



Office of Inspector General | United States Postal Service

Audit Report

No-Fee Post Office Boxes

Report Number FT-AR-19-004 | November 26, 2018



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Highlights

Objective

The U.S. Postal Service offers no-fee post office (PO) box service to customers who do not receive any form of carrier delivery. Customers apply for the no-fee PO box service by completing an application and providing identification to a Postal Service employee. Retail personnel determine customer eligibility and enter data into the Web Box Activity Tracking System (WebBATS), a web-based application that allows retail personnel to manage PO box inventory.

As of March 1, 2018, the Postal Service had about 21.2 million PO boxes at 33,034 retail units. This included 1.3 million no-fee PO boxes at 12,556 retail units. We estimated the total rental value of the no-fee PO boxes was about [REDACTED] million annually.

We visited three retail units in the Western Area to obtain an understanding of the no-fee PO box process. We expanded our coverage by statistically selecting 205 retail units that offered no-fee PO boxes. Using high-risk analytics, such as multiple boxes assigned to one street address and unpaid fees for additional boxes, we visited an additional 12 retail units from the statistical sample of 205 retail units to validate the data. Finally, per management's request, we visited an additional two retail units.

“Our objective was to determine whether internal controls over no-fee PO boxes were effective to ensure only eligible customers received the service.”

In total, we visited 17 retail units and reviewed 1,731 no-fee PO boxes corresponding to those units from October 24, 2017, through January 19, 2018.

Our objective was to determine whether internal controls over no-fee PO boxes were effective to ensure only eligible customers received the service.

What the OIG Found

Controls over no-fee PO boxes were not always effective to ensure that only eligible customers received the service. Specifically, out of 1,731 no-fee PO boxes reviewed, we found:

- Retail personnel used ineffective methods to determine whether a customer's street address was eligible for a no-fee PO box. As a result, personnel issued 22 no-fee PO boxes to customers at five retail units whose street addresses were outside the servicing PO's delivery boundaries.
- Retail personnel entered invalid or duplicate street addresses in WebBATS. Specifically, personnel issued:
 - 996 no-fee PO boxes at two retail units to customers with invalid street addresses.
 - 38 additional no-fee PO boxes at four retail units to customers with the same street address without charging the rental fee for the additional PO box.
- Applications for PO box service and annual verification forms were either missing or incomplete for 171 no-fee PO boxes. Specifically, we found:
 - 49 no-fee PO boxes at eight retail units had no source documents to support customer eligibility or data in WebBATS.
 - 122 no-fee PO boxes at nine retail units had incomplete information on customer applications or annual verifications.

As a result of the issues identified during our audit, management could not validate or confirm customer eligibility for all no-fee PO boxes.

These issues occurred because the Postal Service did not have consistent guidance to determine delivery boundaries, and WebBATS did not detect invalid or duplicate street addresses. Additionally, the Postal Service does not currently require retail personnel to retain source documents confirming customer eligibility.

Having effective manual and automated controls is critical for managing the no-fee PO box service, particularly to ensure the service is provided only to eligible customers. We estimated a 1-year revenue loss to the Postal Service of about [REDACTED] million, based on the site visits and the value of 1.3 million no-fee PO boxes in inventory as of March 1, 2018.

What the OIG Recommended

We recommended management:

1. Develop consistent guidance for retail personnel to determine whether a customer address is located within the servicing PO's delivery boundaries.
2. Enhance WebBATS to identify different street address formats and disallow invalid addresses.
3. Implement procedures to ensure customer application and annual verification information is completely documented and retained, manually or electronically, to support customer eligibility and WebBATS data.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

November 26, 2018

MEMORANDUM FOR: KEVIN L. MCADAMS
VICE PRESIDENT, DELIVERY OPERATIONS

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop 


FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Pricing

SUBJECT: Audit Report – No-Fee Post Office Boxes
(Report Number FT-AR-19-004)

This report presents the results of our audit of the No-Fee Post Office Boxes (Project Number 18BG002FT000)

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, Director, Finance, or me at 703-248-2100.

Attachment

cc: Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the No-Fee Post Office (PO) Boxes (Project Number 18BG002FT000). Our objective was to determine whether internal controls over no-fee PO boxes were effective to ensure only eligible customers received the service. See [Appendix A](#) for additional information about this audit.

Background

In 1998, the U.S. Postal Service revised the no-fee PO box service to grant a PO box, at no cost, to customers who do not receive any form of carrier delivery.¹ Prior to 1998, most Postal Service customers who were ineligible for carrier delivery rented a PO box for a fee.² The overall goal of the no-fee PO box service was to better fulfill the Postal Service's mission of providing universal mail delivery to the nation.

To participate in the no-fee PO box service, a customer must apply in person at a retail unit, complete an application, and present valid, current identification to a Postal Service employee. Postal Service retail personnel³ determine whether the customer is eligible to receive a no-fee PO box, which includes determining whether the customer currently receives, or can receive, street delivery and the street address is located within the servicing PO's delivery boundaries. Additionally, they review the customer's identification documents to verify their identity and street address, and enter customer and PO box information into the Retail Systems Software (RSS),⁴ where applicable, and Web Box Activity Tracking System (WebBATS).⁵ Customers are required to renew their eligibility status annually. See [Figure 1](#) for the no-fee PO box process flow.

As of March 1, 2018, the Postal Service had about 21.2 million PO boxes at 33,034 retail units. Of the 21.2 million PO boxes, 1.3 million no-fee PO boxes

were provided to customers at 12,556 retail units (see [Figure 2](#)). We estimated the total rental value of the no-fee PO boxes was about [REDACTED] million annually.

Finding #1: Delivery Boundaries Methodology

Retail personnel used ineffective methods to determine whether a customer's street address was eligible for a no-fee PO box. Eligibility is determined, in part, by confirming that the customer's street address is located within the servicing PO's delivery boundaries. We found:

- Retail personnel in Crystal Beach, FL, used an outdated Address Management Service map to determine whether six customer addresses were located within its delivery boundaries.
- Retail personnel in Redlake, MN, and Zephyr Cove, NV, relied on their knowledge of customers, or customer verifications, to determine whether 11 customer addresses were located within its delivery boundaries. The Redlake Post Office is located within the Redlake Indian Reservation and does not have a carrier for home delivery. Therefore, retail personnel relied on their knowledge of the customer to verify that they were a member of the Redlake Indian Reservation. Retail personnel in Zephyr Cove called customers and/or left notices in the customers' no fee PO box. They disabled the box to prevent the customer from using it but waited for the customer to update their address before making any necessary changes in WebBATS.
- Retail personnel in Athens, WV, requested a map or address list from the 911 office in Princeton, WV, to determine whether three customer addresses were located within its delivery boundaries. Retail personnel did not have a Postal Service map of their delivery boundaries at the time of our audit. Thus, they used the 911 service map to determine whether the location of a customer's address was within the Athens city limits.

¹ Postal Bulletin 21975, page 9, dated July 2, 1998.

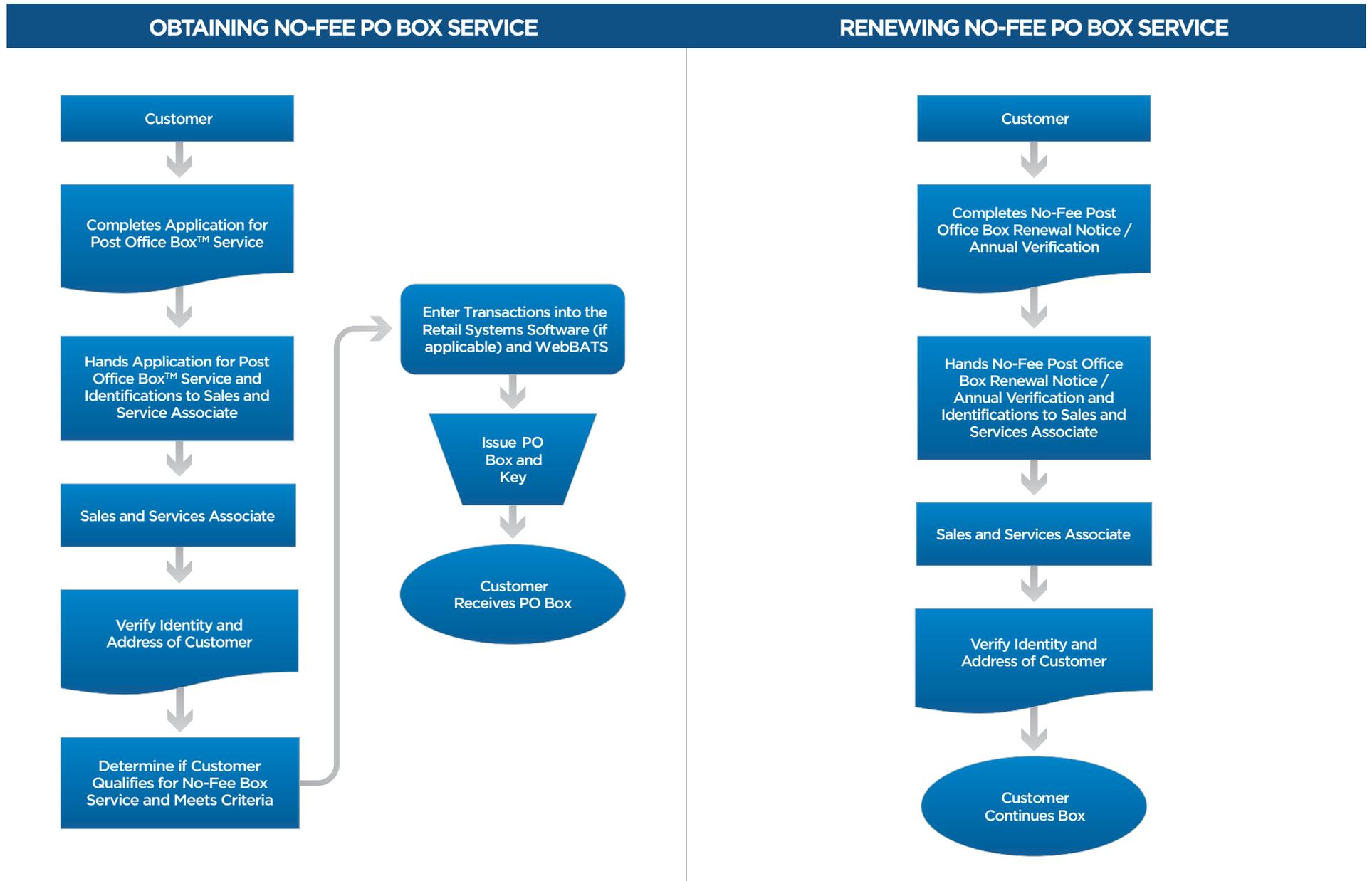
² Federal Register, Volume 62, No. 91, dated May 12, 1997.

³ This applies to all positions involved in the no-fee PO box process, such as window clerk, sales and services associate, and postmaster.

⁴ RSS is a commercial off-the-shelf, single software solution capable of providing point-of-sale business functionalities that support all physical retail channels.

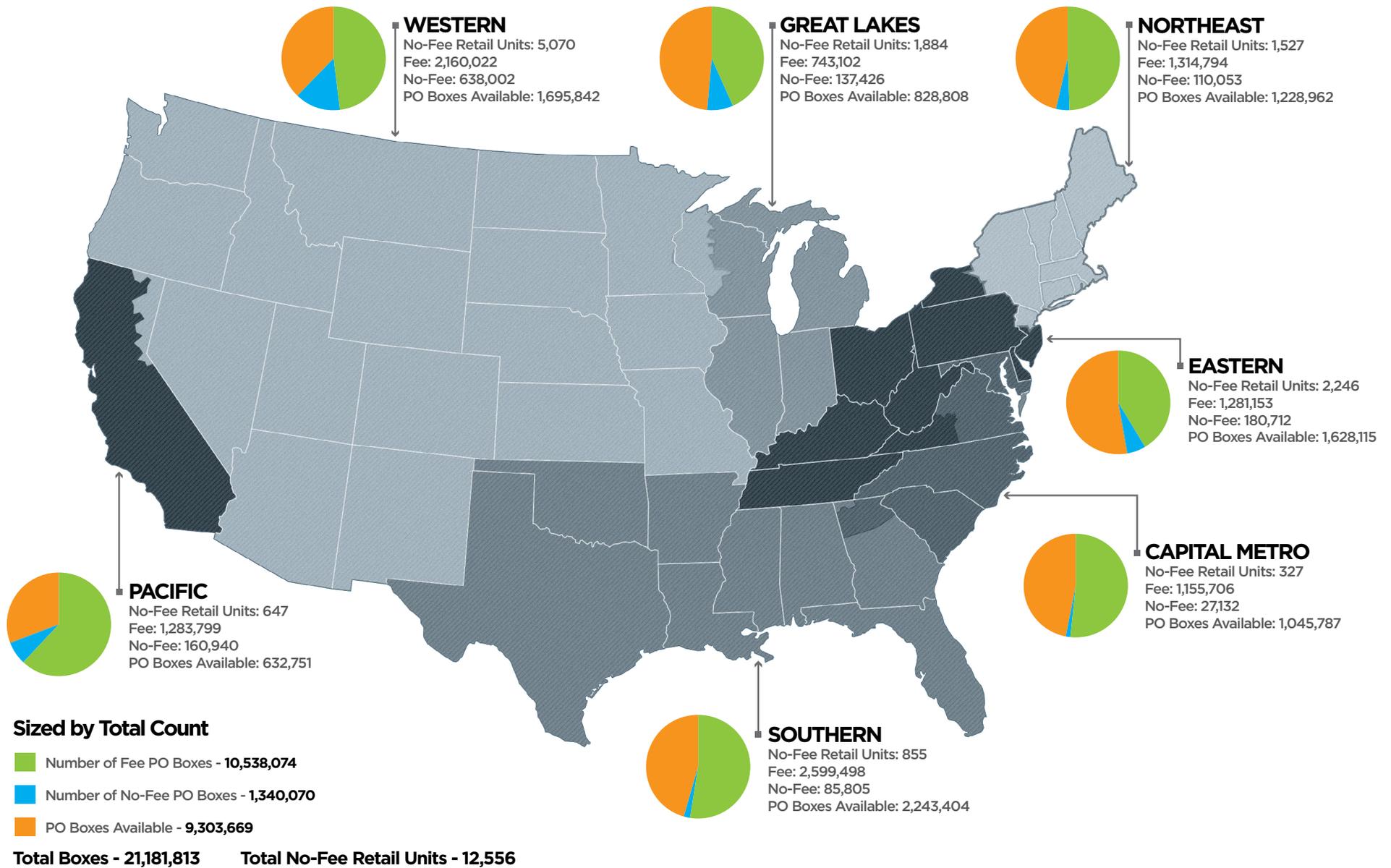
⁵ WebBATS is a web-based application that allows retail personnel to manage their PO boxes and can be used to post payments and refunds, and conduct searches. WebBATS generates more than 40 reports to help management effectively manage its inventory.

Figure 1. No-Fee PO Box Process Flow



Source: *Post Office Box Marketing Toolkit Guidebook*, January 2005.

Figure 2. PO Box Inventory and No-Fee Retail Units as of March 1, 2018



Source: WebBATS Monthly Summary Report.

- A retired Sales and Services Associate (SSA) in Mendota, MN, made the determination whether two customer addresses were located within its delivery boundaries. Since the SSA was unavailable for an interview, we do not know what methods were used to determine eligibility.

Postal Service policy⁶ requires a customer’s address to be within the servicing PO’s delivery boundaries. However, the Postal Service does not have consistent guidance for retail personnel to use to make that determination.

As a result, Table 1 shows 22 no-fee PO boxes at five of 17 retail units visited, that were provided to customers even though their street addresses were located outside the servicing PO’s delivery boundaries.

“Postal Service policy requires a customer’s address to be within the servicing PO’s delivery boundaries.”

Table 1. No-Fee PO Boxes Provided to Customers Outside Delivery Boundaries

Number	Retail Unit Location	Date Visited	Number of No-Fee PO Boxes Reviewed	Number of No-Fee PO Boxes with Street Addresses Outside Delivery Boundaries
1	Monticello, MN	10/24/2017	5	
2	Redlake, MN	10/25/2017	1,022	10
3	Mendota, MN	10/26/2017	117	2
4	Athens, WV	01/10/2018	107	3
5	Corning, CA	01/10/2018	5	
6	Dewey, AZ	01/10/2018	25	
7	San Luis, AZ	01/11/2018	25	
8	Zephyr Cove, NV	01/11/2018	86	1
9	Ansted, WV	01/12/2018	6	
10	Aquebogue, NY	01/16/2018	61	
11	Avalon, CA	01/17/2018	28	
12	Eaton Park, FL	01/17/2018	128	
13	Converse, IN	01/18/2018	32	
14	Crystal Beach, FL	01/18/2018	52	6
15	Funkstown, MD	01/18/2018	5	

⁶ Domestic Mail Manual, Section 508.4.5.2 Free Group E - Free PO Box Service, October 2, 2017.

Number	Retail Unit Location	Date Visited	Number of No-Fee PO Boxes Reviewed	Number of No-Fee PO Boxes with Street Addresses Outside Delivery Boundaries
16	Emmitsburg, MD	01/19/2018	3	
17	Greens Fork, IN	01/19/2018	24	
TOTAL			1,731	22

Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

Consistent guidance for retail personnel is critical to ensure that no-fee PO boxes are provided only to eligible customers. During the audit, we noted that retail personnel in Eaton Park, FL, obtained delivery routes from nearby PO's to ensure customers were not receiving mail delivery options from another PO. Retail personnel in other POs could adopt this best practice when determining eligibility for no-fee PO boxes.

Recommendation #1

We recommended the **Vice President, Delivery Operations**, develop consistent guidance for retail personnel to determine whether a customer address is located within the servicing post office's delivery boundaries.

Finding #2: WebBATS Information

Retail personnel did not always correctly enter critical street address⁷ information in WebBATS. Specifically, they entered invalid or duplicate street addresses in WebBATS without charging the rental fee for the additional PO box. The Postal Service requires retail personnel to enter all information into WebBATS for proper management.⁸ Additionally, policy⁹ states that only one no-fee PO box may be obtained for each street address and that customers must pay the applicable fee for each PO box they receive in addition to the initial no-fee

PO box. WebBATS is not designed to adequately detect invalid or duplicate street addresses. Specifically:

- WebBATS did not identify obvious invalid street addresses as an exception. For example, as shown in Table 2, WebBATS did not identify [REDACTED] as an invalid street address in [REDACTED].¹⁰ Additionally, WebBATS did not disallow PO box addresses, such as [REDACTED] and [REDACTED] in the address fields even though they are not street addresses.

Table 2. Example of Invalid Street Addresses

PO Box	Address Line 1	Address Line 2	Type of Dwelling	Apt., Suite	City
[REDACTED]	[REDACTED]		[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]				[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]			[REDACTED]

Source: Excerpt from WebBATS *E-Boxes Report*, November 13, 2017.

- WebBATS is designed to identify street addresses in identical formats but not different formats. For example, WebBATS would identify [REDACTED] and [REDACTED] as duplicate street addresses; however, it would not identify [REDACTED] and [REDACTED] as duplicate street addresses, as shown in Table 3.

⁷ Street address is defined as a potential carrier delivery point of service.

⁸ Postal Service Retail and Customer Service Operations Website.

⁹ *Domestic Mail Manual*, Section 508.4.5.3., Additional Standards for Free PO Box Service, November 6, 2017.

Table 3. Example of a Duplicate Street Address in Different Formats

PO Box	Address Line 1	Address Line 2	Type of Dwelling	Apt., Suite	City
████	████████████████				██████
████	████████████	██████████			██████

Source: Excerpt from WebBATS *E-Boxes Report*, November 13, 2017.

As a result, retail personnel issued no-fee PO boxes to customers with invalid street addresses or to multiple customers living at the same address. As shown in Table 4, we reviewed WebBATS data from October 24, 2017, through January 19, 2018, for the 17 locations visited, and found retail personnel:

- Provided 996 customers a no-fee PO box with an invalid street address.
- Issued no-fee PO boxes to 38 customers even though the same street address already existed in WebBATS.

Table 4. No-Fee PO Boxes with Invalid WebBATS Information

Number	Retail Unit Location	Date Visited	Number of No-Fee PO Boxes Reviewed	Number of No-Fee PO Boxes with Invalid Street Address	Number of No-Fee Boxes with Duplicate Street Address
1	Monticello, MN	10/24/2017	5		
2	Redlake, MN	10/25/2017	1,022	985	14
3	Mendota, MN	10/26/2017	117	11	16
4	Athens, WV	01/10/2018	107		
5	Corning, CA	01/10/2018	5		
6	Dewey, AZ	01/10/2018	25		
7	San Luis, AZ	01/11/2018	25		
8	Zephyr Cove, NV	01/11/2018	86		1
9	Ansted, WV	01/12/2018	6		
10	Aquebogue, NY	01/16/2018	61		
11	Avalon, CA	01/17/2018	28		
12	Eaton Park, FL	01/17/2018	128		
13	Converse, IN	01/18/2018	32		
14	Crystal Beach, FL	01/18/2018	52		7
15	Funkstown, MD	01/18/2018	5		

Number	Retail Unit Location	Date Visited	Number of No-Fee PO Boxes Reviewed	Number of No-Fee PO Boxes with Invalid Street Address	Number of No-Fee Boxes with Duplicate Street Address
16	Emmitsburg, MD	01/19/2018	3		
17	Greens Fork, IN	01/19/2018	24		
TOTAL			1,731	996	38

Source: OIG analysis.

Without valid addresses, management cannot validate a customer’s eligibility for a no-fee PO Box. We calculated a revenue loss of [REDACTED] in rental fees during a 1-year period for PO boxes with invalid addresses in WebBATS, provided to customers at no cost. Further, we projected a revenue loss of about [REDACTED] million based on the value of 1.3 million no-fee PO boxes in inventory as of March 1, 2018. This amount was based on our analysis of high-risk factors (see [Appendix A](#)) for 205 statistically selected retail units and included (1) Zone Improvement Plan (ZIP) codes outside the servicing PO’s delivery boundaries (see Delivery Boundaries Methodology), (2) multiple boxes assigned to one street address, (3) boxes exceeding size allowance, and (4) customer annual verifications not performed by the due date.¹¹

As a result of our audit, Postal Service retail personnel took corrective actions on some of the customer eligibility and WebBATS issues we identified. Specifically, retail personnel at five retail units¹² we visited corrected customer street addresses for 16 no-fee PO boxes; converted 6 no-fee boxes to fee boxes; and closed five no-fee PO boxes.

Recommendation #2

We recommended the **Vice President, Delivery Operations** enhance the Web Box Activity Tracking System to identify different street address formats as exceptions and disallow invalid addresses.

Finding #3: Missing or Incomplete Documents

For 171 of the 1,731 no-fee PO boxes reviewed,¹³ Postal Service (PS) Forms 1093, *Application for Post Office Box Service*, or Notices 32-N, *No-Fee Post Office Box Renewal Notice/Annual Verification*, were either missing or incomplete. As shown in [Table 5](#), we found 49 no-fee PO boxes had no source documents to support customer eligibility or WebBATS data. We also found 122 customer applications or annual verifications for no-fee PO boxes that did not include the required information, such as box size requirements, verification of other adult household members, customer signatures, service dates, or final eligibility determination. See [Figure 3](#) for an example of an incomplete customer application.

“We found 122 customer applications or annual verifications for no-fee PO boxes that did not include the required information.”

¹¹ We classified [REDACTED] as revenue loss, defined as an amount Postal Service is (or was) entitled to receive but was underpaid or not realized because policies, procedures, agreements, requirements, or good business practices were lacking or not followed. May be recoverable or unrecoverable. May apply to historical events or a future period (in the sense perceived future losses may be prevented by the implementation of a recommendation).

¹² Mendota, MN; Zephyr Cove, NV; Crystal Beach, FL; Funkstown, MD; and Emmitsburg, MD.

¹³ We reviewed 1,731 no-fee PO boxes from *Box Inventory Reports* in WebBATS obtained from personnel at the 17 locations visited from October 24, 2017, to January 19, 2018.

Table 5. No-Fee PO Boxes with Missing or Incomplete Information

Number	Retail Unit Location	Date Visited	Number of No-Fee PO Boxes Reviewed	No-Fee Boxes with Missing Source Documents	No-Fee Boxes with Incomplete Source Documents
1	Monticello, MN	10/24/2017	5	5	
2	Redlake, MN	10/25/2017	1,022		
3	Mendota, MN	10/26/2017	117	5	7
4	Athens, WV	01/10/2018	107		21
5	Corning, CA	01/10/2018	5	5	
6	Dewey, AZ	01/10/2018	25	18	4
7	San Luis, AZ	01/11/2018	25	4	19
8	Zephyr Cove, NV	01/11/2018	86		
9	Ansted, WV	01/12/2018	6		
10	Aquebogue, NY	01/16/2018	61	7	
11	Avalon, CA	01/17/2018	28		14
12	Eaton Park, FL	01/17/2018	128		20
13	Converse, IN	01/18/2018	32	1	18
14	Crystal Beach, FL	01/18/2018	52		15
15	Funkstown, MD	01/18/2018	5		
16	Emmitsburg, MD	01/19/2018	3		
17	Greens Fork, IN	01/19/2018	24	4	4
TOTAL			1,731	49	122

Source: OIG analysis of inventory reports and forms.

Figure 3. Example of An Incomplete Customer Application

Box Number(s) [REDACTED]	
Application for Post Office™ Box Service <small>Tear off this page, fill out all non-shaded fields, and take it to the Post Office.</small>	
1. Will this service be used for: (Required) <input type="checkbox"/> Business/Organization Use <input checked="" type="checkbox"/> Residential/Personal Use	
2. Name of Business/Organization (if applicable)	
3. Name of Person Applying (Last, First, MI -- include Title if representing a business/organization)	
[REDACTED]	
4. Address	
Number, street, suite, [REDACTED]	Verify initials [REDACTED]
City [REDACTED] State [REDACTED] ZIP +48 [REDACTED]	
5. Telephone Number (Include Area Code) [REDACTED]	6. Email Address (Optional) [REDACTED]
7. Box Size Required: (See page 1 for more details) <input type="checkbox"/> Size 1 <input type="checkbox"/> Size 2 <input type="checkbox"/> Size 3 <input type="checkbox"/> Size 4 <input checked="" type="checkbox"/> Size 5	
8. Applicant must select and enter the ID number for two items of valid identification listed below. You must present the IDs at a Post Office. One item must contain a photograph and one must be traceable to the bearer (prove your physical address). Both must be current.	
<input checked="" type="checkbox"/> State Drivers License or State ID Card Verify initials [REDACTED]	9. List the name(s) of all individuals, including members of a business, who will be receiving mail at this Post Office Box. All names listed must have verifiable identification and, upon request, present this identification to the Postal Service. A parent or guardian may receive the mail of minors by listing their names (no ID is required).
<input type="checkbox"/> Passport, Alien Registration Card or Certificate of Naturalization Verify initials [REDACTED]	
<input type="checkbox"/> Current Lease, Mortgage or Deed Of Trust Verify initials [REDACTED]	
<input type="checkbox"/> Voter or Vehicle Registration Card Verify initials [REDACTED]	
<input checked="" type="checkbox"/> Home or Vehicle Insurance Policy Verify initials [REDACTED]	
<input type="checkbox"/> Armed Forces, Government, University or Recognized Corporate Identification Card Verify initials [REDACTED]	
Customer Note: The Postal Service® may consider it valid evidence that a person is authorized to remove mail from the box if that person possesses a key or combination to the box.	
SPECIAL ORDERS	
10. Postmaster: The following named persons or representatives of the business/organization listed above are authorized to pick up mail addressed to this (these) FO Box number(s). All names listed must have verifiable ID and upon request, present this identification to the Postal Service (continue on reverse side if needed).	
Other Authorized Representative [REDACTED] Verify initials [REDACTED]	Other Authorized Representative [REDACTED] Verify initials [REDACTED]
Date Application Received: 4/27/15	Service Dates: _____ through _____
Customer Eligible for No-Fee Service <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
11. Signature of Applicant (Same as item 3). I certify that all information furnished on this form is [REDACTED] Number of [REDACTED]	

Source: Mendota, MN Post Office.

Although retail personnel had some hard copies of the applications and annual verifications at the retail units we visited, current policies do not address document retention for completed applications and annual verifications. An outdated policy¹⁴ required retail units to retain a complete and accurate application for each customer. Additionally, it required customers to verify their continued eligibility by completing the annual verification.

When customer application and annual verification information is incomplete or not retained, management cannot validate a customer's eligibility or verify information in WebBATS. We estimated the Postal Service could have recognized revenue of about [REDACTED] million¹⁵ for rental fees during a 1-year period for PO boxes provided to customers with missing or incomplete applications or annual verifications, at no cost.

Recommendation #3

We recommended the **Vice President, Delivery Operations**, implement procedures to ensure customer application and annual verification information is completely documented and retained, manually or electronically, to support customer eligibility and Web Box Activity Tracking System data.

Management's Comments

Management generally disagreed with the findings, recommendations, and monetary impact. Management stated they appreciated the OIG's acknowledgment of an error in the initial statistical analysis and overstatement of monetary risk. Additionally, they had concerns with the basis for the current monetary impact. Specifically:

- The OIG maintains that Redlake carries a [REDACTED] risk in a community that is underserved. The Redlake, MN Post Office is located within a Native American Reservation and is a separate, sovereign nation. Management noted that there is no carrier delivery; therefore, all residents are entitled

to a no-fee PO box. Further, they added not all residences have a physical address, and there may be more than one building on a site.

- The OIG assumes a one-for-one match between no-fee PO boxes and potential paying customers. However, management did not find wait lists in FY 2018 at the 17 sites the OIG reviewed, and the occupancy rate was about 57 percent. They added it was difficult to understand how monetary impact could result when no monies are collected.
- The OIG assumes that any assigned no-fee PO box larger than size 1 is considered a risk, and where a larger box was assigned, the OIG did not use the cost variance between the two box sizes to calculate impact. However, management noted that just because larger PO box sizes are available for paying customers does not necessarily ensure the larger PO box will be rented and generate additional revenue. Management added that policy does not require that Group E customers be assigned a size 1 box but, instead, it is based on their daily mail volume.
- The OIG failed to provide sufficient breakdown of the monetary impact and that the revised monetary impact included two new criteria.

Regarding recommendation 1, management disagreed and maintained that using ZIP Codes is an effective means to confirm delivery boundaries.

Regarding recommendation 2, management disagreed and stated that WebBATS already has the capability of confirming whether an address is valid for a no-fee PO box. Furthermore, the cost of enhancing WebBATS would be substantial and outweigh the intended benefit.

Regarding recommendation 3, management stated that WebBATS already prompts users to perform an annual verification and that hardcopies are maintained until the next verification date. Additionally, WebBATS manuals provide guidance to ensure applications and annual verifications are complete. However, management agreed to review the manual for accuracy and clarity,

¹⁴ Postal Bulletin 21975, July 2, 1998.

¹⁵ We classified [REDACTED] as revenue at risk, defined as revenue the Postal Service is at risk of losing (for example, a mailer loss because of fraud, inappropriate or unauthorized disclosure of sensitive data, or disruption of critical Postal Service operations and services).

and will update the manual if changes are considered necessary. Management intends to complete this process by March 31, 2019.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 3 and management's corrective actions should resolve the issues identified in the report. The OIG considers management's actions unresponsive to recommendation 2 and will not resolve the issues identified. We intend to take recommendation 2 through the audit resolution process.

For recommendation 1, we continue to believe that consistent guidance to determine if a customer's street address is within the servicing PO's delivery boundaries would enhance the accuracy of customer eligibility. Postal Service policy does not distinguish between types of customers, including members of a Native American Reservation, and does not offer exceptions for a sovereign nation. The intent of our recommendation was to address instances identified where retail associates did not use ZIP Codes to determine customer eligibility. We acknowledge that using ZIP Codes is generally effective, but our results showed that retail personnel did not always use them to determine customer eligibility. Although we continue to believe that consistent eligibility guidelines are important, since the current process is effective for a majority of customers, we will not pursue this issue through the audit resolution process. We consider recommendation 1 closed, but not implemented, upon issuance of the report.

For recommendation 2, we found that WebBATS accepts invalid or duplicate street addresses but does not flag multiple no-fee PO boxes to customers. Our conclusion remains valid that without correct addresses, management cannot validate a customer's eligibility. Further, management did not provide support of its statement that the cost to improve WebBATS would outweigh the benefits to the no-fee PO box service. WebBATS is a critical tool for management to use to establish, manage, and make decisions regarding no-fee PO boxes. Accordingly, we continue to believe management should enhance WebBATS to identify

different street address formats as exceptions and disallow invalid addresses. Therefore, we intend to pursue this issue through the audit resolution process.

For recommendation 3, we found missing or incomplete source document information for almost 10 percent of the no-fee PO boxes we reviewed. Furthermore, the Postal Service has no retention policy for applications or annual verifications. We appreciate management's upcoming review of the WebBATS manuals and encourage them to consider these issues.

Regarding monetary impact, based on management's feedback prior to issuance of the draft report, we revised our calculation using a conservative approach that better reflects the impact of the results of our targeted reviews and our statistical analysis. Specifically, in our initial calculation we included only those issues that we confirmed during our site visits, including those found at the sites initially visited in the Western Area. Since we did not confirm the issues regarding boxes larger than size 1 or annual verifications not performed by the due date during our site visits, they were not included in our initial monetary analysis. However, we identified those issues in our statistical analysis of WebBATS data and they remained a valid concern. Therefore, we revised our calculation to apply error rates for all the high risk analytics that we consistently applied to the data from the beginning of the audit to the entire population of no-fee PO boxes. We also separately calculated the impact of the results of our reviews of sites in the Western Area that occurred prior to expanding our work nationwide.

Further, we do not believe that management's assumption that ineligible no-fee PO boxes may not generate a paid fee is justification to provide a customer a no-fee PO box. And, while we acknowledge that some customers eligible for a no-fee PO box may qualify for a box larger than size 1, neither the application nor WebBATS requires retail personnel to document the justification for providing a larger box size, so management cannot validate appropriateness. Our monetary impact includes amounts the Postal Service was entitled to receive, but not realized, for those boxes questioned because the customer was not entitled to receive the service. We believe our conservative approach appropriately addresses the issues identified, and the associated monetary impact amount is correct.

Recommendation 3 requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendation 3 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

We selected three retail units in the Western Area: Mendota, MN; Monticello, MN; and Redlake, MN; and performed site visits from October 24 through 26, 2017, to obtain an understanding of the no-fee PO box process. We determined the following issues were high risk:

- ZIP Codes outside the servicing PO's delivery boundaries.
- Multiple boxes assigned to one street address.
- Boxes larger than size one.
- Unpaid fees for additional boxes.
- Customer annual verifications not performed by due date.
- Customer applications with invalid identifications.

Therefore, we expanded our scope nationwide and:

- Statistically selected a sample of 205 retail units from a universe of 12,573 from WebBATS data as of December 1, 2017.
- Using the 205 statistically selected retail units, identified 33,217 no-fee PO boxes from WebBATS data as of December 19, 2017, and applied the six high-risk criteria.
- Analyzed the high-risk data and selected five retail units with the most high-risk issues identified¹⁶ and seven retail units with the least high-risk issues identified.¹⁷
- Replaced one of the retail units with the least high-risk issues identified (Vineyard Haven, MA) with Aquebogue, NY due to cost and weather conditions at the time of our scheduled site visit in January 2018.

- Selected two retail units in Dewey, AZ and San Luis, AZ, based on Postal Service management's request.
- Selected one contract postal unit (CPU) in Corning, CA, based on discussions with the host office personnel.¹⁸

In summary, we conducted fieldwork at 17 retail units from October 2017 through January 2018, as shown in Table 6.

Table 6. Summary of Site Visits to Retail Units

Sample Number	Retail Unit Location	Date Visited
1	Monticello, MN 55362-9028	10/24/2017
2	Redlake, MN 56671-4400	10/25/2017
3	Mendota, MN 55150-1430	10/26/2017
4	Athens, WV 24712-998	01/10/2018
5	Corning, CA 96021-9998	01/10/2018
6	Dewey, AZ 86327-9998	01/10/2018
7	San Luis, AZ 85349-7101	01/11/2018
8	Zephyr Cove, NV 89448-9800	01/11/2018
9	Ansted, WV 25812-9998	01/12/2018
10	Aquebogue, NY 11931-9800	01/16/2018
11	Avalon, CA 90704-9997	01/17/2018
12	Eaton Park, FL 33840-9700	01/17/2018
13	Converse, IN 46919-9998	01/18/2018

¹⁶ Corning, CA; Avalon, CA; Crystal Beach, FL; Eaton Park, FL; and Zephyr Cove, NV. Each retail unit did not necessarily exhibit all six high-risk issues.

¹⁷ Converse, IN; Greens Fork, IN; Vineyard Haven, MA; Emmitsburg, MD; Funkstown, MD; Ansted, WV; and Athens, WV. Each retail unit did not necessarily exhibit all six high-risk issues.

¹⁸ Our work was limited to interviews only. No other work was performed because the CPU did not have any no-fee PO boxes.

Sample Number	Retail Unit Location	Date Visited
14	Crystal Beach, FL 34681-9803	01/18/2018
15	Funkstown, MD 21734-1100	01/18/2018
16	Emmitsburg, MD 21727-9998	01/19/2018
17	Greens Fork, IN 47345-9998	01/19/2018

Source: OIG analysis.

To achieve our objective, we:

- Interviewed retail personnel at each location.
- Obtained walkthroughs of existing processes to determine controls in place.
- Reviewed customer applications and annual verifications.
- Analyzed inventory reports provided by postmasters and obtained from WebBATS.
- Traced no-fee PO box transactions to source documents.

We performed data reliability procedures on WebBATS data as of December 19, 2017, and determined the data was not complete. Therefore, on March 5, 2018, we performed a WebBATS data refresh and confirmed 1.3 million no-fee PO box transactions nationwide.

We conducted this performance audit from October 2017 through November 2018 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 on October 1, 2018, and included their comments where appropriate.

We relied on no-fee PO box data from WebBATS as of December 19, 2017, and March 5, 2018. We assessed data reliability by applying logical tests to the electronic data file and tracing selected system records to customer application and annual renewal source documentation. We determined the data from December 19, 2017, and March 5, 2018, were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit.

Appendix B: Management's Comments

KEVIN L. MCADAMS
VICE PRESIDENT, DELIVERY OPERATIONS



November 13, 2018

MONIQUE COLTER
DIRECTOR, AUDIT OPERATIONS

SUBJECT: No-Fee Post Office Boxes
(Report Number FTAR19DRAFT1)

During the Exit Conference, Postal Management challenged the OIG's initial statistical analysis and the reduction of the data set from 205 offices to 17 randomly selected locations. As a result, the OIG acknowledged the discrepancies and ultimately reduced the impact from \$[REDACTED] million to \$[REDACTED] million. Postal Management appreciates the OIG acknowledging that there was an error in their initial statistical analysis and correcting the over-stated monetary risk. We continue to be concerned with the analysis applied and the basis for the current monetary impact; there still remains incongruences that have not been addressed:

1: Red Lake Indian Reservation addressing system is inaccurate.

One of the sites targeted by the OIG was Red Lake Post Office; the findings in Red Lake accounted for [REDACTED] percent of the initial [REDACTED] million Monetary Impact. Red Lake is located on a Native American Reservation and is part of a separate Sovereign Nation. There is no carrier/street delivery in this community therefore each residence is entitled to a No Fee Box. The Nation uses an address system based on a Native custom known as "Land Assignment". Not all physical residences may necessarily have a physical address or there may be more than one building on a site. Although the monetary impact has since been recalculated, OIG still maintains that Red Lake carries a [REDACTED] risk in a community that is actually underserved.

2: One for one match between assigned No fee boxes and potential paying Customers.

The OIG makes the supposition that there is a one-for-one match between No Fee Boxes and potential paying customers. However, the OIG audit did not mention a "Wait List" at the sites reviewed or the PO Box Occupancy Rate. For FY18 the occupancy rate was just short of 57 percent and there were no customers found on the "Wait List" for the locations reviewed. It is difficult to understand how there can be a potential [REDACTED] million impact when "No Fee" means no monies collected.

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3: Revenue loss from No Fee boxes exceeding maximum size allowance.

Further concerns come with the OIG's assumption that any assigned No Fee box larger than Size #1 exceeds the maximum size allowance and should be considered a risk and factored into the Monetary Impact. However, just because a larger box size is available for "paying customers", it does not necessarily mean it will be rented - resulting in increased revenue. Moreover, the DMM does not state that Group E customers MUST be assigned a Size #1 Box. The DMM 508 4.5.3a states: "Group E PO Box customers are assigned the smallest available box *that reasonably accommodates their daily mail volume.*" In addition, for instances where a larger box was assigned, the OIG admitted to using the larger dollar amount to calculate the Monetary Impact and not the cost variance between the two sizes.

4: Minimal changes to the Draft and New Impact Criteria

While the OIG responded to Postal Management's challenge of the statistical soundness of a reduced data pool, OIG only made minimal changes to the Draft Audit and failed to provide a sufficient monetary breakdown in the revised Impact statement. In addition, the "revised" impact included two NEW criteria that originally had not warranted any monetary weight. These new factors account for approximately 1.2 percent of the revised impact or almost \$1 million.

Recommendation 1:

We recommended the Vice President, Delivery Operations, develop consistent guidance for retail personnel to determine whether a customer address is located within the servicing post office's delivery boundaries.

Management Response/Action Plan: Management Disagrees

The use of ZIP Codes has been and continues to be an effective means for retail employees to use when determining the delivery boundaries of a servicing Post Office. The OIG confirmed this in their review of more than 33,000 No Fee Boxes in the WebBATS application. The OIG results showed an accuracy rate of 98 percent where no differences existed between the Facility ZIP Code and that of the verified Customer ZIP Code.

Recommendation 2:

We recommended the Vice President, Delivery Operations enhance the Web Box Activity Tracking System to identify different street address formats as exceptions and disallow invalid addresses.

Management Response/Action Plan: Management Disagrees

WebBATS already has the capability of confirming whether an address is in use for a No Fee/Group E PO Box. The data set used by the OIG of more than 33,000 No Fee Boxes validated a 98 percent accuracy rate for WebBATS maintaining unique

addressing. The cost of further enhancing the application for it to reject all altered formats would be substantial and would outweigh the intended benefit.

Recommendation 3:

We recommended the Vice President, Delivery Operations, implement procedures to ensure customer application and annual verification information is completely documented and retained, manually or electronically, to support customer eligibility and Web Box Activity Tracking System data.

Management Response/Action Plan: Management Agrees in Part

Management disagrees in that the WebBATS application already prompts users to perform a yearly verification using Notice 32-N. The address information is captured in WebBATS and a hardcopy Notice 32-N is retained until the next verification date. The WebBATS User's Manual provides the needed guidance to ensure that the customer application and the annual verification is completed. However, Postal Management is always interested in ensuring customer information is properly captured and maintained and agrees to review the User Manual for accuracy/clarity and update the manual if changes are necessary.

Target Implementation Date:

March 2019

Responsible Official:

Vice President, Delivery, Customer Service and Retail Operations



Kevin L. McAdams

Attachments

cc: David E. Williams
Catherine R. Knox
Carmen T. Woodson
Manager, Corporate Audit Response Management



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