



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

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# **Strategic Approaches to Revenue Protection**

## **Audit Report**

September 30, 2011

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**Report Number MS-AR-11-007**



### **IMPACT ON:**

U.S. Postal Service customers and Postal Service revenue protection.

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

Our objectives were to assess the Postal Service's revenue-protection strategies, identify the causes of revenue leakage, and identify potential solutions to mitigate the risks.

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

Postal Service officials collaborate and communicate regularly with internal and external stakeholders and there are a wide variety of program groups that address revenue-protection issues and strategies. The Postal Service continues to address revenue protection through technological initiatives as well as checklists, quick service guides, and training for clerks. However, revenue leakage will continue to occur until automated verification procedures that use mail processing equipment and intelligent mail (IM) technologies replace current manual processes.

Preparation for fully automating the business mail entry process will depend on broadened collaboration with processing officials and adoption of Full-Service IM barcodes on mailpieces and containers. Basic Service IM and non-automated mail will continue to require costly manual revenue protection procedures until additional automated technologies are developed.

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

We recommended management work with a broadened group of internal and external stakeholders to prepare for streamlining the entry of business mail, accelerate the timeline for streamlined acceptance and verification, and seek to leverage technology to provide revenue protection for Basic Service IM and non-automated volumes.

### **WHAT MANAGEMENT SAID:**

Management stated it partially agreed with our recommendation. Management stated it does not agree with the use of Origin Destination Information System – Revenue, Pieces, and Weights (ODIS-RPW) as a data source, as this system is used for single-piece mail only. However, management agreed with our recommendation overall and provided planned actions and a planned completion date.

### **AUDITORS' COMMENTS:**

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive and corrective actions should resolve the issues identified in the report. Based on management's comments and additional analysis of ODIS-RPW data, we removed the monetary impact from the report.

[Link to review the entire report](#)



September 30, 2011

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

E-Signed by Darrell E. Benjamin, Jr.   
VERIFY authenticity with e-Sign

**FROM:** Darrell E. Benjamin, Jr.  
Deputy Assistant Inspector General  
for Revenue & Systems

**SUBJECT:** Audit Report – Strategic Approaches to Revenue Protection  
(Report Number MS-AR-11-007)

This report presents the results of our audit of the U.S. Postal Service's revenue protection strategies (Project Number 11RG011MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Janet Sorensen, director, Sales and Service, or me at 703-248-2100.

Attachments

cc: Ellis A. Burgoyne  
Corporate Audit and Response Management

## TABLE OF CONTENTS

Introduction .....	1
Conclusion .....	1
Streamlined Business Mail Acceptance Will Mitigate Revenue Leakage .....	2
Revenue Protection Reliance on Full-Service IMb .....	4
Recommendation .....	6
Management's Comments .....	6
Evaluation of Management's Comments .....	7
Appendix A: Additional Information.....	8
Background .....	8
Objectives, Scope, and Methodology .....	9
Prior Audit Coverage .....	11
Appendix B: Management's Comments .....	15

## Introduction

This report presents the results of our audit of the U.S. Postal Service's revenue-protection strategies (Project Number 11RG011MS000). Our objectives were to assess the Postal Service's revenue-protection strategies,<sup>1</sup> identify the causes of revenue leakage, and identify potential solutions to mitigate the risks. This is a self-initiated audit that addresses financial and operational risks. See [Appendix A](#) for additional information about this audit.

The Postal Service obtains revenue from both retail (individual) sales and business mailings. Each source provides challenges to revenue protection resulting from shortpaid (insufficient) and unpaid postage.<sup>2</sup> Mail entering the mailstream through retail channels is generally weighed, measured, and handled manually; in fiscal year (FY) 2010 retail mail accounted for 26 percent of total mail volume, or \$17.5 billion in revenue.

A larger challenge lies in protecting business mail revenue, due to the extensive volume entering the system primarily through business mail entry units (BMEUs) or detached mail units (DMUs). Business mailings accounted for \$48.8 billion (or 74 percent) of revenue in FY 2010. Postal Service total revenue has declined by \$7 billion over the last 4 fiscal years and declines are expected to continue in the foreseeable future. These declines are the result of economic downturns and the accelerating preference for digital communication alternatives. Ensuring the Postal Service receives all revenue from its goods and services is critical, especially as revenue declines.<sup>3</sup>

## Conclusion

Postal Service officials collaborate and communicate regularly with internal and external stakeholders and there are a wide variety of program groups that are addressing revenue-protection issues and strategies. The Postal Service continues to address revenue leakage through technological initiatives as well as checklists, quick-service guides, and training for clerks. However, revenue leakage will continue to occur until automated verification procedures that use mail processing equipment and intelligent mail (IM) technologies replace current manual processes.

Successfully automating the business mail entry process will depend on broadened collaboration with mail processing officials, in addition to continued input from engineering, product visibility, and other groups. The adoption of Full-Service Intelligent Mail barcodes (IMb) by business mailers for mailpieces and mail containers will

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<sup>1</sup> Revenue protection includes activities or processes that help prevent or detect revenue leakage and ensure all postage is collected.

<sup>2</sup> Shortpaid and unpaid postage is identified by reconciling the amount of postage paid with the volume of mail processed.

<sup>3</sup> Universal Postal Union, Postal Revenue Protection Working Group, *White Paper on Postal Revenue Protection*. CC 2010.1-Doc 3b. January 2010.

increase mail visibility and revenue protection. However, management will still need to address protection of revenue associated with Basic Service IMb mail volume and non-automated mail volumes.

### **Streamlined Business Mail Acceptance Will Mitigate Revenue Leakage**

The Postal Service is not collecting all revenue it is due from business mail. Revenue is lost because rules are complex and mail verification and acceptance involve many manual processes. Thus, management does not detect all shortpaid and unpaid postage. The Postal Service has recognized the imminent need for revenue protection in the business mail acceptance channel and is working to streamline mail acceptance, verification, and payment.

#### **Current Business Mail Acceptance and Verification Procedures**

Acceptance clerks still predominantly perform the business mail acceptance process manually. While the Mail Evaluation Readability Lookup INstrument (MERLIN) was designed to help mailers qualify for automation discounts and meet certain mail quality standards by providing some automated verification, it does not eliminate the manual process needed for in-depth verification. This leaves revenue at risk of loss for several reasons:

- The nature of the verification process.
  - Verifications are time-consuming, complicated, and sometimes subjective.
  - Business mail acceptance clerks accept and verify business mailings tendered to the Postal Service at BMEUs and DMUs and use manual techniques to verify mail review hard copy or electronic postage statements; visually verify class of mail, weight, number of mailpieces, and barcode quality; and check mailer trust fund accounts.
  - Once verification is complete, the mail is accepted and moved into the processing facility.
  - Annual compensation for Postal Service clerks who perform these verifications and accept business mail is approximately \$367 million.
- The dual nature of business mail acceptance:
  - Clerks are required to verify and accept large mailings in short timeframes with conflicting pressures.
  - Mailers are concerned with timeliness of their mailings while BMEU and DMU clerks provide the last point of revenue protection before the mail enters the

mail stream, as cited in a previous audit report and by Postal Service managers.<sup>4</sup>

- Lack of controls over verifications. Although Postal Service guidelines<sup>5</sup> require manual verifications and place a significant emphasis on these verifications to comply with the Sarbanes-Oxley (SOX) Act of 2002, there are insufficient means to ensure the quality of manual verifications in the entry units.
- The decentralized nature of the verification and acceptance process:
  - Any facility can receive business mailings.
  - If mailers choose to submit volumes at small Postal Service facilities, inexperienced, multi-tasking clerks who are unaccustomed to receiving large business mailings may not verify volumes sufficiently.
  - Postal Service officials interviewed for another U.S. Postal Service Office of Inspector General (OIG) audit stated that centralization of smaller business mail entry points resulted in revenue protection (*Centralizing the Business Mail Acceptance Process*, FF-AR-11-015, dated September 23, 2011).

Prior audits have shown that personnel at BMEUs and DMUs did not always follow mail acceptance and verification procedures. In its FY 2010 SOX compliance review, Ernst & Young identified business mail acceptance as a control deficiency,<sup>6</sup> citing inconsistency in the performance of procedural activities (such as creating a record in *PostalOne!* for each mailing; placarding business mail to show revenue is recorded, and end-of-day reconciliation of all business activity) as an issue.

In response to these challenges, Postal Service managers:

- Provided additional guidelines to BMEU and DMU employees.
- Trained over 30,000 employees in proper control execution.
- Developed a web-based proficiency test to direct further training.
- Addressed staffing levels at DMUs.
- Conducted site reviews.

Despite these efforts, ongoing audits and SOX work show continued deficiencies “related to the lack of performance of verification activities to confirm the accuracy of rates charged and that the discounts claimed were earned for the mailing,” among others.<sup>7</sup>

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<sup>4</sup> *Mail Verification Procedures at Long Island District Detached Mail Units* (Report Number MS-AR-11-003, dated May 26, 2011).

<sup>5</sup> The *Domestic Mail Manual* provides mailing requirements for all stakeholders and Handbook DM-109, *Business Mail Acceptance*, provides guidelines for employees responsible for verification and acceptance of business mail.

<sup>6</sup> For FY 2010 control compliance deficiency levels were identified by their potential risk and impact as Deficiency (less than \$40 million), Significant (\$40 million), and Material Weakness (\$200 million).

<sup>7</sup> Business Mail Acceptance Q3, FY 2011, Gap Evaluation, August 5, 2011.

## Streamlined<sup>8</sup> Acceptance

Management has acknowledged that automating the business mail acceptance and verification process is the most efficient and effective way to ensure the Postal Service receives all postage it is due. To this end, Business Mail Acceptance and other Postal Service groups are working to streamline the business mail verification, acceptance, and payment processes. Management is already developing, or has developed, elements of this streamlining effort, including:

- Offering electronic documentation alternatives through *PostalOne!* (2009).
- Allowing targeted manual verifications based on past mailer performance (2009).
- Enabling digital capture of postage statements and verifying mail volume at both originating and destinating plants using IMb and IM container barcodes and electronic induction (currently being tested).

According to Postal Service managers, as the next phase of streamlined mail acceptance progresses, business mail acceptance and verification will be accomplished by automated mail processing equipment, resulting in verification during “live” mail processing. Development of this phase will improve revenue protection by, once again, leveraging technology and reducing the need for manual processes. Officials stated that automated mail processing equipment, as it exists today, can read IMbs and use the encoded information for piece visibility and revenue protection once the mail is at the processing center.

However, developing the interface to act between the mail processing plant loading dock and the processing equipment will require the attention of a variety of managers and decision makers, including processing officials, since the primary responsibility for business mail verification will shift to processing plants. This interface will include considerations for personnel, logistics and reconciliation processes.

## Revenue Protection Reliance on Full-Service IMb

Streamlined mail acceptance and verification depends heavily on adoption of Full-Service IMb by mailing customers. Customers can place IMb on letters, cards, flats, packages, and labels on mail trays and other containers. Mailers have the option of adopting IM at the Full- or Basic Service level. Full-Service IMb requires a unique barcode on each mailpiece and the submittal of electronic mailing documents; Basic Service allows for unique barcodes but does not require them, limiting the ability to perform automated mail verification.

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<sup>8</sup> Previously this initiative was called “Seamless Acceptance.”

Adoption of Full-Service IMb on mailpieces and containers gives the Postal Service and its customers visibility of mail flow, from mail acceptance to delivery. Management has stated that, with the adoption of Full-Service IMb on both mailpieces and containers, shortpaid and unpaid postage “becomes a thing of the past” because verification can be fully automated and discrepancies can be billed immediately to customer accounts.

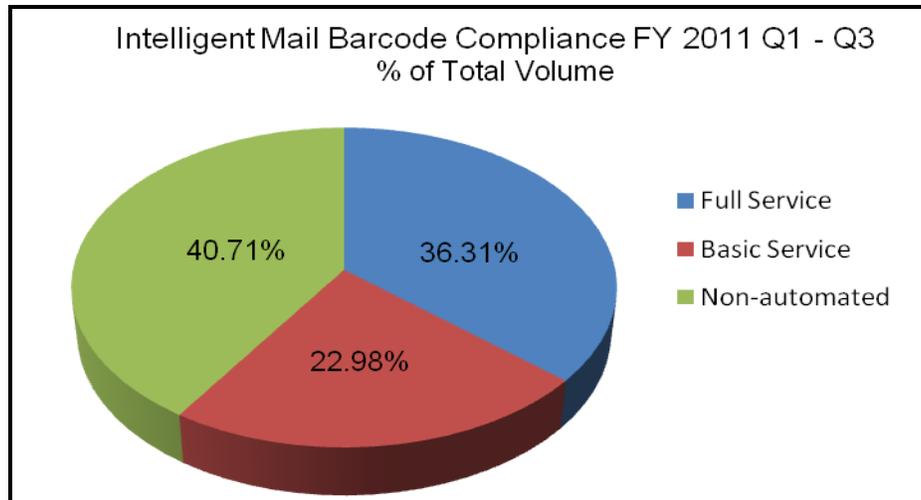
Since its initiation in May 2009, Full-Service IMb has not been adopted at the rate expected. For example, the FY 2011 IMb (Full and Basic Services) compliance goal was 90 percent of all workshared volumes; this goal is no longer considered valid.<sup>9</sup> Full-Service compliance is quickly increasing; however, and for the first three quarters of FY 2011 has been 36 percent of total volume (see table below).

<b>Full-Service IMb Compliance</b>			
<b>Fiscal Year</b>	<b>Total Volume (mailpieces)</b>	<b>Full-Service Volume (mailpieces)</b>	<b>Full-Service Volume</b>
2010	128,892,451,390	25,359,815,800	20%
2011 (Q1–Q3)	105,123,874,622	38,174,641,581	36%

The true revenue-protection aspect of IM technologies lies in the nesting of IMb information – that is, the use of IMb on mailpieces, trays, containers, and even scans associated with transportation. The nesting information is critical because mailpieces are moved between mailer, induction points, plants, and delivery units in containers. End-to-end visibility of mailpieces is achieved when mailpieces are associated with container barcodes, which are scanned at each transportation or processing event.

As Full-Service IMb volume increases, enabling revenue protection for this segment of mail, the volumes at risk — Basic-Service IMb and non-automated mail — will decline. However, for the time being, a significant portion of revenue is protected predominantly using manual techniques. As of Q3, FY 2011, almost 64 percent (66.9 billion mailpieces) were not Full-Service IMb compliant, as shown in the table below.

<sup>9</sup> Postal Regulatory Commission, 2010 Annual Compliance Determination.



Source: *PostalOne!*

To resolve this potential source of revenue leakage, management will need to increase Full-Service IMb adoption on mailpieces and aggregates (eInduction), address revenue protection of Basic Service and non-automated volumes and determine whether the cost of intensive manual verifications is commensurate with the amount of revenue protected.

### Recommendation

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

1. Work with a broadened group of internal and external stakeholders to prepare for streamlining the entry of business mail, accelerate the timeline for streamlined acceptance and verification, and seek to leverage technology to provide revenue protection for Basic Service IMb and non-automated volume.

### Management's Comments

Management stated that it partially agreed with our recommendation and did not agree with the monetary impact reported. Specifically, management did not agree with the use of ODIS-RPW as a data source, as this system is used for single-piece mail only. However, management agreed with our recommendation to work with a broadened group of stakeholders, noting that they are working in coordination with the mailing industry to develop a consensus on the future state of automated verifications and an implementation timeline. Management also agreed to seek to leverage technology to provide revenue protection, stating that they will map current verification processes, identify opportunities for automation, and develop a proof of concept by January 31, 2013.

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

## Evaluation of Management's Comments

Although management stated that it partially agreed with our recommendation, management's comments indicated agreement with the recommendation and disagreement with the monetary impact based on methodology. Consequently, the U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report.

Regarding management's disagreement with the methodology used to calculate monetary impact, the Postal Service depends on the data derived from ODIS-RPW for a variety of financial and operational reports and decisions, not limited to retail (single-piece) mail. However, because the data does not segregate the portion of shortpaid postage which is attributable to business mail, we removed the monetary impact.

The OIG considers recommendation 1 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

## Appendix A: Additional Information

### Background

The Postal Service obtains revenue from both retail (individual) sales and business mailings. Each source provides challenges to revenue protection resulting from shortpaid (insufficient) and unpaid postage.<sup>10</sup> Mail entering the mailstream through retail channels is generally weighed, measured, and handled manually; in FY 2010, this mail accounted for 26 percent of total mail volume, or \$17.5 billion in revenue. A larger challenge lies in protecting the revenue of business mail due to its greater volume. Business mailings<sup>11</sup> accounted for \$48.8 billion of revenue (or 74 percent) in FY 2010 and verification of these volumes is predominantly manual at this time

The Postal Service's total revenue has declined over the last 4 fiscal years and the postmaster general reports that this trend has continued during FY 2011. These declines are the result of economic downturns and the accelerating preference for digital communication alternatives.

<b>Postal Service Total Revenue FYs 2007–2010 (data in thousands)</b>	
<b>Fiscal Year</b>	<b>Total Revenue</b>
2007	\$74,972,813
2008	\$74,968,220
2009	\$68,116,221
2010	\$67,076,580

Source: Postal Service Quarterly Statistics Reports, published for the public at [www.usps.com](http://www.usps.com)

Ensuring that the Postal Service receives all revenue from its goods and services is critical to its survival, especially as revenue declines.<sup>12</sup> Revenue protection includes activities or processes that help prevent or detect revenue leakage and ensure that all postage is collected.

Among program officials there is a shared understanding of the need for automated processes to improve postage verifications. For example:

- Retail, Delivery, and Engineering managers are working to increase revenue protection at retail and delivery units through the integration of software across

<sup>10</sup> Shortpaid and unpaid postage are identified by reconciling the amount of postage paid with the volume of mail processed.

<sup>11</sup> Business mailings typically enter the mailstream through BMEUs at Postal Service facilities or DMUs, which are housed in the facilities of large business mailers and mail bureaus.

<sup>12</sup> Universal Postal Union, Postal Revenue Protection Working Group, *White Paper on Postal Revenue Protection*, CC 2010.1-Doc 3b., January 2010.

systems, automation of weighing and measuring parcels at the counter, and the rollout of passive parcel scanning devices at high-volume parcel delivery units.

- Processing and Distribution Center Operations and Engineering managers are currently testing the Advanced Facer Cancellor System 200, letter cancelling mail processing equipment. This equipment has improved indicia recognition capabilities compared to legacy mail processing equipment.
- Postal Inspection Service officials regularly meet with their counterparts in the distribution industry and Postal Service program offices — including the SOX Management Controls and Integration group — to address systemic revenue protection concerns.

Prior OIG audits have identified revenue leakage resulting from shortpaid postage, predominantly through the acceptance of business mailings. The Postal Service introduced IM technology in 2009, which provides business mailers a method of increasing visibility of their mailings, and, with the use of Full-Service IMb, assigning a unique identifier to each mailpiece. This visibility also protects revenue by providing a means of reconciling volume and postage.

### **Streamlined Mail Acceptance and Payment Technology**

Current strategies for increasing business mail visibility and revenue protection focus on a multi-phased effort to automate mail acceptance and the payment process. Planned benefits to mailers include:

- Online transactions
- Centralized support
- Simplified mail preparation
- Enhanced small business tool
- Automated verification

In addition to creating a more efficient process, benefits to the Postal Service will include end-to-end visibility of mail volume, reconciliation of postage, and improved verification of worksharing discounts, resulting in revenue protection.

### **Objectives, Scope, and Methodology**

Our objectives were to assess the Postal Service's revenue-protection strategies, identify the causes of revenue leakage, and identify potential solutions to mitigate the risks. To accomplish our objectives, we reviewed existing policies and procedures related to revenue protection. We interviewed key Postal Service officials within the engineering, mail entry, and payment technologies and product visibility groups, as well as the U.S. Postal Inspection Service. We attended business mail acceptance training to gain additional insight into the business mail acceptance and verification environment. We reviewed and analyzed ODIS-RPW shortpaid and unpaid postage

data and excluded impact claimed in prior audits. See [Appendix A](#) for additional information.

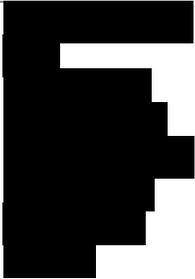
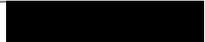
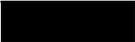
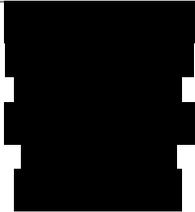
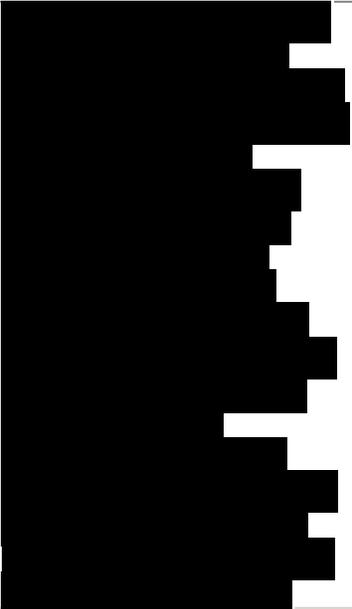
We conducted this performance audit from February through September 2011 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on August 24, 2011, and included their comments where appropriate.

We assessed the reliability of data through analytical tests and discussions with Postal Service managers. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<p><i>Intelligent Mail: Realizing Revenue Assurance Benefits</i></p>	<p>DA-AR-11-010</p>	<p>8/30/2011</p>	<p>N/A</p>	<p>The Postal Service postponed implementing an original IM program objective — automated revenue assurance — to focus on implementing other aspects of the program. Our analysis also showed that Full-Service IMb scan rates indicate that some mailings exhibited low scan rates when processed on mail processing equipment. We recommended management reestablish the commitment and timeframe for IM automated mail verification, use low scan rates for exception reporting so that Postal Service personnel can perform customer follow up, and seek input from the business mailer community to establish future settlement procedures. Management partially agreed with the recommendations and plans to complete a proof-of-concept by January 2013.</p>

<p><i>Fiscal Year 2010 Financial Installation Audit — Business Mail Entry Units</i></p>	<p>FF-AR-11-006</p>	<p>1/20/2011</p>	<p>N/A</p>	<p>The Postal Service did not comply with key financial reporting controls for business mail acceptance and verification processes and procedures. We identified a high degree of non-compliance and increased risk that the Postal Service may not charge for all business mail deliveries and may not recognize the associated revenue in accounting records. Non-compliance issues related to manual processing that we reported this year and in the past were a root cause for the deficiencies in mail acceptance and verification processes and procedures. Management did not specifically agree or disagree with the conclusions in the report.</p>
<p><i>Full-Service Intelligent Mail Program Customer Satisfaction</i></p>	<p>DA-MA-11-001</p>	<p>11/23/2010</p>	<p>N/A</p>	<p>Given the current financial condition of the Postal Service, it is imperative for management to maximize participation in the Full-Service IM program to enhance customer service and achieve benefits, such as cost control and revenue assurance. Management agreed with our findings and recommendations.</p>

<p><i>Electronic Verification System Rejected Transactions</i></p>	<p>CRR-AR-09-006</p>	<p>8/19/2009</p>	<p>\$16,265,511</p>	<p>The Postal Service did not have sufficient controls to ensure that it detected, corrected, and re-processed all rejected Electronic Verification System (eVS) transactions. Transactions associated with uncorrected header records are not included in the postage statements even though the mailpieces have already entered the mailstream. The Postal Service cannot ensure the collection of revenue on all parcels the eVS processes. The latest destination rate validation incorrectly validated the ZIP Codes™ of the destination entry unit facilities and destination delivery unit parcels when applying postage rate discounts. As a result, the Postal Service was unable to ensure discounts claimed by mailers are accurate placing revenue at risk. Management agreed with our findings and recommendations.</p>
				

<i>Fiscal Year 2009 Financial Installation Audit — Business Mail Entry Units</i>	FF-AR-10-051	12/22/2009	N/A	We identified various internal control and compliance issues related to managing customer accounts and eligibility; accepting, verifying, and clearing the mail; and monitoring Special Postage Payment Systems. Although internal controls were generally in place and effective, a significant deficiency existed related to the acceptance of mail. The OIG did not make a recommendation to unit management and management's comments were responsive to the conclusions in the report.
<i>Fiscal Year 2008 Financial Installation Audit — Business Mail Entry Units</i>	FF-AR-09-052	12/22/2008	N/A	
<i>Business Mail Entry Unit Sampling and Verification Procedures</i>	MS-AR-08-005	7/31/2008	\$2,518,008	Although employees at BMEUs and associated DMUs followed mail-sampling procedures, they did not always follow mail verification policies and procedures. Specifically, BMEU personnel did not always perform required verification for large mailings or ensure adequate back-up coverage. As a result, they may not have collected all applicable postage. Management agreed with our findings and recommendations.

## Appendix B: Management's Comments

PRITHA MEHRA  
VICE PRESIDENT  
MAIL ENTRY & PAYMENT TECHNOLOGY



September 22, 2011

Shirian Holland  
Acting Director, Audit Operations  
1735 North Lynn Street  
Arlington, VA 22209-202

**SUBJECT:** Strategic Approaches to Revenue Protection Audit (Report No. MS-AR-11-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report. We are in partial agreement with recommendation no. 1 of the report and attached is our response.

Management does not agree with the monetary impact as contained in the audit report. The audit report does not provide the methodology or calculations of how the impact was determined. Additionally, in attempting to understand the impact, we found that the basis of the impact was derived from ORPW data which is the primary measurement system for revenue and volume reporting for single-piece mailpieces. In this sampling process, pieces are randomly sampled and shortpaid postage is determined by comparing postage on the piece against what postage should have been on the piece. The mail being sampled is not mail that would have been accepted through a business mail entry unit and therefore would not be applicable to citation in this report. The \$200M mentioned in the highlights is not substantiated. We see nowhere in the report how this is derived, however it is footnoted (footnote 6) on page 1 in the Conclusion section of the report tying it to the ODIS-RPW estimates. The \$200M reference follows a sentence that addresses revenue leakage in automation verification and intelligent mail, implying that which the \$200M refers. ODIS-RPW shortpaid estimates are for stamped and metered single piece mail, not the business mail entry channel. The report does not demonstrate quantifiable evidence of leakage as being associated with mail entered through the BMEU channel. Management requests that the monetary impact be removed from the report.

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

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

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

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

Pritha Mehra

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**Strategic Approaches to Revenue Protection  
Audit Report No. MS-AR-11-DRAFT  
Project Number 11RG011MS000**

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

1. Work with a broadened group of internal and external stakeholders to prepare for streamlining the entry of business mail, accelerate the timeline for streamlined acceptance and verification, and seek to leverage technology to provide revenue protection for Basic Service Intelligent Mail and non-automated volumes.

**Management Response**

Management questions the premise of this report due to the conflict with the monetary impact related to single-piece rate mail expressed on page the initial page of this report.

However, the USPS is working in coordination with the mailing industry through MTAC 143 to develop consensus on the future state of automated verifications and an implementation timeline. Mail Entry & Payment Technologies is involving internal stakeholders in the development of the future state.

The USPS will value stream map current verification processes at select Detached Mail Units from October 2011 to January 2012. The results of the value stream mapping will identify opportunities to automate verifications and streamline the verification and acceptance process. The USPS also plans to conduct a proof-of-concept to test capabilities and streamlined processes from January 2012 to January 2013. The results from the proof-of-concept will inform the timeline for requirements development, system development and deployment of automated verifications.

**Target Completion date:** January 2013

**Responsible Official:** Pritha Mehra, VP ME&PT

**Distribution List**

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