



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

Click-N-Ship For Business
Audit Report

April 29, 2013

Report Number DP-AR-13-005



HIGHLIGHTS

BACKGROUND:

The U.S. Postal Service established a business shipping application called the Shipping Assistant in May 2003. In April 2012 the Postal Service renamed the application Click-N-Ship For Business, which is free software available to Postal Service business customers. The Postal Service Digital Media group is responsible for managing Click-N-Ship For Business.

Customers download Click-N-Ship For Business from usps.com and register to use the software. Click-N-Ship For Business enables customers to create and print bar coded mailing labels for a variety of domestic and international shipping services and customs forms for foreign shipments. [REDACTED]

[REDACTED]

The application also offers seamless integration with digital postal meters and a customer's address book and allows customers to import mailing data from other external accounts such as eBay. In addition, the application provides access to usps.com[®] service and price comparisons, delivery time estimates, and address verification tools.

As of September 2012, there were 866,000 registered Click-N-Ship For

Business users with about 39,000 active users (who used the application at least once a month). Also, in fiscal year 2012, customers created over 7.3 million Click-N-Ship For Business mailing labels with revenue of about \$55 million.

Our objective was to determine whether the Postal Service implemented controls to protect revenue associated with the Click-N-Ship For Business application.

WHAT THE OIG FOUND:

The Postal Service did not implement sufficient controls to protect revenue associated with the Click-N-Ship For Business application.

[REDACTED]

As a result, we identified about \$7 million of annual revenue loss to the Postal Service.

WHAT THE OIG RECOMMENDED:

[REDACTED]

[Link to review the entire report](#)



April 29, 2013

MEMORANDUM FOR: GARY C. REBLIN
VICE PRESIDENT, DOMESTIC PRODUCTS

A rectangular box containing a handwritten signature in black ink that reads "Darrell E. Benjamin, Jr." with a yellow question mark icon in the top right corner.

FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Revenue and Performance

SUBJECT: Audit Report – Click-N-Ship For Business
(Report Number DP-AR-13-005)

This report presents the results of our audit of the U.S. Postal Service's Click-N-Ship For Business[®] application (Project Number 13BG007DP000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kevin H. Ellenberger, director, Data Analysis and Performance, or me at 703-248-2100.

Attachments

cc: Nagisa Manabe
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the U.S. Postal Service's Click-N-Ship For Business[®] (CNSB) application (Project Number 13BG007DP000). Our objective was to determine whether the Postal Service implemented controls to protect revenue associated with the CNSB application. This audit was self-initiated and addresses financial risk. See [Appendix A](#) for additional information about this audit.

CNSB is free desktop software available to any business that ships with the Postal Service. Customers download CNSB from usps.com and register to use the application. CNSB combines labels and package management operations in one automated application. CNSB includes the ability to create and print bar coded mailing labels for domestic and international shipping services and customs forms for foreign shipments. This mailing label is similar in appearance to pre-paid mailing labels generated from other Postal Service products¹.

The application also offers seamless integration that allows customers to pay for postage using the Pitney-Bowes Mailstation 2[™] digital postal meter² and an address book, and allows them to import data from other external accounts such as eBay[®]. In addition, the application provides access to usps.com where customers can compare Postal Service services and prices, obtain delivery time estimates, and access address verification tools. There were 866,000 registered CNSB users with about 39,000 active users (those who had used the application at least once a month as of September 2012). CNSB customers created over 7.3 million CNSB mailing labels with revenue of about \$55 million in fiscal year (FY) 2012.

Conclusion

The Postal Service did not implement sufficient controls to protect revenue associated with the CNSB application. [REDACTED]

[REDACTED] Without adequate controls [REDACTED] the Postal Service is at risk of losing revenue. As a result, we identified annual revenue loss of about \$7 million for the Postal Service.

Revenue Protection Controls

[REDACTED]

¹ Examples include Click-N-Ship and PC Postage providers such as Endicia, Stamps.com, or Pitney-Bowes, Inc.

² All-purpose meter for low-volume mailing needs. All-in-one digital mailing system with built-in scale.

³ Customers can enter a request for a carrier to pick up their package the following delivery day.

[Redacted text block]

[Redacted text block]

CNSB customers created over 7.3 million labels and generated revenue of about \$55 million in FY 2012. Table 1 provides a breakdown of CNSB label revenue and volume during FYs 2010 through 2012.

Table 1. CNSB Revenue and Volume

Fiscal Year	CNSB Label Revenue (in millions)	CNSB Label Volume (in millions)
2012	\$54.6	7.3
2011	\$55.0	7.3
2010	\$55.3	7.6

Source: Postal Service Digital Media Group.

Other U.S. Postal Service Office of Inspector General (OIG) audit reports⁴ have shown there is little risk of detecting packages mailed with short paid and unpaid postage. These audits identified over \$243.2 million in revenue loss resulting from short paid and unpaid postage. These audits also reported that Postal Service personnel did not effectively detect packages without the required postage affixed. [REDACTED]

Management stated that the purpose of the CNSB application is to provide a mailing label product [REDACTED]

[REDACTED] Management referenced a Usability Study Research Summary⁵ issued September 28, 2012, and a Postal Service CNSB customer survey conducted October through November 2012 that found that business customers prefer to use the CNSB desktop application to print mailing labels [REDACTED]

[REDACTED] However, allowing customers to do this causes the Postal Service to lose about \$7 million of revenue annually.

During our audit, management acknowledged that the current process presents the potential for lost revenue. Management also recognizes that changing the current process aligns with customer desires. Specifically, results from the 2012 Postal Service CNSB customer survey show that only 33 percent of business customers currently use [REDACTED]

The Postal Service is considering making changes to address customer needs. Specifically, the Postal Service is developing a new mailing label application for business customers who prefer to pay for postage with a credit card, which would potentially reduce revenue loss. [REDACTED]

[REDACTED] *Shortpaid Postage Information-Based Indicia Parcel Post Mail (Report Number MS-AR-09-002, October 14, 2008), Shortpaid Postage Information-Based Indicia Priority Mail (Report Number MS-AR-09-001, October 10, 2008).*

⁵ AKQA is an ideas and innovation company specializing in creating digital services, products, communications, and experiences. Prepared by Mediabarn User Experience Lab, September 28, 2012.

Recommendation

We recommend the vice president, Domestic Products:

[REDACTED]
[REDACTED]

Management's Comments

Management agreed with the intent of the recommendation and will work toward addressing the issues raised in this report, as well as those expressed by their customers. Specifically, management stated they will:

- Develop a strategy to end the [REDACTED]
[REDACTED] The estimated completion date for this is October 1, 2013.
- Work toward more [REDACTED] The estimated completion date for this is April 1, 2014.
- Research the amount of customer demand there is for [REDACTED]
[REDACTED] The estimated completion date for this is October 1, 2014.

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

In a subsequent email, management disagreed with our monetary impact. They stated that the OIG calculation, based on a similar finding reported in 2008, is inconclusive, given Postal Services' ongoing efforts to protect revenue and its commitment to further strengthen revenue controls by researching and developing additional improvements.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report.

Regarding the disagreement with our monetary impact, we believe that our conclusions are valid. The referenced prior OIG report disclosed that Postal Service personnel did not [REDACTED]
[REDACTED]

Accordingly, we developed a methodology to estimate the amount of revenue loss and to reflect a fair and reasonable comparison to the prior audit. We obtained the percentage of mailpieces [REDACTED] from the Origin Destinating Information System – Revenue, Pieces, and Weight. We multiplied the annual revenue amount of CNSB by this percentage to estimate annual revenue loss. Further, the audit team conducted a test sample of eight packages [REDACTED]

[REDACTED]
[REDACTED]. Therefore, we conclude that the current CNSB process places the Postal Service at risk of losing revenue.

Appendix A: Additional Information

Background

The Postal Service develops, markets, and manages retail business segments to maximize revenue by improving and expanding access to and products for consumers and small business. The Postal Service Digital Media Group is responsible for developing and managing the desktop application known as CNSB.

The Postal Service began the Shipping Assistant[®] software application concept in May 2003 and re-named it CNSB in April 2012. This desktop mailing label application is targeted to customers who have a meter or frequently have a large number of packages to ship. Customers can download the application from usps.com free of charge and it currently has more than 866,000 registered customers, with about 39,000 active users (who used the application at least once a month), creating over 7 million shipping labels per year with annual revenue of about \$55 million.

In addition to domestic and international shipping labels, CNSB offers customers other services that support Postal Service shipping, such as address standardization, domestic and international rate calculation and comparison, track and confirm, customs forms creation, and the ability to schedule next day Carrier Pickup. CNSB provides customers with an address book, shipping cart, detailed shipping history, and the ability to set default values for commonly used functionality. Customers who use CNSB mailing labels are eligible for the electronic confirmation rate, with no additional fees, on Priority Mail, First-Class Mail[®] parcels, Package Services parcels, and Parcel Select parcels, which differ from those offered at retail for similar services.

[REDACTED]. Integrated payment options within CNSB are limited to those typically associated with larger mailers, such as electronic Verification System⁶ and permit imprint.⁷ Based on Postal Service customer surveys conducted, CNSB customers stated that there needs to be an easier, integrated way [REDACTED]

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service implemented controls to protect revenue associated with the CNSB application.

To accomplish our objective, we:

- Reviewed user guides, CNSB websites, and related controls of the CNSB application to determine potential risks.

⁶ A manifest mailing system that streamlines the acceptance of parcels and integrates with the Product Tracking System for package tracking and service performance.

⁷ Most of the time Permit Indicia will contain the words 'Permit No.' and the mail class of the mailpiece.

- Discussed the functionality of the CNSB application with Postal Service management, [REDACTED]
[REDACTED]
- Tested the CNSB application by downloading and registering as Postal Service business customers [REDACTED]
[REDACTED]
- Reviewed the draft Business Case Overview for *CNSB with Scan Pay* dated October 18, 2012, to determine whether the proposal contains a payment for postage enhancement for the customer.
- Obtained Postal Service revenue and volume reports for CNSB.

We conducted this performance audit from October 2012 through April 2013 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 March 14, 2013, and included their comments where appropriate.

To conduct this audit, we relied on computer-processed data maintained by Postal Service operational systems. We did not test the validity of controls over these systems; however, we verified the accuracy of the data by confirming our analysis and results with Postal Service managers and other postal data sources. 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.

Appendix B: Monetary Impact

Recommendation	Impact Category	Amount
1	Revenue Loss ⁸	\$20,507,473

Revenue Loss

To determine the amount of revenue loss to the Postal Service, [REDACTED] and multiplied it by the total revenue amounts for FYs 2012 through 2014. The actual CNSB revenue amount for FY 2012 was \$54.6 million and the estimated CNSB revenue amounts for FYs 2013 and 2014 are \$54.6 and \$62.8 million, respectively, as shown in Table 2. The table also illustrates the Postal Service's revenue loss calculation, which includes 1 fiscal year of actual revenue and 2 fiscal years of projected revenue for the CNSB application, [REDACTED]

Table 2. Calculation of Revenue Loss

Description	FY 2012 (actual)	FY 2013 (projected)	FY 2014 (projected)
Total CNSB Revenue	\$54,570,906	\$54,570,906	\$62,756,542
[REDACTED]			11.93%
Estimated Annual Revenue Loss	\$6,510,309	\$6,510,309	\$7,486,855
Total Estimated Revenue Loss			\$20,507,473
Estimated Annual Revenue Loss			\$6,835,824

Results from a 2008 OIG audit report⁹ indicated that 11.93 percent of mailpieces [REDACTED] [REDACTED]. Since our audit identified an issue similar to one reported in our 2008 audit, we used the same percentage to estimate the revenue loss for CNSB. Using the total CNSB revenue amounts for FYs 2012 through 2014 and multiplying that amount by 11.93 percent, we estimated revenue loss for the 3 years to be \$20.5 million, or about \$7 million annually.

⁸ Amount the Postal Service is (or was) entitled to receive but was underpaid or did not realize because policies, procedures, agreements, requirements, or good business practices were insufficient or not followed. May be recoverable or unrecoverable and may apply to historical events or a future period (in the sense perceived future losses may be prevented by the implementation of a recommendation).

⁹ *Click-N-Ship Program* (Report Number MS-AR-08-004, dated March 31, 2008).

Appendix C: Management's Comments

GARY C. REBLIN
VICE PRESIDENT, NEW PRODUCTS AND INNOVATION



April 17, 2013

Judith Leonhardt
Director, Audit Operations

SUBJECT: Click-N-Ship For Business® (Report Number DP-AR-13-DRAFT)

Recommendation:

[REDACTED]

Management Response/Action Plan:

Agree with the objective of the recommendation: USPS management will actively work to address the concerns of the OIG, as well as, customers through a number of concurrent initiatives.

- Management will develop a strategy for sun setting the CNSB application's ability to

[REDACTED]

- Management is currently working towards more [REDACTED]

[REDACTED]

[REDACTED] We anticipate this completing this strategy and an associated plan by the end of this FY.

[REDACTED] It is anticipated that implementation will be accomplished in two releases. The initial release is projected for late in FY13, with a second release in Quarter 2 of FY14.

- [REDACTED]

[REDACTED] Research in the next fiscal year is needed to ascertain the level of customer demand for this expanded functionality.

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260
202-268-6078

WWW.USPS.GOV

- [Redacted]

The OIG report also cited the development of “a new mailing label application for the business customers that would prefer to pay for postage using a credit card.” It should be noted that the decision to present this option for executive approval was postponed, and the effort placed on hold, pending the exploration of the aforementioned additional options.

Target Implementation Date:

Management is targeting an FY13, Quarter 4 implementation of the initial CNSB [Redacted] and USPS [Redacted]. Concurrently, business cases will be researched and developed for additional improvements in FY14. Pending approval of the appropriate funding, management expects to implement [Redacted] and credit card payment features in FY14.

Responsible Official:

Vice President, New Products and Innovation

Management is requesting that this report, including management’s response, in their entirety, not be available for public view, or disclosure, under FOIA. The report and response contains sensitive and confidential information and business objectives that would be detrimental to the Postal Service if it were made publically available.



Gary Reblin
Vice President, New Products and Innovation

- cc: Sally K. Haring, Corporate Audit and Response Management
- Nagisa Manabe, Chief Marketing and Sales Officer, Executive Vice President
- Margaret Choiniere, Mgr. Technical Solutions & Integration Shipping Services
- Patti Mason, Manager, Digital Media
- Don Nichols, Program Manager, Click-N-Ship For Business