

December 10, 1999

JOHN WARD  
VICE PRESIDENT, FINANCE, CONTROLLER

SUBJECT: Tort Claim Receivables  
Report Number FR-FA-00-006

This report presents an interim finding identified during our audit of the United States Postal Service financial statements for fiscal year (FY) 1999, San Mateo Accounting Service Center (Project No. 99PA010FR002).

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**Results in Brief**

Tort claim receivables were neither aggressively managed nor written off after the statute of limitations for collection had expired. Fourteen of twenty accounts receivable reviewed were uncollectable and needed to be written off. Three receivables transferred to a collection agency were not followed upon and two needed to be referred to a collection agency. One account needed a review by the legal department for improper denial of claim by a municipality.

This condition occurred because:

- ◆ Management did not review Aging Accounts Receivable reports.
- ◆ Tort Claims staff did not follow up with the responsible person or their insurance company for payment.
- ◆ Status reports were not provided by the collection agency.

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**Background**

Postal Service vehicles are self-insured for property damage and bodily injury. When non-postal individuals damage Postal Service vehicles, the paralegal staff of the Center's Tort Claims section seeks recovery of the property damage costs. When the damages to the vehicle have been determined and repaired, the person responsible for

the accident is notified to reimburse the Postal Service. The Postal Service can collect for property damage claims within a three-year period under the statute of limitations. If no legal action is brought within this period, damages can no longer be collected.

Policy and procedures for claims against private persons for damage to postal vehicles and property are covered in management instruction, FM-810-93-3, dated December 10, 1993, and chapter 6, handbook F-16, Accounts Receivable, dated February 1990.

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**Objective, Scope, and Methodology**

Our objective was to review the procedures over the allowance for doubtful accounts and determine the reasonableness of the account balance. We conducted this portion of the audit from February 1999 through July 1999 in accordance with generally accepted government auditing standards and included tests of internal controls as were considered necessary under the circumstances.

We discussed our findings and recommendations with appropriate management officials and included their comments, where appropriate.

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**Allowance for Doubtful Account**

Tort claim receivables were neither aggressively managed nor written off after the statute of limitations for collection had expired. Fourteen of twenty accounts receivable reviewed were uncollectable and needed to be written off after three years. Three receivables transferred to a collection agency were not followed upon and two needed to be referred to a collection agency. One account needed a review by the legal department for improper denial of claim by a municipality.

This condition occurred because management did not review the Accounts Receivable Aging report. The aging report should be reviewed on a regular basis to monitor collections, due dates and write-offs of accounts. Tort claim staff should follow up with responsible persons or their insurance company for reimbursements. The collection agency should submit periodic collection reports including statistics of their collection efforts.

Accounts receivable should be reported at net realizable value. Uncollectible receivables should be written off each

accounting period if the balance sheet is to reflect fairly the financial position of the Postal Service and results of its operations.

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**Recommendations**

We offer the following recommendations:

The vice president, finance, controller should:

1. Use past due invoice reports to monitor the status of receivables.
2. If written or personal contacts do not produce any results, investigate responsible persons to determine if payment should be pursued.
3. Require the collection agency to produce reports that detail money collected, and cases closed or recommended to be closed.
4. Use past due invoice reports to identify receivables that can be collected.
5. Write off receivables that are uncollectable.

Please furnish a reply within 20 days describing the corrective action planned or taken, including the timeframes, on our recommendations. This finding will be included in a consolidated report for the San Mateo Accounting Service Center at the conclusion of the fiscal year 1999 financial statement audit. The report will include your comments and any planned corrective actions. If you have any questions, please contact [REDACTED] at [REDACTED] or [REDACTED] at [REDACTED].

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for Performance

cc: Jayne E. Schwarz  
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