



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

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**Unclaimed Funds**

**Audit Report**

April 16, 2012

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**Report Number FF-AR-12-003**



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# HIGHLIGHTS

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## **IMPACT ON:**

U.S. Postal Service unclaimed funds held by U.S. state treasuries.

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

Our objective was to determine whether the Postal Service efficiently and effectively collects unclaimed funds held by U.S. state treasuries. This audit responded to a request from the Postal Service related to a Hotline complaint.

## **WHAT THE OIG FOUND:**

The Postal Service could more efficiently and effectively collect unclaimed funds. Although the Postal Service is identifying some unclaimed funds through limited online searches, they are not using all available search methods to collect additional funds that are due. Opportunities exist to improve identification and collection of unclaimed funds by registering as a member of an online searchable database, incorporating additional search terms, and establishing points of contact with state treasuries. Based on our limited use of additional search methods and developing points of contact with state treasury personnel, we identified \$865,838 of unclaimed funds. Further, we estimate that state treasuries are holding an additional \$614,220.

## **WHAT THE OIG RECOMMENDED:**

We recommended the Postal Service use additional search methods to identify and collect unclaimed funds.

This includes taking advantage of the benefits offered through membership with a publically available online service, using a variety of Postal Service terms when conducting searches, and establishing working relationships with U.S. state treasury employees.

## **WHAT MANAGEMENT SAID:**

Management agreed with the recommendation and stated that a membership to a publically available online service was acquired on March 9, 2012, and agreed to expand the number of terms used in future searches and establish working relationships with state treasury employees. However, they believe the monetary impact was overstated because the Office of General Counsel would have collected a significant portion of the \$1.5 million; not all identified unclaimed funds may belong to the Postal Service; and ownership may not be able to be conclusively established.

## **AUDITORS' COMMENTS:**

The OIG considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report. We believe the \$1.5 million represents a conservative estimate of collectable unclaimed funds.

[Link to review the entire report](#)



April 16, 2012

**MEMORANDUM FOR:** MARY ANNE GIBBONS  
GENERAL COUNSEL AND EXECUTIVE VICE PRESIDENT

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". A small yellow question mark icon is located in the top right corner of the box.

**FROM:** John E. Cihota  
Deputy Assistant Inspector General  
for Financial Accountability

**SUBJECT:** Audit Report – Unclaimed Funds  
(Report Number FF-AR-12-003)

This report presents the results of our audit of unclaimed funds (Project Number 12BG002FF000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kevin H. Ellenberger, director, Data Analysis and Performance, or me at 703-248-2100.

Attachments

cc: Timothy F. O'Reilly  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit of unclaimed funds (Project Number 12BG002FF000). We conducted this audit in response to a request from the U.S. Postal Service related to a Hotline complaint.<sup>1</sup> Specifically, the Office of Inspector General (OIG) received a complaint from the Postal Inspection Service regarding an investigation of funds owed to various Connecticut post offices listed as unclaimed property with the state. The Postal Inspection Service was concerned that the Office of General Counsel (OGC)<sup>2</sup> was not pursuing all unclaimed funds reported to state treasuries and referred this matter to the OIG. Our objective was to determine whether the Postal Service efficiently and effectively collected unclaimed funds held by U.S. state treasuries.<sup>3</sup> This audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

Unclaimed funds are accounts that financial institutions or companies transfer to state treasuries when the rightful owner<sup>4</sup> of the funds has not initiated a collection action or cashed checks issued to them. After a predetermined length of time, state laws require holders<sup>5</sup> to remit these funds to the state. States do not take permanent title to the funds but act as custodians, safeguarding the funds until they are returned to the rightful owner. The various types of unclaimed funds we identified for the Postal Service included customer checks for postage that were never cashed, credit balances or refunds from overpayments for goods and services, and rebates on purchases.

The National Association of Unclaimed Property Administrators (NAUPA)<sup>6</sup> is a non-profit organization affiliated with the National Association of State Treasurers. Members represent all states, Washington, D.C., and other international governmental entities. NAUPA provides a forum for continuing discussions regarding interstate cooperation, education, training, uniform laws, reporting requirements, and increasing public awareness of the role the states play in protecting and returning property to rightful owners. According to NAUPA there is approximately \$33 billion in 117 million accounts held in state treasuries nationwide. NAUPA endorses a searchable national online database of unclaimed funds called [MissingMoney.com](#).

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<sup>1</sup> A similar Hotline complaint was submitted on January 20, 2012, to the U.S. Postal Service OIG alleging a general concern that unclaimed funds were being held by individual states that should be returned to the Postal Service.

<sup>2</sup> In 1998, the Postal Service vested authority for the collection of unclaimed funds with the OGC.

<sup>3</sup> We included Washington, D.C., and Puerto Rico in our universe of U.S state treasuries.

<sup>4</sup> An owner is a person or entity having a legal or equitable claim to the unclaimed funds.

<sup>5</sup> A holder is an organization – bank, insurance company, business, or government agency – that has custody of the unclaimed funds until it is claimed by the owner or transferred to the state. A holder can be either a customer or a vendor.

<sup>6</sup> The mission of NAUPA is to promote and support excellence and professionalism among those individuals charged with the responsibilities of unclaimed property administration and compliance.

## Conclusion

The Postal Service could more efficiently and effectively collect unclaimed funds. Although the Postal Service is identifying some unclaimed funds through limited online searches, they are not using all available search methods to collect additional funds due. Opportunities exist to improve the process for identifying and collecting unclaimed funds, such as registering as a member of an online searchable database of unclaimed funds, incorporating additional search terms, and establishing points of contact with state treasuries. Based on our limited use of additional search methods and developing points of contact with state treasury personnel, we identified \$865,838 of unclaimed funds. Further, we estimate that state treasuries are holding an additional \$614,220.<sup>7</sup>

## Identifying and Collecting Unclaimed Funds Needs Improvement

The Postal Service did not efficiently and effectively identify all unclaimed funds. This occurred because the Postal Service reduced the number of resources<sup>8</sup> it uses to identify unclaimed funds without improving the methods it uses to identify those funds. Consequently, we identified \$865,838 of funds currently available for the Postal Service to collect and estimate that as much as \$614,220 is available at other state treasuries that did not disclose dollar amounts. See [Appendix B](#) for additional information.

## Postal Service Approaches Used to Identify Unclaimed Funds

From fiscal year (FY) 1998 through FY 2008, the OGC used a group of three paralegals to send letters to individual state treasuries requesting unclaimed funds for the Postal Service. This process resulted in sporadic responses and no direct contact with the individual state treasuries. These efforts resulted in the collection of \$203,189 from 14 states in FY 2007 and \$335,204 from 16 states in FY 2008.

Since FY 2009, the OGC has had only one employee performing this function as a secondary duty. During this time, the OGC enlisted a contractor to assist with the collection of unclaimed funds. As a result of their combined efforts, the OGC collected \$1.1 million from 36 states in FY 2009.<sup>9</sup> Using the online service,<sup>10</sup> the OGC collected \$851,315 from 36 states in FY 2010 and \$569,968 from 31 states in FY 2011.

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<sup>7</sup> There were 1,022 unclaimed listings with dollar amounts totaling \$865,837.84, averaging \$847.20 per listing. We obtained 725 unclaimed funds that did not disclose dollar amounts. We estimated \$614,219.60 by multiplying the 725 unclaimed funds by the \$847.20 average.

<sup>8</sup> Resources were reduced because the process to collect unclaimed funds transitioned from a manual process to an online web-based process.

<sup>9</sup> The contractor is still employed by the Postal Service to collect unclaimed funds from local governments at a commission of 14 percent. For FYs 2010 and 2011, the contractor identified \$138,353 and \$78,183, respectively.

<sup>10</sup> [MissingMoney.com](http://MissingMoney.com).

## Improved Methods for Identifying Unclaimed Funds

Currently, the OGC employee does not take full advantage of the tools available with the online service and has not established working relationships with state treasury employees. Specifically, we found the Postal Service could have improved upon identifying and collecting these funds by:

- Becoming a member with the online service and creating a search profile on behalf of the Postal Service to receive automatic notifications for new postings.<sup>11</sup> Once enrolled as a member, you can add postal terms to your search profile for automatic notices, which are sent three times a year. These automatic notices would inform the Postal Service that state treasuries have posted new unclaimed funds that meet the search criteria in the user's profile. Also, membership with the online service offers pre-populated claim forms to expedite the collection process.
- Using a variety of different Postal Service terms when conducting searches. We used an expanded list of 90 terms and included city and town names, postal terminology, and acronyms such as "VMF,"<sup>12</sup> "GMF,"<sup>13</sup> "BMEU,"<sup>14</sup> and "CMRS."<sup>15</sup> The OGC used basic search terms such as "Postmaster," "Post Master," "US Post," "U S Post", "United States Post," "USPS," "U S P S," "USPO," and "Post Office".
- Establishing a network with state treasury employees. During our audit, we established personal contacts with state treasury employees in four states.<sup>16</sup> These contacts were invaluable in locating unclaimed funds and provided needed information that assisted our searches at other locations.

Using these techniques, we conducted our own searches and found that additional unclaimed funds were available to the Postal Service for collection. [Chart 1](#) illustrates that applying additional search methods along with establishing points of contact with state treasuries would improve the Postal Service's collection process success. We identified about \$1.5 million in Q1, FY 2012 (\$865,838 of funds with dollar amounts plus an estimate of \$614,220 for funds with undisclosed dollar amounts). As a result of our audit, state treasuries sent us claim forms which we forwarded to the OGC for their action. The OGC submitted these forms to the appropriate state treasuries for payment.<sup>17</sup>

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<sup>11</sup> There is no fee for becoming a member.

<sup>12</sup> Vehicle Maintenance Facility.

<sup>13</sup> General Mail Facility.

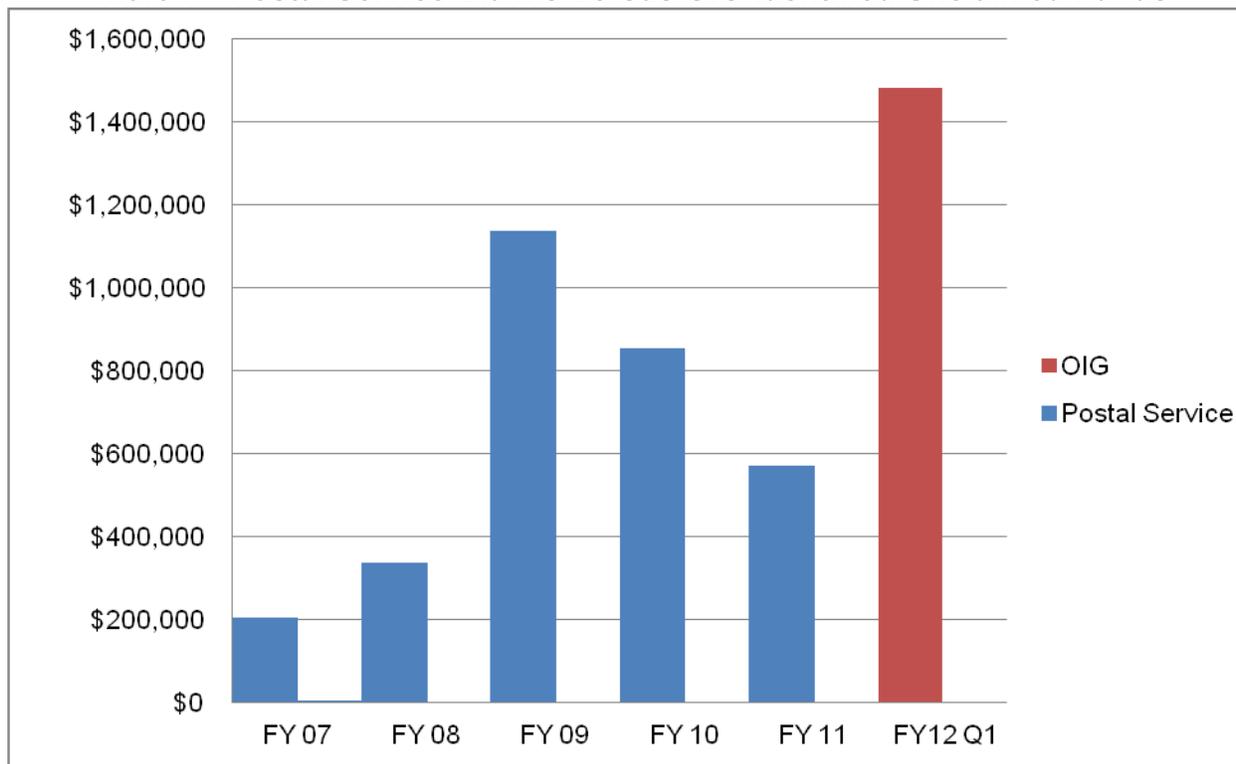
<sup>14</sup> Business Mail Entry Unit.

<sup>15</sup> Computerized Meter Resetting System.

<sup>16</sup> Connecticut, Massachusetts, New York, and Texas.

<sup>17</sup> The OGC took corrective action by expanding their membership profile to include CMRS as an additional search term.

**Chart 1 – Postal Service Claims Versus OIG-Identified Unclaimed Funds**



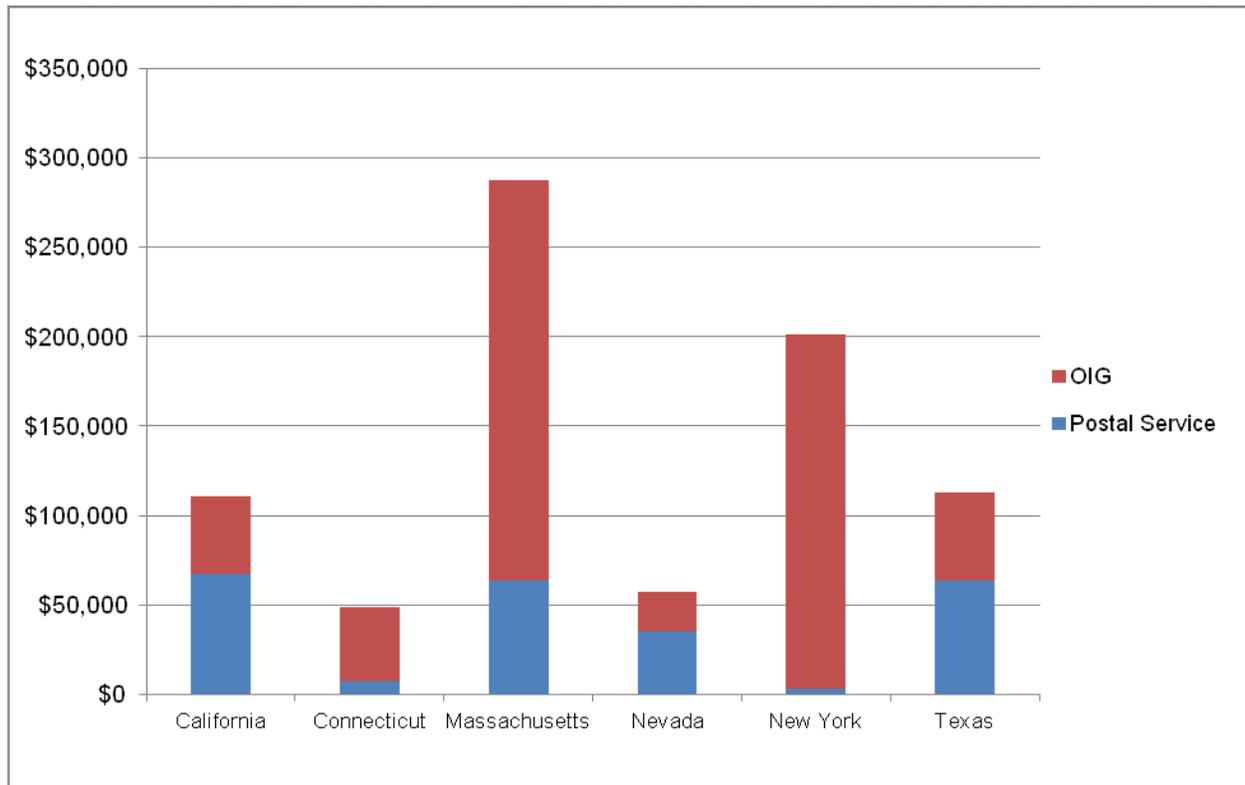
Source: Postal Service Accounting Services Center, Eagan MN and the OIG.

As shown in [Chart 2](#), for six states we identified \$578,876<sup>18</sup> more than the \$239,877 that the Postal Service collected. Included in the funds we found were 519 listings<sup>19</sup> posted prior to 2007 belonging to the Postal Service and totaling \$398,948 that were still held by state treasuries. These funds could have been detected and collected during the OGC’s searches. For example, the New York State Treasury has held two of the listings, valued at \$65,000 and \$50,000, since 2006. Additionally, the Massachusetts State Treasury has held two listings, valued at \$26,000 and \$14,000, since 2002.

<sup>18</sup> The Postal Service claimed \$239,876.65 for California, Connecticut, Massachusetts, Nevada, New York, and Texas in calendar year (CY) 2011; however, the OIG recognized an additional \$578,876.18 that was still held with those states for collection in CY 2011.

<sup>19</sup> A listing is an individual property claim.

**Chart 2 – Calendar Year 2011 Postal Service Claims and OIG-Identified Claims**



Source: Postal Service Accounting Services Center, Eagan, MN and the OIG.

**Recommendation**

We recommend the general counsel and executive vice president:

1. Direct the deputy general counsel to utilize additional search methods to identify and collect unclaimed funds. This includes taking advantage of the benefits offered through membership with a publically available online service, using a variety of different Postal Service terms when conducting searches, and establishing working relationships with state treasury employees.

**Management’s Comments**

Management agreed with the recommendation; however, they believe the monetary impact is overstated because the OGC would have collected a significant portion of the \$1.5 million during the normal course of business. Further, the expansive list of terms the OIG used may increase the probability that not all identified claims belong to the Postal Service, and ownership may not be able to be conclusively established. Additionally, management stated they acquired a membership to a publically available online service on March 9, 2012; and, by June 1, 2012, agreed to expand the number of terms used in future searches and establish working relationships with state treasury employees. See [Appendix C](#) for management’s comments in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to our findings and recommendation and corrective actions should resolve the issues identified in the report. We agree that the OGC may have identified a significant portion of the \$1.5 million; however, nearly \$600,000 of this amount remained unidentified and uncollected by the OGC from 1976 through 2011. Regarding the collectability of the \$1.5 million, we believe this represents a conservative estimate of collectable unclaimed funds. Using an expansive list of terms, our original data identified over 2,300 unclaimed funds valued at approximately \$2 million. To establish ownership, we relied on confirmations from state treasuries and utilized prior successful Postal Service claims using similar search terms. As a result, we eliminated over 600 unclaimed funds and conservatively identified 1,747 valued at \$1.5 million. Further, we identified and forwarded supporting documentation to the OGC from five state treasuries for the collection of \$754,646 in unclaimed Postal Service funds.

## Appendix A: Additional Information

### Background

Unclaimed funds are monies held by state treasuries that owners have not claimed. These funds originate from financial institutions, public utilities, insurance companies, banks, universities, businesses, and public entities and are due to the rightful owners, who are not collecting these funds.

There is a publically available online service designed to search the centralized national online database of unclaimed funds held by state governments for businesses and individuals. Thirty-nine states, Washington, D.C., and Puerto Rico, currently share their unclaimed funds data on this website. Thirteen states do not participate and require direct correspondence by telephone, email or First-Class Mail®. Obstacles to collecting unclaimed Postal Service funds include individual state rules, the reliability of state treasury data, multiple variations for the name of the Postal Service, and the claim process itself. Many states have a policy of excluding federal funds from its public search databases, requiring a direct request with proof of ownership for this information.

The Postal Service currently relies on searches of the online website to find unclaimed funds and the cooperation of state treasury personnel to process their claims. Each state has different regulations and requirements for distributing unclaimed funds, often requesting additional documentation in support of Postal Service claims. Searching state treasury databases is limited to using a first and last name or company name. Since new unclaimed data is added weekly, identifying unclaimed funds for the Postal Service requires a continuous search with the online service using multiple name variations and constant contact with state treasury personnel.

### Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service efficiently and effectively collects unclaimed funds held by U.S. state treasuries. To accomplish this objective, we reviewed guidelines the Postal Service uses and documentation pertaining to prior unclaimed fund collections.

We interviewed Postal Service management and personnel. We conducted searches of a publically available online service, as well as individual state treasury websites, and interviewed state treasury personnel to evaluate the Postal Service's unclaimed fund collection process. In addition, we inquired with the Postal Service OGC and researched applicable U.S. state laws concerning unclaimed property. Because of the proximity to OIG offices, we visited the Massachusetts and New York state treasury offices to establish points of contact to determine whether unclaimed funds belonging to the Postal Service existed. In addition, we reviewed unclaimed funds data from the online state treasury databases of all 50 U.S. states, Washington D.C., and Puerto Rico. We also contacted state treasury personnel regarding their unclaimed funds processes and

the dollar amounts of unclaimed funds owned by the Postal Service. For state databases that did not disclose unclaimed fund amounts, we estimated these amounts nationwide.

We conducted this performance audit from October 2011 through April 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 finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 8, 2012, and included their comments where appropriate.

We relied on databases located on individual state treasury websites. Since these databases are external to the Postal Service, we were unable to test their reliability. However, we determined that the data was sufficiently reliable for the purposes of this report.

#### [Prior Audit Coverage](#)

The OIG did not identify any prior audits or reviews issued during the last 5 years related to the objectives of this audit.

## Appendix B: Monetary and Other Impacts

### Monetary Impacts

Finding	Impact Category	Amount
Identifying and Collecting Unclaimed Funds Need Improvement	Funds put to better use <sup>20</sup>	\$865,838

### Other Impacts

Finding	Impact Category	Amount
Identifying and Collecting Unclaimed Funds Need Improvement	Potential additional revenue <sup>21</sup>	\$614,220

There were 1,022 unclaimed listings with dollar amounts totaling \$865,837.84. This yields an average of \$847.20. We obtained 725 unclaimed funds that did not disclose dollar amounts. We estimated \$614,219.60 by multiplying the 725 unclaimed funds by the \$847.20 average.

<sup>20</sup> Funds that could be used more efficiently by implementing recommended actions.

<sup>21</sup> Revenue the Postal Service could potentially generate for goods delivered or services rendered based on suggested improvements.

## Appendix C: Management's Comments

MARY ANNE GIBBONS  
GENERAL COUNSEL  
AND EXECUTIVE VICE PRESIDENT



April 6, 2012

Shirian B. Holland  
Acting Director, Audit Operations  
USPS Office of Inspector General  
1735 North Lynn Street  
Arlington, VA 22209-2020

Re: Audit Report – Unclaimed Funds  
(Report Number FF-AR-12)

Dear Ms. Holland,

Thank you for the opportunity to review and comment on the subject draft audit report. Below, please find our responses to the findings and recommendations of this audit.

Management agrees with the finding of the Office of Inspector General (OIG) that the Postal Service could more efficiently and effectively collect unclaimed funds. The monetary impact of the finding, however, appears to be overstated. Unclaimed funds collections by the General Counsel's Office for Fiscal Years 2009 through 2011 have ranged from \$571,000 to \$1.1 million. This money was collected using the website MissingMoney, and a small amount came from a contractor. As such, a significant portion of the \$1,500,000 identified as being available for collection by the OIG audit would be gathered by the General Counsel's office during the normal course of business using current processes and procedures.

OIG concluded that \$1,500,000 unclaimed funds were available for collection after searching the MissingMoney website using 90 different search terms. Using such an expansive list of terms increases the probability that not all of the identified claims are, in fact, Postal monies. Moreover, the Postal Service may not be able to conclusively establish to the satisfaction of state treasury authorities an entitlement for every possible claim. There may be a potential to collect up to \$1.5 million using MissingMoney but it is not a sure thing.

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**UNCLAIMED FUNDS – AUDIT RECOMMENDATIONS**

Utilize additional search methods to identify and collect unclaimed funds. This includes:

**Recommendation 1.** Take advantage of the benefits offered through membership with a publically available online service.

**Management Response:** Management agrees to this recommendation.

**Target Implementation Date:** Completed March 9, 2012

**Recommendation 2.** Use a variety of different Postal Service terms when conducting searches.

**Management Response:** Management agrees to expand the universe of search terms.

**Target Implementation Date:** June 1, 2012

**Recommendation 3.** Establish working relationships with state treasury employees.

**Management Response:** Management agrees with this recommendation.

**Target Implementation Date:** June 1, 2012

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.

If you have any questions about this response, please contact Charles Kappler at 410-280-1816.



Mary Anne Gibbons

cc: Ms. Simmons