their mail. The Postal Service tracks these mailing permits using *PostalOne!*<sup>®</sup>, a web-based system that monitors and tracks all mailing permits assigned by the Postal Service. There are approximately 800,000 mailing permits in *PostalOne!* and approximately 475,000 permits (61 percent) are inactive, denied, canceled, or deleted.<sup>3</sup> The remaining 300,000 plus permits (39 percent) are active.

Our analysis of the 20 largest mailers<sup>4</sup> with active permits in fiscal year (FY) 2010 indicates these companies have 1,317 permits. This is an average of 66 mailing permits for each mailer, and we noted that some mailers have over 300 permits. The requirement to have a permit at every location where a company enters mail is a barrier to entry for new customers and a barrier to efficient operations for the Postal Service and existing customers. FedEx Corporation (FedEx), United Parcel Service Inc. (UPS), and Swiss Post allow their customers to have a single account (permit) regardless of how many different locations they use to enter their mail. The Postal Service has an opportunity, based on our analysis, to reduce the number of mailing permits from 300,000 to a range of approximately 4,600 to 10,000 by eliminating multiple permits for each mailer and moving to a single account system.

In addition, the Postal Service requires different postage statements (paper or electronic) for each class of mail. Mailers must complete a postage statement form ranging from five to 25 pages, depending on the class of mail. Previous U.S. Postal Service Office of Inspector General (OIG) audit reports noted that employees often did not properly verify and complete postage statements due to inadequate understanding of mailing standards.

### Over 2,300 Pages of Mail Preparation/Acceptance Policies

The DMM contains all official prices and standards governing mailing services. However, for employees and mailers using the Postal Service, the DMM is a document of over 1,700 pages, which has increased with every update, except in 1996 when the manual decreased. The DMM has averaged an update every 6 months since 2007, and since 1981 the number of pages has increased from 444 to 1,718, for an increase of 286 percent. See [Appendix B](#) for details. The DMM was originally a traditional paper manual with running narratives or procedures with supporting data. Although the DMM is now in an electronic environment, its volume has not been constrained and continues to grow. The growth, in part, is due to not formatting the DMM to be more self-contained with two-way linking of associated screens and each screen containing a discrete block of information. This will help avoid duplications and enhance ease of use for all. The

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<sup>3</sup> Inactive – Permit accounts which have not been used for 23 months and are scheduled to be canceled at the end of the 24<sup>th</sup> month. Denied – Permit accounts for which the Pricing and Classification Service Center determined the mailer did not meet the application requirements and denied the application. Canceled – Permit accounts which have been inactive for over 24 months. Deleted – Permit accounts which were opened in error and deleted within 35 days or in canceled status for 13 months.

<sup>4</sup> Top 20 mailers, *Target Marketing Magazine*.

DMM has hyperlinks to help navigate through the manual, as well as a Postal Wizard<sup>5</sup> to help calculate postage. We believe linking associated screens may eliminate repetitive instructions. We reviewed the DMM and identified almost 200 pages of duplicate instructions and other information. Management told us the DMM is designed to be repetitive. Instead of duplicating instructions in multiple DMM sections, the Postal Service could consolidate these sections.

In addition to the DMM and the 170 pages of QSG, Postal Service employees use the DM-109 as an internal handbook with over 200 pages, which explains the mail acceptance process to employees. The DM-109 comes with 95 pages of Job Aids to explain the DMM to Postal Service employees. Employees must also rely on 133 pages of CSRs that explain the application of mailing standards. CSRs include rulings concerning definition of mail categories, mail preparation, and price eligibility. Management created CSRs to help Postal Service employees and customers understand and use the information in the DMM and to provide examples of specific mailpieces and an analysis of how to apply mailing standards. Some of these documents are only available to employees and not customers.

Mailers told the OIG they would like access to DM-109 and the Job Aids. They equate not having this access to showing up for a test without being told the subject matter, what to study, or how the test will be graded. Allowing public access may help prevent mail preparation errors and foster better relationships between mailers and Postal Service personnel. We believe the more informed customers are, the better able they are to make decisions for themselves and the Postal Service.

According to management, there are portions of DM-109 that mailers should not have access to because it is proprietary and “. . .should not be viewed as a source of information that can or should be disclosed to the industry.” Although management believes DM-109 is proprietary, the American Postal Workers Union’s website provides a complete copy of the September 2006 DM-109.

The OIG identified 50 percent of DM-109 that is not proprietary and could be public. Management acknowledged our identification of sections that could be posted publically and does not “. . .think it would be effective to disassociate these sections from the context of the complete handbook. Doing so may cause some level of confusion for the reader if references are made to sections not provided or if there are instructions in sections not provided that relate to the sections provided.”

### **PostalOne! Multiple Mailing Permit Process**

In order for the Postal Service to accept commercial mail, mailers are required to have a mailing permit and pay an annual mailing fee at every Post Office where they enter their

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<sup>5</sup> The Postal Wizard provides a secure way to submit a postage statement online. The wizard automatically populates the Permit Holder section of the postage statement based on the account number provided, guides the user through the items needed to complete the statement, and verifies the provided information meets postal regulations. As part of the process, postage is automatically calculated. Once the postage statement is complete, the electronic statement may be submitted directly to the acceptance unit.

commercial mail. A mailing permit is permission to use a certain postage payment method for bulk and commercial mailings.

The *PostalOne!* system is a web-based system that monitors and tracks all mailing permits the Postal Service assigns. The system provides an electronic link between a customer's mailing information and Postal Service's business mail acceptance process. We identified<sup>6</sup> approximately 800,000 mailing permits in *PostalOne!* during FY 2011, with approximately 475,000 permits being inactive, denied, canceled or deleted in *PostalOne!*. The inactive, denied, or canceled permits account for 61 percent of all mailing permits in the system.

The remaining 39 percent (over 300,000 permits) are active in *PostalOne!*. Our analysis of the 20 largest mailers in FY 2010 indicates that these companies have 1,317 permits. This is an average of 66 mailing permits for each mailer, and some mailers have over 300 permits. Assuming each company in *PostalOne!* had 66 active mailing permits and are now only required to have one active permit, the Postal Service could reduce the number of mailing permits to 4,644. Using an average of 30 mailing permits for each mailer would reduce the number of mailing permits to 10,216. This analysis demonstrates that the Postal Service has an opportunity to reduce the number of mailing permits from approximately 300,000 to a range of 4,644 to 10,216 by eliminating multiple permits for one mailer. We did this analysis because management told us they could not provide this information. See [Appendix C](#) for details.

In comparison, FedEx, UPS, and Swiss Post use a single customer account (permit) regardless of how many different locations the customer uses to enter mail. Before automation of the digital age, it was logical to require mailers to have a mailing permit and pay an annual fee at every Post Office where they entered mail. Multiple permits increase difficulty for existing and new customers to do business with the Postal Service, unlike our competitors. Also, the data system for permit information is supporting unused information and more information than actually needed, which can lead to confusion for Postal Service employees.

According to management, the Postal Service is in the process of moving to one permit per customer. The Enterprise Payment (EP) interim solution is supposed to provide customers with a centralized payment account to pay for products and services. This interim solution will “. . .utilize the present Centralized Automated Payable System (CAPS) to accommodate all permit accounts. Using the CAPS finance number as the national trust repository and the CAPS account number as the centralized payment account number, the Postal Service will be able to utilize the present CAPS linking functionality in the *PostalOne!* system to link all permits to centralized payment accounts.” To date, the OIG has not been given any information the Postal Service has communicated to its customers to notify them of the EP interim solution allowing them to maintain a centralized payment account to pay for all products and services.

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<sup>6</sup> We used the June 2011 Permit Imprint *PostalOne!* Balance Report Data Extract which contains all customer Permit Imprint accounts.

## Postage Statements

Any customer claiming a mailing discount and all permit mailings must be accompanied by a postage statement completed and signed by the mailer. A postage statement is a Postal Service form that documents the number of pieces in the mailing, postage price that should be paid, and customer information such as the permit number, address, e-mail address, and telephone number. There are different postage statements for all classes of mail (First-Class, Standard, and non-profit Standard Mail), as well as for some subordinate rate categories and subclasses (such as Priority Mail, Media Mail, Periodicals, and Package Services) along with each method of postage payment. Customers must complete a postage statement form (paper or electronic) ranging from five to 25 pages.

Originally, manual postage statements were a necessity and it was easier to use many pages than to use the complete DMM. Automation of the digital age should replace all paper like the paper postage statement substituted for the DMM. In fact, many large commercial mailers have computer software to automatically prepare postage statements, along with supporting documentation, so the burden of dealing with the lengthy and complex postage statements may fall on the least sophisticated mailers and new customers. According to management, the Postal Service is actively implementing programs to simplify and streamline their product offerings.

We reviewed previous OIG audit reports to identify any issues with mail preparation/acceptance and to determine whether or not the Postal Service can simplify the mail preparation/acceptance process. Our previous audit report findings concluded that employees did not properly verify the customer information and complete the Postal Service portion of the postage statements. One of the reasons employees did not follow the policies included inadequate understanding of the postage statement requirements. See [Appendix D](#) for details.

## Recommendations

We recommend the vice president, Mail Entry and Payment Technology, and the vice president, Pricing:

1. Combine and remove all duplications in the *Domestic Mail Manual*, Quick Service Guides, *Business Mail Acceptance*, Job Aids, and Customer Support Rulings; and publish a new document available to all mailers online.

We recommend the vice president, Mail Entry and Payment Technology:

2. Migrate to a one permit per customer requirement using *PostalOne!*.
3. Archive all *PostalOne!* deleted or canceled permits.

## Management's Comments

Management agreed that the DMM and other mail preparation manuals should clearly and concisely define mailing standards and requirements and every effort should be made to simplify mailing standards to facilitate the use of the mail. However, management stated the *Business Mail Acceptance* and Job Aids should not be combined with the DMM, because they have a separate and distinct function.

Management agreed that they should clearly define acceptance and verification procedures and stated that, as they move to streamline acceptance procedures, they will revise their documents to accurately reflect new processes. However, management disagreed that these documents should be disseminated publically or included with other public documents, including the DMM, stating these documents contain internal operating procedures and instructions that do not reflect customer mail preparation or qualification.

Management agreed to a one permit per customer requirement and stated that the EP will provide a platform for paying postage through a single account at the option of the mailer.

Management partially agreed to archive canceled or deleted permits at this time, stating that if the *PostalOne!* system is operating as expected, but with the EP deployed, the archiving of permits will be allowed. See [Appendix E](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the majority of the issues identified in the report. Management partially agreed with our recommendation to consolidate and make available online mail preparation/acceptance guidance. Management has increased the number of mailing standards because they believe to be responding to customer needs. Their intent to streamline mail acceptance in the future will fulfill our recommendation.

The interim solution of EP will allow the Postal Service to migrate to a one permit per customer requirement using *PostalOne!* and deployment of the EP will also allow the archiving of permits.

The OIG considers all the recommendations 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 Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

## Appendix A: Additional Information

### Background

The Postal Service is an independent agency of the U.S. government, responsible for providing postal service in the U.S. It is one of the few government agencies explicitly authorized by the U.S. Constitution.

In the middle of the 19th Century, the Post Office Department (POD) changed the rate structure based on the number of sheets in a letter and the distance a letter traveled. In 1863, Congressional legislation created a mail rate for each half ounce weight of a mailpiece. This was the first law to establish a uniform rate, regardless of the distance traveled, thus providing universal service to customers regardless of their domestic location. This law also created three classes of mail: First-Class Mail, which included letters; Second-Class Mail for publications issued at regular periods; and Third-Class Mail, which included all other mail.

The Postal Reorganization Act (the Act) signed by President Richard Nixon on August 12, 1970, replaced the cabinet-level POD with the independent U.S. Postal Service and established an independent Postal Rate Commission. The Act took effect on July 1, 1971. At this time, the POD was reorganized as a quasi-independent corporation of the federal government and acquired its present name. The Postal Service is self-sufficient and has not directly received taxpayer-dollars since the early 1980s with a few minor exceptions.

On December 20, 2006, President George W. Bush signed into law the Postal Accountability and Enhancement Act (Postal Act of 2006). The Postal Act of 2006 transformed the Postal Rate Commission into the Postal Regulatory Commission (PRC) and assigned significant new responsibilities to the agency. It requires the PRC to develop and maintain regulations for a modern system of rate regulation. The Postal Act of 2006 also assigns new and continuing oversight responsibilities to the PRC, including annual determinations of Postal Service compliance with applicable laws, development of accounting practices and procedures for the Postal Service, review of the universal service obligation, and assurance of transparency through periodic reports. New enforcement tools include subpoena power, the authority to direct the Postal Service to adjust rates and take other remedial actions, and the ability to levy fines in cases of deliberate noncompliance with applicable postal laws.

The intent of the Postal Act of 2006 is to design a modern pricing and regulatory system to increase predictability and reduce administrative burdens on customer, potential consumers, and employees. This regulation enables the Postal Service to streamline pricing and classification, retain excess revenue, compete fairly in the marketplace, and respond effectively to economic conditions.

The DMM contains all official prices and standards governing domestic mailing services and is mostly used by commercial mailers and Postal Service employees. The DMM contains information for mailers and employees for services such as prices, postage statements, and mailing permits. In addition, the QSG are a set of illustrations of DMM requirements and are accessible within the DMM.

The Postal Service developed Handbook DM-109 to provide detailed guidelines for business mail entry unit (BMEU) management and acceptance employees for the daily operation of BMEUs and affiliated Detached Mail Units, with a focus on providing consistent customer service to mailers. Handbook DM-109 serves as a comprehensive source of information on the verification and acceptance of all categories of business mail and a roadmap for effective compliance with the Postal Service's internal financial and procedural controls. Handbook DM-109 also stresses the importance of providing mailers with the most up-to-date business processes and policies and predictable acceptance procedures needed to provide mailers with the best customer experience.

The Postal Service developed the Job Aids to provide additional guidance to its employees and provide further analysis of how mailing standards are applied.

The Postal Service created CSRs to help its employees and customers use the DMM. The CSRs provide examples of specific mailpieces and an analysis of how mailing standards are applied. CSRs are published when needed and as mailing standards change.

### **Objective, Scope, and Methodology**

Our objective was to determine whether there are opportunities to simplify the mail acceptance procedures contained in the DMM. To accomplish our objective, we:

- Reviewed applicable policies and procedures and other pertinent documentation.
- Obtained public opinion using an external audit project page titled "*Domestic Mail Manual Preparation and Acceptance Mail Instructions.*"
- Interviewed representatives of the mailing industry to determine any opportunities to simplify mail acceptance.
- Interviewed Postal Service officials to determine any opportunities to simplify mail acceptance and any additional guidance/policies for mail acceptance and verification.
- Reviewed the DMM and DM-109 to determine if there could be simplification of mail acceptance and preparation procedures.
- Reviewed the Job Aids which establish the flow of mail from preparation to acceptance.

- Reviewed the QSG which illustrate DMM requirements.
- Reviewed DM-109 to identify opportunities to simplify mail acceptance procedures and compared it to the Job Aids used by Postal Service employees.
- Reviewed USPS.com to determine whether mail acceptance guidelines are understandable and easy for consumers to use.
- Reviewed the DMM and DM-109 and additional Postal Service policies relating to requirements of mailing permits for each postal location where mail is entered.
- Reviewed CSR related to mail acceptance.
- Reviewed *PostalOne!* to determine the number of active mailing permits.
- Reviewed current and older versions of the DMM to determine page and price volume data.

We conducted this performance audit from May 2011 through February 2012 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on September 29, 2011, and included their comments where appropriate.

We assessed the reliability of Postal Service mailing permit data by reviewing supporting documentation provided by *PostalOne!*. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Bound Printed Matter Workshare Discounts</i>	CRR-AR-08-005	5/9/2008	N/A	At six large Bound Printed Matter (BPM) acceptance facilities, controls were in place to ensure mailers prepared BPM to workshare standards. However, some of the supporting documentation management used to develop BPM discounts was old, which could affect the reliability of the BPM workshare discount rates.
<i>Fiscal Year 2007 Financial Installation Audits – Business Mail Entry Units</i>	FF-AR-08-131	3/19/2008	\$2,292,350	Based on items reviewed at BMEUs, we concluded that at sampled locations, financial transactions were reasonably and fairly presented in the accounting records and, generally, the internal controls we examined were in place and effective. However, we determined that mailing personnel did not always follow the required acceptance, verification, and clearance procedures for mailings.
<i>Fiscal Year 2008 Financial Statement Audit – Business Mail Entry Units</i>	FF-AR-09-052	12/22/2008	\$1,558,424	Based on items reviewed at BMEUs, we concluded that at sampled locations, financial transactions were reasonably and fairly presented in the accounting records and, generally, the internal controls we examined were in place and effective. However, we determined that mailing personnel did not always follow the required acceptance, verification, and clearance procedures for mailings.

<p><i>Fiscal Year 2009 Financial Statement Audit – Business Mail Entry Units</i></p>	<p><a href="#">FF-AR-10-051</a></p>	<p>12/22/2009</p>	<p>\$4,117,331</p>	<p>Based on items reviewed at BMEUs, we concluded that, at sampled locations, financial transactions were reasonably and fairly presented in the accounting records and, generally, the internal controls we examined were in place and effective. However, we determined that mailing personnel did not always follow the required acceptance, verification, and clearance procedures for mailings.</p>
<p><i>Fiscal Year 2010 Financial Statement Audit – Business Mail Entry Units</i></p>	<p><a href="#">FF-AR-11-006</a></p>	<p>1/20/2011</p>	<p>\$148,840</p>	<p>Based on items reviewed at BMEUs, we concluded that, at sampled locations, financial transactions were reasonably and fairly presented in the accounting records and, generally, the internal controls we examined were in place and effective. However, we determined that mailing personnel did not always follow required acceptance, verification, and clearance procedures for mailings.</p>

### Appendix B: Number of Pages in the DMM

The DMM contains all official prices and standards governing mailing services. However, for employees and mailers using the Postal Service, the DMM is a 1,700 plus page document which has increased with every update, except in 1996 when the manual decreased. In fact, the DMM has averaged an update every 6 months since 2007 and, since 1981, the number of pages has increased from 444 to 1,718, for an increase of 286 percent. The following is a breakdown of the number of pages of the DMM since 1981:

#### Number of Pages in DMM by Year

Year	Pages
1981	444
1986	480
1991	833
1996	754
2001	963
2006	1567
2011	1718

## Appendix C: Multiple Mailing Permits

In order for the Postal Service to accept mail, mailers are required to have a mailing permit and pay an annual mailing fee at every Post Office they use to enter their commercial mail. A mailing permit is permission to use a certain postage payment method for bulk and commercial mailings.

The *PostalOne!* system is a web-based system that monitors and tracks all mailing permits assigned by the Postal Service. The system provides an electronic link between a customer's mailing information and the Postal Service's business mail acceptance and induction processes. During FY 2011, we identified approximately 800,000 permits in *PostalOne!* Of this number, approximately 475,000 permits (60 percent) are either inactive, denied, canceled, or deleted.

However, there are over 300,000 (39 percent) active permits in *PostalOne!* Our analysis of the 20 largest mailers in FY 2010 indicates these companies have 1,317 permits. This is an average of 66 mailing permits for each mailer and some mailers have over 300 permits. If the permits for the top 20 mailers were reduced from 1,304 to 20, that would be a 98 percent reduction.

Assuming that each company in *PostalOne!* had 66 active mailing permits and was now only required to have one active permit, the Postal Service could reduce the number of mailing permits to 4,644. Using an average of 30 mailing permits for each mailer would reduce the number of mailing permits to 10,216. This analysis demonstrates that the Postal Service has an opportunity to reduce the number of mailing permits from approximately 300,000 to a range of 4,644 to 10,216 by eliminating multiple permits for one mailer.

According to management, the EP will address multiple mailing permits through a system that provides a centralized payment account profile with expanded payment options for all products/services and all customers. The EP is designed to accommodate payment requests for any product system and be able to use a single account for multiple Postal Service products and services.

Current CAPS management and processing will be changed in January 2012 to move all local trust accounts into CAPS, enabling the use of permits across finance numbers. This will provide the customers with the option to maintain a centralized payment account to pay for products and services. The need is especially prevalent where customers may hold multiple permit accounts at multiple locations.

To date, the OIG has not been provided any information from the Postal Service that has been communicated to customers to notify them of the EP interim solution allowing them to maintain a centralized payment account to pay for all products and services.

## Appendix D: Postage Statements

Any customer claiming a mailing discount and all permit mailings must be accompanied by a postage statement (paper or electronic) completed and signed by the mailer. A postage statement is a Postal Service form that documents the number of pieces in the mailing, the postage price that should be paid, and customer information such as the permit number, address, email address and phone number.

There are different postage statements for all classes of mail (First-Class, Standard, and non-profit Standard Mail) as well as for some subordinate rate categories and subclasses (such as Priority Mail, Media Mail, Periodicals, and Package Services) along with each method of postage payment. Customers must complete a postage statement form ranging from five to 25 pages. An example of page 1 of Postage Statement — Standard Mail is below. This page illustrates the customer information, number of pieces in the mailing, and postage price to be paid.

**United States Postal Service**  
**Postage Statement—Standard Mail**

Post Office: State, Mail Arrival Date & Time  
(Do Not Round Stamps)

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**Mailer**

Permit Holder's Name and Address and Email Address, If Any \_\_\_\_\_ Telephone \_\_\_\_\_ Name and Address of Mailing Agent (if other than permit holder) \_\_\_\_\_ Telephone \_\_\_\_\_ Name and Address of Individual or Organization for Which Mailing is Prepared (if other than permit holder) \_\_\_\_\_

CAPS Cust. Ref. No. \_\_\_\_\_

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**Mailing**

Post Office of Mailing	Processing Category	Mailer's Mailing Date	Federal Agency Coat Code
Type of Postage <input type="checkbox"/> Permit Imprint <input type="checkbox"/> Precanceled Stamps <input type="checkbox"/> Metered	<input type="checkbox"/> Letters <input type="checkbox"/> Rate <input type="checkbox"/> Parcels - Multirate <input type="checkbox"/> Parcels - Irregular <input type="checkbox"/> CMM <input type="checkbox"/> NRE <input type="checkbox"/> Catalogs	Weight of a Single Piece _____ pounds	<input type="checkbox"/> Combined Mailing <input type="checkbox"/> Mixed Class <input type="checkbox"/> Single Class
Permit # _____	For Mail Enclosed within Another Class <input type="checkbox"/> Bound Printed Matter <input type="checkbox"/> Library Mail <input type="checkbox"/> Media Mail <input type="checkbox"/> Parcel Post	<input type="checkbox"/> Periodicals	If Sacked, Based on <input type="checkbox"/> 125 pcs <input type="checkbox"/> 15 lbs <input type="checkbox"/> both
For Automation Perms, Enter Date of Address Matching and Coding _____	For Carrier Route Pieces, Enter Date of Address Matching and Coding _____	For Carrier Route Pieces, Enter Date of Carrier Route Sequencing _____	For pieces bearing a simplified address enter date of delivery statistics file or alternative method _____

Move Update Method:  
 Ancillary Service Endorsement  FASTforward  NCOALink  ACS  Alternative Method  Multiple  OneCode ACS  n/s Alternative Address Format

Parts Completed (Select all that apply)  A  B  C  D  E  F  G  H  I  J  K  L  M  S

Mailpiece is a product sample.  
 Letter-size or flat mailpiece contains DVD/CD or other disk.

**Total Postage (Add Parts Totals)** \_\_\_\_\_

Price at Which Postage Affixed (Check one) Complete if the mailing includes pieces bearing metered or precanceled stamps.  
 Correct  Lowest  Neither \_\_\_\_\_ ps. x \$ \_\_\_\_\_ **Postage Affixed**

**Permit # \_\_\_\_\_ Net Postage Due (Subtract postage affixed from total postage)** \_\_\_\_\_

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**USPS Use**

Additional Postage Payment (State reason) \_\_\_\_\_

For postage affixed add additional payment to net postage due for permit imprint add additional payment to total postage

**Total Adjusted Postage Affixed** \_\_\_\_\_

Postmaster Report: Total Postage x (Permit Imprint Date) \_\_\_\_\_ **AIC 130** **Total Adjusted Postage Permit Imprint** \_\_\_\_\_

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**Certification**

Incentive Claimed: \_\_\_\_\_

The mailer's signature certifies acceptance of liability for and agreement to pay any revenue deficiencies assessed on this mailing, subject to appeal. If an agent signs this form, the agent certifies that he or she is authorized to sign on behalf of the mailer and that the mailer is bound by the certification and agrees to pay any deficiencies. In addition, agents may be liable for any deficiencies resulting from matters within their responsibility, knowledge, or control. The mailer hereby certifies that all information furnished on this form is accurate, truthful, and complete; that the mail and the supporting documentation comply with all postal standards and the mailing qualifies for the prices and fees claimed; and that the mailing does not contain any matter prohibited by law or postal regulation. I understand that anyone who furnishes false or misleading information on this form or who omits information requested on this form may be subject to criminal and/or civil penalties, including fines and imprisonment.

Privacy Notice: For information regarding our Privacy Policy visit [www.usps.com](http://www.usps.com).

Signature of Mailer or Agent \_\_\_\_\_ Printed Name of Mailer or Agent Signing Form \_\_\_\_\_ Telephone \_\_\_\_\_

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**USPS Use Only**

Weight of a Single Piece 0 _____ pounds	Are postage figures at net adjusted total postage correct? If yes, reason: <input type="checkbox"/> Yes <input type="checkbox"/> No
Total Pieces _____ Total Weight _____	Round Stamp (Required) Paid Date _____
Total Postage _____	
Reason Verification performed? (if required) <input type="checkbox"/> Yes <input type="checkbox"/> No	Date Mailed (Month) _____ (Day) _____
CERTIFY that this mailing has been subjected to each test below if needed eligibility for postage price discount, proper preparation, and proper weight required. Proper completion of postage statement, signature of individual is a sufficient basis for discount of postage.	Time _____ AM/PM
USPS Employee's Signature _____	Print USPS Employee's Name _____

PS Form 3602-R1, April 2011 (Page 1 of 14) PSN 7530-07-920-6256 This form and mailing standards available on Postal Explorer at [pe.usps.com](http://pe.usps.com).

**Appendix D: Postage Statements (cont.)**

The postage statement lists 350 postage prices, including all of the different mail automation discounts and drop shipment discounts.

We reviewed previous OIG audit reports to identify any issues with mail acceptance and to determine whether the mail acceptance process can be simplified. Our previous findings concluded that employees did not properly verify the customer information and complete the Postal Service portion of the postage statements. One of the reasons employees did not follow the policies included inadequate understanding of postage statement requirements. An example of a page of postage statement prices is shown below (this one is for Standard Mail), illustrating possible confusion that could occur based on the number of sample prices for piece and weight of the mailpieces. On the page below, there are 35 possible prices for a mailer to use based on the mailing. There are an additional 315 prices on the other pages of the postage statement (not shown).

Standard Mail										
<input type="checkbox"/> <b>Part A</b>		Automation Letters								Check box at left if prices are populated in this section.
<b>Letters 3.3 oz. (0.2063 lbs.) or less</b>										
Entry	Price Category	Price	No. of Pieces		Total Postage					
A1	None	5-Digit	\$0.237							
A2	None	3-Digit	0.255							
A3	None	AADC	0.257							
A4	None	Mixed AADC	0.273							
A5	DNDC	5-Digit	0.204							
A6	DNDC	3-Digit	0.222							
A7	DNDC	AADC	0.224							
A8	DNDC	Mixed AADC	0.240							
A9	DSCF	5-Digit	0.194							
A10	DSCF	3-Digit	0.212							
A11	DSCF	AADC	0.214							
<b>Letters Over 3.3 oz. up to 3.5 oz.</b>										
Entry	Price Category	Piece Price	Or Amount Affixed	No. of Pieces	Pieces Subtotal	Pound Price	Pounds	Pounds Subtotal	Total Postage	
A12	None	5-Digit	\$0.087			0.725				
A13	None	3-Digit	0.105			0.725				
A14	None	AADC	0.107			0.725				
A15	None	Mixed AADC	0.123			0.725				
A16	DNDC	5-Digit	0.087			0.565				
A17	DNDC	3-Digit	0.105			0.565				
A18	DNDC	AADC	0.107			0.565				
A19	DNDC	Mixed AADC	0.123			0.565				
A20	DSCF	5-Digit	0.087			0.517				
A21	DSCF	3-Digit	0.105			0.517				
A22	DSCF	AADC	0.107			0.517				
For affixed postage mailings as described in DMM 243, compute and enter the price for each piece in the Amount Affixed column, multiply by No. of Pieces and total in the Total column.										
A23	Standard Mail Automation Letters Subtotal (Lines A1-A22)									
<b>Full Service Intelligent Mail Option</b>										
A24	Letters - Number of Pieces that Comply _____ x \$0.001 =									
<b>Part A Total (Line A23 minus A24)</b>										

## Appendix E: Management's Comments



January 18, 2012

SHARIAN B. HOLLAND  
ACTING DIRECTOR, AUDIT OPERATIONS

**SUBJECT:** Draft Audit Report – Domestic Mail Manual Preparation and Acceptance Mail Instructions  
(Report Number **CI-AR-12-DRAFT**)

Thank you for the opportunity to review and comment on the subject draft audit report. We are in agreement with recommendation 2; however we are in partial agreement with recommendation(s) 1 and 3 and have included our responses to each.

The subject report and this response does not contain any information related to potential security vulnerabilities that, if released, could be exploited and cause substantial harm to the U.S. Postal Service.

We do not believe that this report contains any proprietary or business information prohibiting disclosure pursuant to the Freedom of Information Act.

If you have any questions or comments regarding this response please contact Deborah Cumbo, Mail Entry at (202) 268-6393.

A handwritten signature in cursive script, appearing to read "Pritha Mehra".

Pritha Mehra  
Vice President  
Mail Entry & Payment  
Technology

A handwritten signature in cursive script, appearing to read "Maura Robinson".

Maura Robinson  
Vice President  
Pricing

cc Ellis Burgoyne  
Paul Vogel  
Corporate Audit Response Mgmt.

Draft Audit Report – *Domestic Mail Manual Preparation and Acceptance Mail Instructions*  
(Report Number CI-AR-12-DRAFT)

We recommend the Vice President Mail Entry & Payment Technologies and the Vice President Pricing to:

- 1] Combine and remove all duplications in the Domestic Mail Manual, Quick Service Guides, Business Mail Acceptance, Job Aids, and Customer Support Rulings; and publish a new document available to all mailers online.

**Management Response/Action Plan:**

Management agrees that the Domestic Mail Manual (DMM) and other mail preparation manuals should clearly and concisely define mailing standards and requirements. While we believe every effort should be made to simplify mailing standards to facilitate the use of the mail, the way information is presented in the DMM should also facilitate the access to and understanding of mailing standards. In developing the current DMM format, research determined that an important factor driving ease of use was the ability to access all relevant information in one place rather than forcing the user to “flip” from page to page or to “click through” multiple links. To facilitate easy reference, hyperlinks and a user-friendly search engine allow easy reference to specific topics. For those users focusing on one type of mail instead of many, Quick Service Guides (QSGs) present summary references to specific DMM topics. Customer Support Rulings (CSRs) address case studies applying mailing standards. We routinely review CSRs and all supporting DMM materials to determine whether they can be consolidated within the DMM without compromising ease-of-use.

For example, we recently centralized Move Update standards while retaining reference to the requirement for Move Update procedures in each eligibility section, and combined Media Mail and Library Mail standards where appropriate. However, the number of mailing standards have increased, in part, because we are responding to customer needs by (1) adding new products and services (e.g., commercial pricing for Priority Mail and other mail classes) and (2) adding optional preparation requirements (e.g., folded self mailer standards) which result in more flexibility for customers. Simplified options (e.g., EDDM – Retail) have been developed for smaller customers; however, the Postal Service believes that there is value in maintaining options for commercial customers who are willing and able to manage mailing logistics. These options help us to collaboratively manage mailing costs.

The Business Mail Acceptance Handbook, DM 109, is intended to document the policy for mail acceptance operations. The BMA Job Aids contain the procedures to perform the specific acceptance or verification tasks and were specifically designed in response to SOX gap control compliance. These acceptance and verification documents perform a separate and distinct function from the Domestic Mail Manual, Quick Service Guides, and Customer Support Rulings and should not be combined with the DMM.

Management agrees that the Business Mail Acceptance Handbook, DM 109, and job aids should clearly define acceptance and verification procedures. As we move to streamlining acceptance procedures and developing a seamless acceptance process, we will be revising our documents to accurately reflect new processes as they are implemented. Management does not agree that these documents should be disseminated publicly nor included with other public documents including the DMM. These documents contain internal operating procedures and instructions that do not affect customer mail preparation or qualification.

**Target Implementation Date:** Streamline Mail Acceptance, November 2013.

**Responsible Official(s):** Marty McGuire, Mail Entry Manager

Draft Audit Report – *Domestic Mail Manual Preparation and Acceptance Mail Instructions*  
(Report Number CI-AR-12-DRAFT)

- 2] Migrate to a one permit per customer requirement using PostalOne!

**Management Response/Action Plan:**

Management agrees with this recommendation.

Enterprise Payment is currently pending DAR approval. Enterprise Payment will provide a platform for the option to pay postage through a single account for mailings mailed at any location at the option of the mailer. This is being referred to as Mail Anywhere/Pay Anywhere. The interim solution being released in Spring 2012 is intended to offer a 'mail anywhere' process for mailings that maintain a minimum of 90% full-service mailings. External communication of mail anywhere will be provided prior to the release.

**Target Implementation Date:**

Enterprise Payment projected deployment October 2013 pending budget approval. Required DAR approval will be requested in April 2012.

**Responsible Official:** Sue Redman, Manager Payment Technology

- 3] Archive all *PostalOne!* deleted or canceled permits

**Management Response/Action Plan:**

Management partially agree with the recommendation.

The following is an explanation of the process and summary rules for the *PostalOne!* Monthly Cancellation process. This is the batch process which controls updating the record status on permits that are not being used in *PostalOne!* We believe that the *PostalOne!* System is operating as expected and do not agree to archive cancelled or deleted permits at this time.

The batch cancellation process is broken into 3 major steps (Cancel, Refund, Delete)

1. **Cancel** - This step updates the permit record status to CANCEL when transactions are not found to have activity for a 2 year period. This activity is based on the transaction logic for each permit type listed below. The table lists the general criteria used to evaluate the permit activity. If any activity occurs in the 2 year window the permit is not cancelled. For a traditional CAPs permit, 2 years of inactivity also stops the CAPs auto-fee renewal process.
2. **Refund** - This step zeroes out the balance for a permit after giving the clerk 2 months to process customer refunds after cancellation. Positive balance adjustment goes to AIC 126, negative balance adjustment goes to AIC 647. This step does not touch CAPS (traditional account) balances.
3. **Delete** - This step updates the permit record status to DELETE. This occurs 1 year after the record is set to the CANCEL status. For traditional CAPs permit, the permit is also de-linked from the main CAPS account. In addition, Periodicals are set to DELETE status if they have been cancelled for 1 year and are Additional Entry Periodical permits.

Draft Audit Report – *Domestic Mail Manual Preparation and Acceptance Mail Instructions*  
(Report Number CI-AR-12-DRAFT)

Account	Permit Type	Starting Record Status	Transactions used as Indicator of Activity	Inactivity Period (move to Cancel)	Inactivity Period (after Cancel) to Refund Permit balances	Cancellation Period (move to Delete after Cancel)
Permit Imprint	PI	(ACTIVE, INACTIVE)	Mailing or Annual Fees or Application Fee	24 months	2 months	12 months
AddPos	PI	(ADDPOS)	Adjustment that deducts from balance	24 months	2 months	12 months
Metered	MT	(ACTIVE, INACTIVE)	Mailing or Annual Fees	24 months	2 months	12 months
Pre-cancelled	PC	(ACTIVE, INACTIVE)	Mailing or Annual Fees	24 months	2 months	12 months
Ghost	GH	(ACTIVE, INACTIVE)	Mailing or Annual Fees	24 months	2 months	12 months
Business Reply Mail	BR (including all sub-accounts)	(ACTIVE, INACTIVE)	Master Fees on Master permit or Mailing on sub-accounts	24 months	2 months	12 months
Merchandise Return Services	MRS (including all sub-accounts)	(ACTIVE, INACTIVE)	Master Fees	24 months	2 months	12 months
Postage Due Periodical (Additional Entry)	PD	(ACTIVE, INACTIVE)	Mailing	24 months	2 months	12 months
	PE	CANCEL				12 months

**Archiving Deleted Permits**

There are a large number of permits in delete status in the *PostalOne!* system. The two main challenges for permit archiving are the permit/transaction relationship and the permit/account relationship. The transaction relationship is the database validation that requires the permit to be present for transactions to be stored. The transactions are stored for 4 years, so permits also need to be stored for 4 years and 1 day. In addition, there are business/functionality relationships between BRM permits for master and sub-account relationships. BRM sub-accounts need to be linked to their master BRM account for fee validation. With the deployment of Enterprise Payment, these interrelationships between permits and transactions will be restructured to allow for the archiving of permits.

**Target Implementation Date:**

Enterprise Payment projected deployment October 2013. Required DAR approval will be requested in April 2012.

**Responsible Official:** Sue Redman, Manager Payment Technology