



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

**Management of Business Master
Trust Accounts**

Management Advisory Report

September 5, 2012

Report Number FF-MA-12-010



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UNITED STATES POSTAL SERVICE

HIGHLIGHTS

September 5, 2012

Management of Business Master Trust Accounts

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BACKGROUND:

The U.S. Postal Service maintains customer advance deposit trust accounts in the PostalOne! system. Customers use these accounts to pay for business mailings. Customers deposit funds in their accounts and present mailings with postage statements detailing the cost of the mailings. The Postal Service withdraws funds for business mailings based on the postage statements. The Postal Service is responsible for managing these accounts by accurately recording customer deposits and withdrawals when a mailing occurs and maintaining and reporting customer information.

As of May 2012, there were 389,142 business master trust accounts valued at \$496 million. Our objective was to determine whether the Postal Service is effectively managing advance deposit trust accounts to collect and record all business mail revenue. Specifically, we focused on customer accounts with high account balances (greater than \$100,000 but never lower than \$25,000 for the past year).

WHAT THE OIG FOUND:

The Postal Service is effectively managing advance deposit trust accounts to collect and record all business mail revenue. We identified 538 customers (0.14 percent of all customers) with account balances exceeding \$100,000, totaling \$142.8 million (29 percent of all business account balances). Eighty-seven percent of customers surveyed use either PostalOne! or a combination of PostalOne! and their own records to manage their advanced deposit trust account balances.

We concluded that customer account records reconciled to balances maintained in PostalOne! and customers had legitimate reasons for maintaining large account balances.

WHAT THE OIG RECOMMENDED:

Since the Postal Service was effectively managing advance deposit trust accounts, we are not making recommendations at this time. This report is being provided for informational purposes.

[Link to review the entire report](#)



September 5, 2012

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

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: Management Advisory Report – Management of
Business Master Trust Accounts
(Report Number FF-MA-12-010)

This report presents the results of our review of the Management of Business Master Trust Accounts (Project Number 12BG026FF000).

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: Joseph Corbett
Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction 1

Conclusion 1

Advance Deposit Trust Account Balances 2

Advance Deposit Trust Account Transactions..... 4

Appendix A: Additional Information 6

 Background 6

 Objective, Scope, and Methodology 6

 Prior Audit Coverage 7

Introduction

This report presents the results of our review of the management of business master trust accounts (Project Number 12BG026FF000). Our objective was to determine whether the U.S. Postal Service is managing advance deposit trust accounts to collect and record all business mail revenue. This self-initiated review addresses financial risk. See [Appendix A](#) for additional information about this review.

Postal Service business mail customers are required to deposit funds into a Postal Service maintained advanced deposit (business master) trust account to pay for future services used by the mailer. The Postal Service has the responsibility to effectively manage these accounts by accurately recording customer deposits and withdrawals when a mailing occurs. Additionally, management of these accounts includes the proper maintenance and reporting of customer account information. As of May 2012, there were 389,142 business master trust accounts valued at \$496 million. Of these 389,142 accounts, 538 accounts (0.14 percent) had a balance greater than \$100,000, totaling \$142.8 million (29 percent). Our review focused on customer accounts with high account balances.¹

Conclusion

The Postal Service is managing advanced deposit (business master) trust accounts to collect and record all business mail revenue. Our examinations of apparent anomalous balances and transactions confirmed that customers had legitimate reasons for maintaining account balances in excess of \$100,000, and all transactions were proper. Additionally, we concluded that, generally, customer account records reconciled to balances maintained in the PostalOne! system.² Eighty-seven percent of customers surveyed use either PostalOne! or a combination of PostalOne! and their own records to manage their advanced deposit trust account balances.

We discussed identified potential account anomalies with customers and found customer's transactions resulted from their normal business practices, such as transferring money between accounts to cover mailing costs. We also discussed transactions processed in a manner to compensate for the Postal Service's Point of Service (POS) system³ limitations, such as prohibiting deposits of \$1 million or more. Customers provided reasonable explanations regarding these apparent account anomalies.

¹ We define high customer account balances as greater than \$100,000 as of May 2, 2012, but never lower than \$25,000 for the past year.

² The PostalOne! system is a suite of services that offers web-based initiatives for business mailers and business mail acceptance employees.

³ POS is the electronic system used at retail facilities to record sales and payment transactions.

Because the Postal Service was effectively managing advance deposit trust accounts, we are not making recommendations at this time. This report is being provided for informational purposes.

Advance Deposit Trust Account Balances

Based on a survey of 200 customers, we determined the account balances in PostalOne! were accurate. We mailed 200 surveys to advance deposit trust account customers with high balances and received 133 responses (67 percent). Based on our review of the 133 responses, we determined:

- Eighty-seven percent of customers use PostalOne! to manage their accounts.
- Fifty percent of the customers that responded relied solely on PostalOne!.
- Thirty-seven percent of the customers that responded relied on both their own records and PostalOne!.
- Thirteen percent of customers relied solely on their own records and were unaware of their balance in PostalOne!.

Table 1 displays summary information obtained from the customer questionnaires.

Table 1. Customer Questionnaire Summary

Questionnaires Mailed	200
Questionnaires Returned	133
Customers Relied on PostalOne!	66
Customer Relied on Own Records and PostalOne!	50
Customers Relied on Their Own Records	17

Source: Customer questionnaires from a U.S. Postal Service Office of Inspector General (OIG) survey.⁴

Based on our review of the survey results, we concluded that half of the customers do not have the ability to reconcile their accounts to Postal Service records. Therefore, if the Postal Service would mistakenly not charge or over charge a customer for a mailing, neither the Postal Service nor the customer would be aware of the error. However, when we compared the balances provided by customers to PostalOne! balances, we found a net difference of \$101,751, which was 0.22 percent of the customers total account balance. We did not find significant differences that would indicate an over or under charge. Table 2 provides account balance information obtained from the customer questionnaires.

⁴ Questionnaires sent on July 2 and 3, 2012.

Table 2. Questionnaire Results

	Instances	Dollar Value
Questionnaires Mailed	200	N/A
Questionnaires Returned	133	N/A
Customer reported balance larger than PostalOne!	16	(\$539,643)
Customer reported balance smaller than PostalOne!	10	641,394
Net difference	26	\$101,751

Source: Customer questionnaires and PostalOne! balances.

In addition to reconciling customer account balances with Postal Service balances, we examined unusual advanced deposit (business master) trust account balances and determined the following:

- We identified 200 customers who had, in our opinion, more money on deposit than needed to cover the costs of their mailings. The total account balance for these customers was \$72.3 million, averaging over \$361,000 per customer. We did not believe there would be a compelling business reason for a customer to keep a large balance with the Postal Service, as this money is not accruing interest and is not readily available to the customer for anything other than paying for postage. We initially thought the Postal Service may not have entered postage statements causing the high balances; however, we found customers had legitimate reasons for maintaining large balances in their accounts.

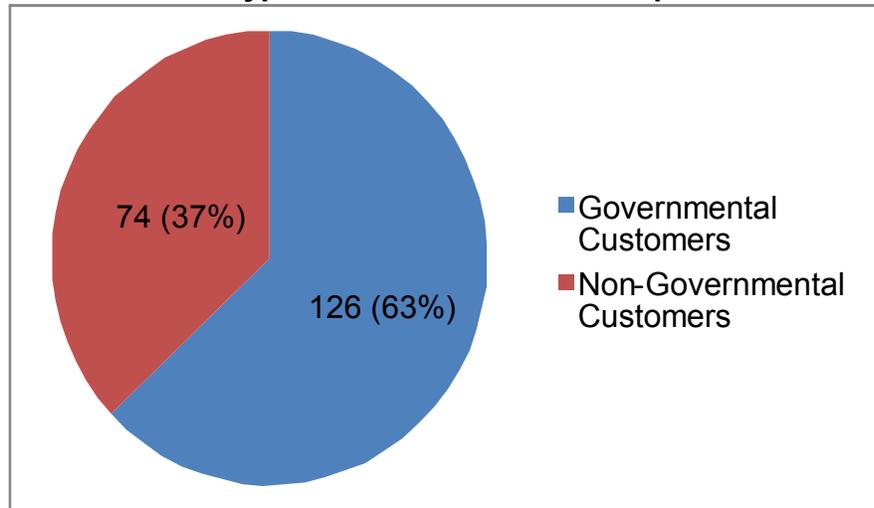
According to our survey, customers wanted to ensure that they have enough money in the account for mailings and that they do not spend it in other areas throughout the year. In another instance, the customer stated that five different departments within the organization use one account. Each department is responsible for having enough money for their mailings so they do not use any of the other department's funds. These reasons explain why customers maintain larger balances than needed to cover the costs of their mailings.

- We found a customer who did not know a PostalOne! account existed in the customer's name. The customer uses a mailing agent to process mailings and did not realize there was an advanced deposit account.⁵ It was only after the customer spoke with the OIG and researched the account that the customer realized there was a balance of \$127,386. We considered this an isolated incident and do not believe it is a systemic issue.

⁵ Mail owners may decide to use a mailing agent to submit bulk business mailings to the Postal Service. Mailing agents may provide services ranging from delivering a mailing to the Postal Service for acceptance to designing, printing, and sorting.

- An evaluation of the 200 customers with high account balances showed that 126 (63 percent) of the customers were government agencies. Chart 1 displays the breakdown of customers with high account balances.

Chart 1. Types of Questionnaire Recipients



Source: Assumption based on the customer names as recorded in PostalOne!.

Advance Deposit Trust Account Transactions

We judgmentally sampled 271 advanced deposit (business master) trust account customers⁶ and reviewed their records of mailing in PostalOne! from October 1, 2009, through May 31, 2012. Based on our review, we identified 100 customers with anomalies, such as multiple deposits on the same day, minutes apart. We spoke with 30 customers to follow up on unusual transactions. Customers provided reasonable explanations regarding these apparent account anomalies. Following are a few examples of the explanations we received.

- Customers made multiple large deposits recorded on the same day. However, these transactions were legitimate because they had to split their deposits, as the POS System would not accept a deposit of \$1 million or more.⁷
- Nine customers maintained permit accounts that handle mailings for multiple customers and, as a result, have no apparent pattern to their mailings. There are mailers who use another's account, such as a mailing house, because, among other reasons, they do not have sufficient volume to justify the expense of having their own account.⁸

⁶ All 271 customers had account balances greater than \$100,000 as of May 2, 2012. However, 71 customers had balances that fell below \$25,000 at one point, but they had transactions that we chose to investigate.

⁷ We validated the system had a control in place to disallow deposits exceeding \$1 million or more.

⁸ The Domestic Mail Manual recognizes this as a proper business relationship. For example, DM-109, Section 3-3.2 states that if a permit imprint number is used as the postage payment method, Postal Service personnel should validate that it belongs to either the mail owner or the mail preparer and that it matches the permit on the postage statement.

- Eleven customers had multiple accounts with the same Postal Service unit. Having multiple accounts enables the customer to transfer funds between accounts. One reason customers maintain multiple accounts at the same unit is to help control the accounting for the different types of mailing they do. Another reason is to segregate mailing for different departments within an organization.
- We could not discern a general pattern of deposits and withdrawals used by all or a majority of customers. Customers maintained account balances by either following a deposit with a series of mailings or depositing funds for a specific mailing. Therefore, we could not establish a general rule to aid us in establishing anomalous activity. For example, one customer made two deposits and 447 withdrawals during our review period, while another mailer made 29 deposits and 38 withdrawals.

Because the Postal Service was effectively managing advance deposit trust accounts, we are not making recommendations at this time. This report is being provided for informational purposes. Since there were not any recommendations provided, management chose not to formally respond to the report.

Appendix A: Additional Information

Background

The Postal Service maintains business master trust accounts in PostalOne!. The customers use these advance deposit accounts to pay for business mailings. Customers deposit funds in their accounts and present mailings with postage statements detailing the cost of the mailings. The Postal Service withdraws funds for business mailings in PostalOne! based on the postage statements presented. According to PostalOne!, as of May 2, 2012, 538 customers had account balances exceeding \$100,000.

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service is managing advance deposit trust accounts to collect and record all business mail revenue. To accomplish this objective we performed the following activities:

- Interviewed Postal Service Headquarters personnel to determine whether they are currently working on any projects that would have an impact on our objective and to obtain information about the advance deposit account program.
- Obtained balances for all permit, Periodicals, and Business Reply Mail/postage due⁹ accounts that are maintained in PostalOne! as of May 2, 2012.
- Using these balances, the team judgmentally selected 200 business mail customers¹⁰ to send questionnaires to request account information. We selected customers that maintained a balance of at least \$100,000 as of May 2, 2012, and no less than \$25,000 during the past year.
- Reviewed questionnaire information to determine whether the customers balance differed from the amount in PostalOne! and if the customers maintain their own account records and reconcile with PostalOne!.
- Obtained transaction data from PostalOne! for 271 business master trust accounts¹¹ from fiscal year 2010 to present. We analyzed the data to determine

⁹ Permit accounts are authorized to mail by using indicia or an imprint in place of stamps or meter impressions. Payment is made against an advance deposit account that is established with Postal Service for postage and services. Periodicals are a mail class consisting of magazines, newspapers, or other publications that are issued at least four times per year at regular, specified frequency from a known office of publication. Business Reply Mail is a domestic service that allows a mailer to receive First-Class Mail[®] pieces back from customers and pay postage only for the pieces returned to the mailer from the original distribution of Business Reply Mail pieces. Postage due is mail in which additional postage is collectable on final delivery, generally because of forwarding or additional services provided.

¹⁰ The sample included customers that had account balances greater than \$100,000 as of May 2, 2012, but never lower than \$25,000 for the past year.

¹¹ All 271 customers had account balances greater than \$100,000 as of May 2, 2012. However, 71 customers had balances that fell below \$25,000 at one point, but they had transactions that we chose to investigate.

whether there were any inconsistencies in deposits or withdrawals that would necessitate follow-up with the customer. In addition, we looked for cases in which the customer regularly deposits cash and then receives a refund. This could potentially be an indication of money laundering.

We conducted this review from May through September 2012 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on August 24, 2012, and included their comments where appropriate.

We assessed the reliability of PostalOne! data by performing electronic testing of required data elements and interviewing agency officials knowledgeable about the data. 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
<i>Northland District – Business Mail Entry Financial Risk</i>	FF-AR-09-224	9/28/2009	\$3,664
<p>Report Results: Internal controls over timely postage statement entry, customer trust accounts, and transaction overrides were generally in place and effective. However, the OIG identified a few areas related to late postage statements, inactive customer deposit accounts, and Periodicals verifications in which the Postal Service could improve. OIG recommended management provide random, monthly, and in-depth verifications of time-sensitive Periodicals. Management agreed with the finding and recommendation, and action taken was responsive.</p>			