

Office of Inspector General | United States Postal Service

Audit Report

Electronic Verification System Internal Controls

Report Number MS-AR-18-006 | September 25, 2018



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Highlights

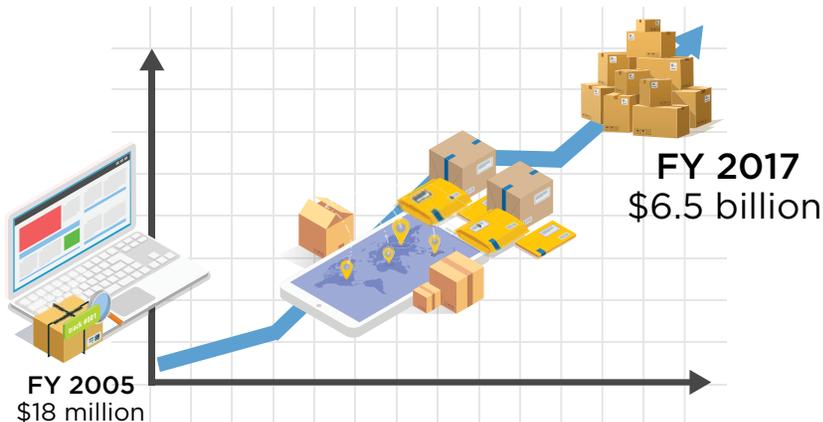
Objective

Our objective was to evaluate U.S. Postal Service controls for assessing postage on underpaid packages entered using the Electronic Verification System (eVS).

The Postal Service provides several ways for commercial parcel mailers (commercial mailers) to print postage and transmit shipping and payment information to the Postal Service. One option is the eVS, which allows commercial mailers to print postage labels and electronically transmit manifests with detailed shipping and payment information to the Postal Service. Other options include Click-N-Ship for Business, Permit Imprint, and PC Postage. Mailers choose the option that best fits their business needs.

The eVS, which is part of the PostalOne! system, started in fiscal year (FY) 2005 with [REDACTED] in manifest revenue by FY 2017. To use the eVS, mailers must develop or obtain eVS compliant software, be able to print shipping labels, and adhere to Intelligent Mail Package Barcode requirements.

“The Postal Service recognizes that the eVS has significant weaknesses in its internal controls that require work-arounds and a manual reconciliation process to ensure proper postage payment.”



To validate the accuracy of postage payment and compliance with package preparation requirements, the Postal Service uses four stages of validation. First, the Postal Service validates the quality of the mailers' manifest using the Product Tracking and Reporting system, which is the database that stores tracking scan data for all barcoded packages. Second, the PTR system and the eVS perform an automated review of the postage rates and IMpb compliance. Third, Postal Service clerks randomly sample packages, including verifying weight and dimensions, at mail entry units and input the sample results into the PostalOne! system. Lastly, individual package barcode scans from mail processing equipment are compared to manifests to check that all packages have been paid.

These validations ultimately determine whether mailers paid accurate postage. The eVS creates a postage adjustment for any discrepancies and the mailer is charged for the difference in postage, offset by any overpayment. In addition, Postal Service analysts and mail entry unit managers and supervisors can manually override eVS postage adjustments if they identify errors.

What the OIG Found

The Postal Service recognizes that the eVS has significant weaknesses in its internal controls that require work-arounds and a manual reconciliation process to ensure proper postage payment. Specifically, the eVS does [REDACTED]

These system [REDACTED]

We also noted that internal controls over manual sampling are ineffective as Business Mail Entry Unit clerks are not always sampling eVS packages randomly, as required. These conditions occurred because management has not ensured that the required sampling controls are followed.

Finally, internal controls over the manual reconciliation process are weak, as there is limited oversight of underpaid postage manual adjustments — Postal Service analysts and Business Mail Entry Unit managers and supervisors can modify eVS-generated postage adjustments without management approval and oversight. These conditions occurred because management did not follow review procedures as required or establish oversight controls.

Continued ineffective eVS controls negatively impact Postal Service operations, finances, and brand as they result in hours of manual review and corrections by Postal Service employees and mailers in reconciling underpaid postage, potentially inaccurate postage adjustments, and mailer skepticism of data accuracy. These ineffective eVS control issues resulted in revenue loss of \$2.5 million in FY 2017. While this amount is [REDACTED] [REDACTED] eVS volume continues to grow and the lack of controls increases potential risk of additional loss. We made referrals to the U.S. Postal Inspection Service, as appropriate.

The Postal Service is drafting a new package acceptance and payment strategy built on a modern payment information technology infrastructure — the Package Platform (Platform) — which should address the risks associated with the current work-arounds and manual reconciliation processes. However, this plan remains in draft and the first phase, tentatively scheduled to be implemented in FY 2018, focuses on parcel return to increase market share in this growing sector rather than the eVS. Management will not address eVS controls until they complete phase three of the plan (no tentative date set).

While it is important for the Postal Service to increase market share for parcel return, [REDACTED]. Because the eVS is such a large and growing product and the new Platform will not address eVS issues in the foreseeable future, it is important to address control issues in the existing system in the interim while developing the new Platform.

[REDACTED]

What the OIG Recommended

We recommended management evaluate the development of additional controls to accurately determine [REDACTED] [REDACTED] develop a sampling policy to specify how employees select eVS packages; instruct management to follow review procedures and develop oversight controls for district business mail entry managers; and develop a mechanism [REDACTED]

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 25, 2018

MEMORANDUM FOR: PRITHA MEHRA
VICE PRESIDENT, MAIL ENTRY & PAYMENT
TECHNOLOGY

JEFFREY JOHNSON
VICE PRESIDENT, INFORMATION TECHNOLOGY

DENNIS R. NICOSKI
ACTING SENIOR VICE PRESIDENT, SALES AND
CUSTOMER RELATIONS

E-Signed by Janet Sorensen
VERIFY authenticity with eSign Desktop



FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Retail, Delivery and Marketing

SUBJECT: Audit Report – Electronic Verification System Internal Controls
(Report Number MS-AR-18-006)

This report presents the results of our audit of the Electronic Verification System Internal Controls (Project Number 17RG016MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joe Wolski, Director, Sales, Marketing and International, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of Electronic Verification System (eVS) Internal Controls (Project Number 17RG016MS000). Our objective was to evaluate U.S. Postal Service controls for assessing postage on underpaid packages entered using the eVS. See [Appendix A](#) for additional information about this audit.

Background

The Postal Service provides several ways for commercial parcel mailers (commercial mailers) to print postage and transmit shipping and payment information to the Postal Service. One option is the eVS, which allows commercial mailers to print postage labels and electronically transmit manifests with detailed shipping and payment information to the Postal Service. Other options for commercial mailers include Click-N-Ship for Business, Permit Imprint, and PC Postage. Mailers choose the option that best fits their business needs.

The eVS is an electronic manifest mailing system, developed and managed by the Mail Entry and Payment Technology (MEPT) group. The eVS allows mailers to print postage labels and electronically transmit manifests with detailed shipping and payment information to the Postal Service. Mailers are required to transmit manifest information, which includes package weight and dimensions, no later than 10 days following the end of a calendar month.

The eVS started in fiscal year (FY) 2005¹ with [REDACTED] in manifest revenue by FY 2017 (see Table 1). To use the eVS, mailers must develop or obtain eVS compliant software, be able to print shipping labels, and adhere to Intelligent Mail Package Barcode (IMpb) requirements. There are several components to the PostalOne! system including the eVS, Parcel Return Service (PRS), ePostage, and Click-N-Ship Business Pro. The PostalOne! system records mailing transactions, receives payments from shippers, and sets the foundation for mail acceptance.

¹ Mailers began using eVS primarily for Parcel Select mailings; however, additional mail classes eventually were allowed, including First-Class and Priority Mail, Priority Mail Open and Distribute, Priority Mail Express, First-Class Package International Service, Priority Mail International, Priority Mail Express International, and Global Express Guaranteed mail.
² We excluded revenue from the following eVS components: Parcel Return Service, ePostage, Click-N-Ship Business Pro, and Premium Forwarding Service Commercial.

Table 1. eVS Revenue

Fiscal Year	Manifested Postage Revenue
2015	[REDACTED]
2016	[REDACTED]
2017	[REDACTED]

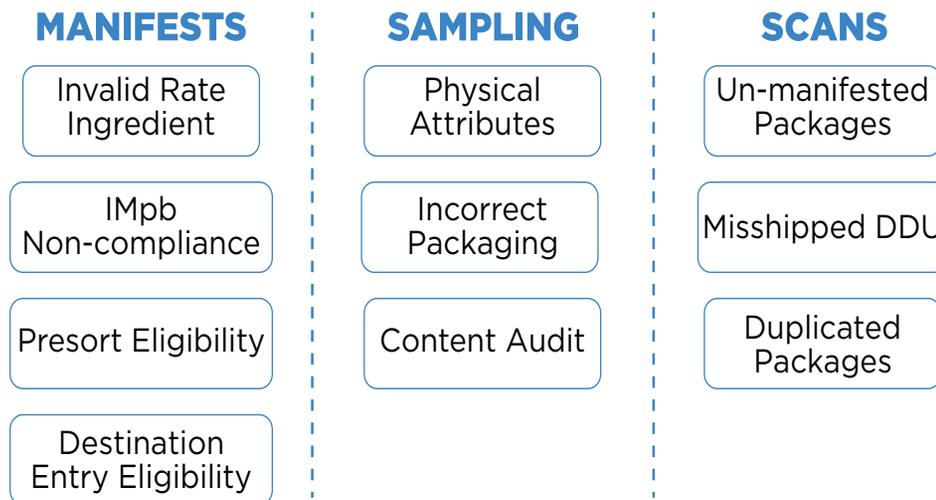
Source: [REDACTED]

The eVS is intended to make it easy for mailers to prepare and induct package mailings with the Postal Service. Mailers begin by applying a unique IMpb to each package and submitting their electronic manifest. Postage is then automatically deducted from the shippers' Centralized Account Processing System (CAPS), an authorized bank account for postage payment.

To validate the accuracy of postage payment and compliance with package preparation requirements, the Postal Service uses four stages of validation. First, the Postal Service validates the quality of the mailer's manifest file upon submission using the Product Tracking and Reporting (PTR) system, which is the database that stores tracking scan data for all barcoded packages. Manifest files, which meet the quality requirements necessary for manifest and barcode validation, are sent to the eVS system. Manifest files which fail to meet quality requirements, such as having manifest file numbers duplicated within the last 120 days or non-unique Parcel Identification Codes (PIC), are rejected and the Postal Service notifies mailers to resubmit. In FY 2017, [REDACTED] Second, the PTR system and the eVS perform an automated review of the postage rates and IMpb compliance. Third, Postal Service clerks randomly sample packages, including verifying weight and dimensions, at mail entry units and input the sample results into the PostalOne! system. Lastly, individual package barcode scans from mail processing

equipment are compared to manifests to check that all packages have been paid (see Figure 1).

Figure 1. eVS Mailing and Validation Process



Source: Postal Service eVS training materials.

These validations ultimately determine whether postage paid by the mailer was accurate. If there are discrepancies, a postage adjustment is created and the mailer is charged for the difference in postage, offset by any overpayment. The Postal Service has 10 categories of postage adjustments based on these validations, which include:

- *Adhoc Adjustment* – a manual adjustment created by eVS analysts that is used to collect additional postage the eVS did not identify.
- *Destination Entry* – an adjustment that corrects for errors in eVS mailings that do not qualify for destination entry rates.
- *Duplicates* – an adjustment that corrects payments for multiple delivery scans associated with the same package.

- *IMpb Noncompliance* – an adjustment that charges mailers for errors in IMpb barcode, address, and manifest quality.
- *Manifest Errors* – an adjustment that is used to correct for differences in rates between the mailer manifest and what the eVS calculates for each package.
- *Misshipped* – an adjustment that is used when parcels are deposited by an eVS mailer at an incorrect entry facility.
- *Postage Adjustment Factor* – an adjustment that is used when postage discrepancies are identified by comparing sampling results to mailer manifest for postage claimed. If Postage Adjustment Factor (PAF) results for the month are greater than 1.5 percent, additional postage is assessed.
- *Presort Eligibility Adjustment* – an adjustment that is used when mailers do not meet the minimum volume requirements to qualify for presort rates.
- *Unmanifested* – an adjustment that is used to charge for packages that were accepted and scanned by Postal Service but no manifest data was found in PTR or the eVS.
- *Content Eligibility Adjustment* – an adjustment that is used when Bound Printed Matter and Media Mail shipments do not meet content requirements.

In addition, Postal Service analysts and mail entry unit managers and supervisors can manually override eVS postage adjustments if they identify errors. Any postage adjustments are collected on the 21st day after the last day of the monthly accounting period. Mailers have the first 10 days of the month following their package shipments to review their account and notify the Postal Service of any discrepancies.

The Postal Service collected ██████████ in FY 2017 based on postage adjustments (see Table 2). These adjustments were charged to the mailers' CAPS. Mailers may also appeal postage adjustments to the Pricing and Classification Service Center (PCSC).³

³ A national center that provides one source for mail classification decisions and one-stop shopping for customers and field employees who need direction on price application or mail eligibility. Concerning eVS, PCSC reviews may include, but are not limited to, contacting facilities, reviewing PostalOne! eVS reports, and researching Publication 205.

Table 3. Postage Adjustments Collected

Adjustment Type	FY 2017 Proposed Postage	FY 2017 Actual Postage
[REDACTED]	[REDACTED]	[REDACTED]

Source: [REDACTED]

[REDACTED]

[REDACTED]

Table 4. Revenue at Risk by Postage Adjustment Type

Time Period	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
April 2016 - September 2016	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
October 2016 - September 2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
October 2017 - March 2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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

Although the Postal Service believed that the manual reconciliation process was effective in identifying and collecting postage, we conducted our own data analysis test to determine if all the eVS and commercial packages⁷ were paid.

Our test compared FY 2017 PTR Stop the Clock delivery scans to PostalOne! payments. In total, we identified 1.2 million eVS packages which could not be matched to a payment, totaling \$2.5 million.⁸ We estimated an additional

[REDACTED]

\$2.5 million⁹ will not be collected in FY 2018 if controls are not implemented. While this amount is [REDACTED] of the FY 2017 eVS revenue, eVS volume continues to grow and the lack of controls increases potential risk of additional loss. We made referrals to the U.S. Postal Inspection Service, as appropriate.

Recommendation #1

The **Vice President, Mail Entry & Payment Technology, in coordination with the Acting Senior Vice President, Sales and Customer Relations and Vice President, Information Technology,** [REDACTED]

Finding #2: Manual Sampling

Internal controls over manual sampling are ineffective as business mail entry unit (BMEU) clerks are not always sampling eVS packages randomly, as required.

Instead, we observed BMEU clerks selecting eVS package samples to validate weight, content, and packaging using a judgmental method. In addition, clerks encountered technical issues with sampling equipment. In particular, we observed:

- Clerks judgmentally selected packages that were most easily accessible. These samples were light in weight, easy to reach, or from one type of mail transport equipment that was easier to access when there were multiple package containers to choose from. A major mailer also observed similar results when conducting their own observations over the BMEU sampling process.
- Clerks sampled eVS packages that were selected by the mailer, rather than following the established sampling methodology. The mailer brought packages

“Internal controls over manual sampling are ineffective as BMEU clerks are not always sampling eVS packages randomly.”

to the BMEU clerk to be sampled and validate whether package weight, dimension, and postage was correct.

- One clerk entered the package weight manually. The intelligent mail barcode scanner bluetooth connection between the handheld and the scale did not work. In other instances clerks got error messages on the scanner that they could not explain.

This occurred because management has not ensured that clerks follow the required sampling controls. The Postal Service tracks the number of samples obtained from each mailer each month and policy requires¹⁰ BMEU clerks to randomly select eVS packages; however, the policy does not specify how “random” samples are to be selected. In contrast, Seamless Acceptance¹¹ provides more guidance on the methodology for random sampling. In Seamless Acceptance sampling, employees use a randomizer tool that generates a random timeframe, production line, or container position to select for sampling.

The integrity of the sampling methodology is critical. The Postal Service uses these samples to determine whether mailers are within a monthly error tolerance level. If mailers exceed this tolerance level, the Postal Service assesses additional postage for the entire month’s mailings. If BMEU clerks take improper samples and these samples are deleted by BMEU managers or supervisors, there is an increased risk that the proper postage is not being assessed. During discussions with the Postal Service, officials stated other samples taken from the retail counter and data collectors compensate for invalid samples by BMEU clerks. While we recognize these other sampling methods, there is an increased risk that improper manual sampling will impact the proper postage being assessed. During our audit, the MEPT group took partial corrective action by issuing internal guidance prohibiting adjustment of samples.

Recommendation #2

The **Vice President, Mail Entry & Payment Technology,** develop a sampling policy to specify how employees select Electronic Verification System packages.

⁹ Funds Put to Better Use – funds that could be used more efficiently by implementing recommended actions.

¹⁰ eVS/PRS Quick Sampling Process Guide, Section Process, page 2, March 2014.

¹¹ The automation of mail verification for mailings from mailers who apply unique Intelligent Mail barcodes on the mailpieces, trays, sacks, pallets, and other containers.

Finding #3: Reconciliation Process

Internal controls over the manual reconciliation process are weak, as there is limited oversight of underpaid postage manual adjustments. Modifications to postage amounts are sometimes required because of known system issues, sample errors, and unmanifested adjustments. Postal Service analysts and BMEU managers and supervisors can modify eVS-generated postage adjustments without management approval and oversight. In particular, these employees may reduce mailer postage adjustments in the PostalOne! system by deleting eVS package entries, using their own discretion without management approval.

In FY 2017, analysts, managers, and supervisors modified package postage amounts [REDACTED].

“Internal controls over the manual reconciliation process are weak, as there is limited oversight of underpaid postage manual adjustments.”

Table 5. FY 2017 Postage Adjustments

Adjustment Types	FY17 Proposed Postage	FY17 Actual Postage	Reduction of Postage
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Adjustment Types	FY17 Proposed Postage	FY17 Actual Postage	Reduction of Postage
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: [REDACTED]

Postal Service analysts and BMEU managers and supervisors are responsible for monitoring and reviewing postage adjustments for accuracy. Oversight of modifications is the responsibility of the program manager and district business mail entry managers.¹² Although the program manager documented the reviews, the manager did not indicate the steps and methodology used to validate the modifications made by the eVS analysts. This is important as the number of experienced analysts has been reduced recently and the volume of transactions for review is large. For example, in March 2017, the program manager was responsible for [REDACTED].

[REDACTED] from March 2017 through July 2017.

While district business mail entry managers and headquarters officials are responsible for oversight of the modifications, there is no requirement for the district business mail entry managers to document their review. In 2016, MEPT began transitioning responsibility over postage adjustment reconciliations from headquarters to the districts. With the transition to the districts, local BMEU

¹² Postal Service Sox Controls, eVS Controls 104.CA154. The eVS Program Manager reviews dropped unmanifested, misshipped, and sampled mailpieces for eVS/PRS on the Dropped Samples spreadsheet from PostalOne! for reasonableness, monthly. Evidence of the independent review is documented via signature and date on the monthly report by the eVS Program Manager.

¹³ [REDACTED]

managers and supervisors have been assigned responsibility for modifications to postage adjustments, which were previously performed by experienced headquarters Postal Service analysts, in addition to all their other assigned duties posing additional control risks.

In addition, the employees did not always follow-up with mailers with poor records of compliance. For example, one eVS mailer has consistently inducted packages without associated electronic manifests, as required,¹⁴ resulting in large quantities of “Unmanifested Packages” each month. This mailer’s [REDACTED] [REDACTED] during January 2018, December 2017, and November 2017, respectively. Yet, the Postal Service [REDACTED]

These conditions occurred because management did not follow review procedures as required or establish oversight controls. By improving the reconciliation controls through management approval and oversight, the Postal Service can reduce the modifications and potential errors in eVS postage adjustments. In FY 2017, the Postal Service [REDACTED]

The Postal Service is drafting a new package acceptance and payment strategy built on a modern payment information technology (IT) infrastructure — the Package Platform (Platform)¹⁷ — which should address the risks associated with the current weak automated control work-arounds. The new strategy, outlined in a white paper titled Package Platform Vision for Mail Acceptance and Payment, incorporates logic to automate the validation of NSA pricing, identify duplicate

packages, and bypass PTR for timely manifest processing. In addition, ineffective manual sampling would be replaced with scans from mail processing equipment to ensure proper payment. Lastly, the proposed IT infrastructure improvement will reduce the number of manual postage adjustments mitigating the weak manual reconciliation process.

The Platform plan remains in draft and the first phase, tentatively scheduled to be implemented¹⁸ in FY 2018, focuses on parcel return to increase market share in this growing sector rather than the eVS. The eVS controls will not be addressed until phase three of the plan is completed, with no tentative date set. While it is important for the Postal Service to increase its market share for parcel return,

[REDACTED] Because the eVS is such a large and growing product and the new Platform will not address eVS issues within the foreseeable future, it is important to address control issues within the existing system in the interim while the new Platform is being developed.

Recommendation #3

The **Vice President, Mail Entry & Payment Technology** and **Vice President, Information Technology**, instruct management to follow review procedures and develop oversight controls for district business mail entry managers.

Finding #4: System Validation of Non-eVS Package Payment

¹⁴ According to Publication 205, Section 3.1.1, eVS Process, eVS requires the creation of an electronic file containing specific data records organized into manifests.

¹⁷ The Package Platform Vision for Mail Acceptance and Payment will upgrade its package platform with a new, modern IT architecture model that will divide the core domains of package acceptance, payment, and verification which will support outbound packages (eVS packages).

¹⁸ The Package Platform will have three phases of implementation. The third phase will address eVS (outbound), which will not commence until the MRS & PRS phases are completed.

[REDACTED]

Recommendation #4
The Vice President, Mail Entry & Payment Technology and Vice President, Information Technology [REDACTED]

Management's Comments

Management agreed with our findings and recommendations 1 and 3, and disagreed with recommendations 2 and 4 and the monetary impact.

Regarding recommendation 1, management said they agreed to work with Sales and Customer Relations to [REDACTED]. The target implementation date is January 31, 2019.

Management disagreed with recommendation 2 and stated that there is a sampling policy already in place. Management noted they would provide refresher training to ensure adherence to this policy by January 31, 2019.

Regarding recommendation 3, management said they agreed to work with Finance to develop oversight controls by January 31, 2019.

Management disagreed with recommendation 4. Management stated they would perform a business risk evaluation to [REDACTED]. The target implementation date is March 31, 2019.

Management also disagreed with the [REDACTED] packages) in monetary impact attributed to non-eVS packages. They stated that they provided evidence of payment of [REDACTED] packages) and that [REDACTED]

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 partially responsive to recommendations 2 and 4. The corrective actions for recommendations 1 and 3 should resolve the issue identified in the report.

Regarding management's disagreement with recommendation 2, management stated there is a sampling policy in place; however, as noted in our report, the policy does not specify how random samples are to be selected. We observed BMEU clerks judgmentally select packages that were most easily accessible. These samples were light in weight, easy to reach, or taken from a type of mail transport equipment that was easier to access. Furthermore, clerks sampled eVS packages that were selected by the mailers, rather than following a sampling methodology. As such, the training the Postal Service plans to provide will be helpful, but we continue to believe additional guidance is necessary to specify how random samples are to be selected. We consider management's comments partially responsive and will coordinate a resolution with management.

Regarding management's disagreement with recommendation 4, while a business risk evaluation is welcome, we continue to believe that [REDACTED]

[REDACTED] We consider management's comments partially responsive and will coordinate a resolution with management.

Regarding management's disagreement with the monetary impact, we included the [REDACTED] non-eVS packages valued at [REDACTED] in our report finding. While we recognize other payment methods have their own payment verification controls, the revenue provided by the Postal Service cannot be tied to an individual payment for the packages we identified. Validating package level payment for non-eVS packages reduces the potential risk of nonpayment and fraud. We believe the methodology supporting the [REDACTED] estimate is appropriate.

We view the disagreement with recommendations 2 and 4 as unresolved and they will remain open as we coordinate resolution with management. All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 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.

Appendices

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Appendix A: Additional Information

Scope and Methodology

Our objective was to evaluate Postal Service controls for assessing postage on underpaid packages entered using the eVS. We excluded the following eVS components from our review: Parcel Return Service, ePostage, Click-N-Ship Business Pro, and Premium Forwarding Service Commercial because they had their own individual controls and procedures.

To accomplish our objective, we:

- Reviewed Postal Service eVS package revenue assurance strategies, policies, procedures, and responsibilities.
- Reviewed Postal Service initiatives, which impact eVS controls.
- Reviewed and analyzed prior OIG reports.
- Reviewed the eVS appeal process with PCSC.
- Observed eVS sampling conducted at four judgmentally selected Postal Service and mailer facilities.
- Interviewed Postal Service managers and headquarters officials on eVS revenue assurance practices, policies, strategies, challenges, and results.
- Interviewed Postal Service personnel responsible for eVS sales to get their insight related to eVS issues.
- Interviewed eVS mailers to get their input on eVS postage adjustments.
- Collected and reviewed eVS sampling data from PostalOne! and consulted with experts to determine the data validity for FY 2017.
- Collected and analyzed the reconciliation of the postage adjustments (dispute) process, judgmentally selecting and reviewing postage adjustments by mailer for FY 2017.
- Collected and analyzed PostalOne! & ODIS-RPW data to identify trends and anomalies in postage adjustments for FY 2016.

- Conducted data analysis to determine if all FY 2017 eVS and non-eVS packages were paid. In particular, we:
 - Obtained all Stop-the-Clock delivery scans for packages where the [REDACTED] [REDACTED] from October 2016 to September 2017.
 - Next, the team used five tables within PostalOne!, to validate payment for the PICs we obtained from PTR. The five tables were: [REDACTED]
 - The PICs not found in the PostalOne! payment tables were categorized into two groups based on their unique mailer identification: (1) eVS mailer and (2) Non-eVS mailer. These two groups totaled [REDACTED]

We conducted this performance audit from April 2017 through September 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 August 15, 2018, and included their comments where appropriate.

We assessed the reliability of computer-generated data from the Postal Service's eVS PostalOne! system by reviewing the data and interviewing Postal Service officials and external stakeholders. We determined that the data 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 issued within the last five years.

Appendix B: Management's Comments



September 14, 2018

Monique Colter
Director Audit Operations
Office of Inspector General
United States Postal Service

Subject: Response to Draft Audit Report – Electronic Verification System Internal Controls (Report Number MS-AR-18-DRAFT)

Thank you for the opportunity to respond to the OIG Audit of Electronic Verification System Internal Controls.

The Postal Service disagrees with the monetary impact of [REDACTED] packages) attributed to non-eVS packages. The Postal Service provided evidence of payment for [REDACTED] packages) of these packages. It should be noted [REDACTED]

Recommendation #1

We recommend the Vice President, Mail Entry & Payment Technology, in coordination with the Acting Senior Vice President, Sales and Customer Relations and Vice President, Information Technology, [REDACTED]

Management Response/ Action Plan

Management agrees with this recommendation and Mail Entry & Payment Technology (MEPT) will work with Sales and Customer Relations to evaluate the need for additional [REDACTED]

Target Implementation Date

January 2019

Responsible Official

Vice President, MEPT
Vice President, Sales and Customer Relations

~ 2 ~

Recommendation #2

We recommend the Vice President, Mail Entry & Payment Technology, develop sampling policy to specify how employees select Electronic Verification System packages.

Management Response/ Action Plan

Mail Entry and Payment Technology disagrees with this recommendation as there is a sampling policy already in place. Refresher training will be provided to ensure adherence to policy.

Target Implementation Date

January 2019

Responsible Official

Vice President, MEPT

Recommendation #3

We recommend the Vice President, Mail Entry & Payment Technology and Vice President, Information Technology, instruct management to follow review procedures and develop oversight controls for district business mail entry managers.

Management Response/ Action Plan

Management agrees with this recommendation. MEPT will work with Finance to develop oversight controls for District BME.

Target Implementation Date

January 2019

Responsible Official

Vice President, MEPT

Recommendation #4

We recommend the Vice President, Mail Entry & Payment Technology and Vice President, Information Technology, [REDACTED]

Management Response/ Action Plan

Management disagrees with this recommendation. MEPT will perform a business risk evaluation to determine if we need to develop [REDACTED]

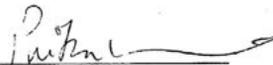
Target Implementation Date

March 2019

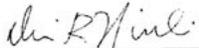
Responsible Official

Vice President, MEPT

~ 3 ~


Pritha Mehra
Vice President, Mail Entry and Payment Technology


Jeff Johnson
Vice President, Information Technology


Dennis R. Nicoski
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