



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Dormant Advance Deposit Permit Accounts

Management Advisory Report

Report Number
FT-MA-15-001

October 1, 2014





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Opportunities exist to enhance the process for locating customers and archiving account information. Specifically, providing customers more visibility to obtain refunds on their dormant accounts.

Background

The U.S. Postal Service maintains advance deposit accounts of customers to pay for business mailings in the PostalOne! system. This system provides an automated, streamlined alternative to the existing, manual business mail acceptance process. These accounts contain deposits for future permit imprint, business reply, periodicals, and postage due mailings.

The Postal Service cancels these accounts when no mailing transactions have occurred and customers do not pay the \$220 annual fee for 2 years. Postal Service policy requires management to notify customers that their account will be canceled and instructs them to request a refund for any remaining account balance.

Once canceled, and no request for refund is received from the customer, the account is closed and becomes dormant.

Business mail customers may claim refunds of unused account balances, even after the account becomes dormant. Customers retain visibility to dormant account information until the account is deleted and archived. The Postal Service refunds fees or advanced deposits within 10 business days from the receipt of the customer's request.

The Postal Service refunded \$34.3 million to customers from October 1, 2008, through June 30, 2014. During fiscal years 2012 and 2013, the Postal Service refunded \$9.2 million of that

amount to customers; \$15.6 million of customers' unclaimed dormant account balances was considered income to the Postal Service during that same timeframe.

Our objective was to determine whether procedures for refunding dormant advance deposit permit accounts to customers were effective and consistent with best practices.

What The OIG Found

The Postal Service's procedures for refunding dormant advance deposit permit accounts to customers were effective and consistent with best practices to the extent allowed by law. However, opportunities exist to enhance the process for locating customers and archiving account information. These opportunities will increase visibility, provide customers a better opportunity to obtain refunds on their deposits, and ensure continued effectiveness and efficiency in the refund process.

Specifically, prior to cancellation, the Postal Service notifies customers that their account will be closed and instructs them to submit a request for refund for any remaining account balance. The policy does not require further, ongoing attempts to contact customers prior to closure. While state and federal agencies advertise and transfer funds to make them more accessible, the Postal Service is prohibited by law from performing these activities.



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Also, canceled accounts are deleted from the PostalOne! system and archived 1 year after the month of cancellation. As a result, customers lose visibility of their dormant account information. Also, once archived, refunds from dormant accounts become more difficult to process.

We projected the Postal Service will issue an average of \$3.4 million annually in refunds from dormant accounts for the period July 1, 2014, through June 30, 2016.

What The OIG Recommended

We recommended management conduct periodic attempts to locate customers of inactive and dormant accounts and extend retention of account information within the PostalOne! system.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

October 1, 2014

MEMORANDUM FOR: MAURAA. MCNERNEY
VICE PRESIDENT, CONTROLLER

PRITHA N. MEHRA
VICE PRESIDENT, MAIL ENTRY AND PAYMENT
TECHNOLOGY

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota".

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

SUBJECT: Management Advisory Report – Dormant Advance Deposit
Permit Accounts (Report Number FT-MA-15-001)

This report presents the results of our review of the Dormant Advance Deposit Permit Accounts (Project Number 14BD002FT000).

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 and Response Management

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Findings

Postal Service policy does not require further, ongoing attempts to contact customers after the cancellation letter is sent. Also, customers lose visibility to dormant funds once account information is archived.

Introduction

This report presents the results of our self-initiated review of the Dormant Advance Deposit Permit Accounts (Project Number 14BD002FT000). We conducted this review to address a concern over dormant advanced deposit permit accounts.¹ Our objective was to determine whether the U.S. Postal Service's procedures for refunding dormant advance deposit permit accounts to customers were effective and consistent with best practices. See [Appendix A](#) for additional information about this review.

Business mail customers are required to deposit funds into a Postal Service maintained advanced deposit permit account to pay for future services used by the mailer. The Postal Service has the responsibility to effectively manage these accounts by accurately recording customer deposits and withdrawals when a mailing occurs. Additionally, management of these accounts includes closing them for inactivity and refunding balances to customers.

Advance deposit permit accounts are canceled through the PostalOne! system² for inactivity when no mailing transactions have occurred and customers do not pay annual fees of \$220³ for 2 years. Postal Service policy requires management to notify customers that their account will be canceled and instructs them to request a refund for any remaining account balance. When the notice is returned as undeliverable or a refund request is not received, the Postal Service does not require further, ongoing attempts to contact customers prior to closure. While state and federal agencies advertise and transfer funds to make them more accessible, the Postal Service is prohibited by law from performing these activities.

Once canceled, and no request for refund is received from the customer, the account is closed and becomes dormant. Canceled accounts are deleted from the PostalOne! system and archived 1 year after the month of cancellation.

Business mail customers may claim refunds of unused account balances, even after the account becomes dormant. Customers retain visibility to dormant account information through the Business Customer Gateway⁴ until the account is deleted and archived. However, once archived, customers lose visibility within the PostalOne! system to identify their dormant account information. The Postal Service refunds fees or advanced deposits within 10 business days from the receipt of the customer's request. According to the Postal Service, it is difficult but not impossible to retrieve data after the account is archived, allowing customers to request a refund at any time.

The Postal Service refunded \$34.3 million to customers from October 1, 2008, through June 30, 2014. During fiscal years (FY) 2012 and 2013, the Postal Service refunded \$9.2 million of that amount to customers; \$15.6 million of customers' unclaimed dormant account balances was considered income to the Postal Service.⁵ See [figure 1](#).

¹ *Mailing Systems Technology*, "Special Report – Has the USPS Been Holding on to Millions of Dollars of Mailers' Money?" January-February 2014, by Adam Lewenberg.

² The PostalOne! system provides mailers with an efficient, cost-effective and seamless process from mail preparation to mail delivery.

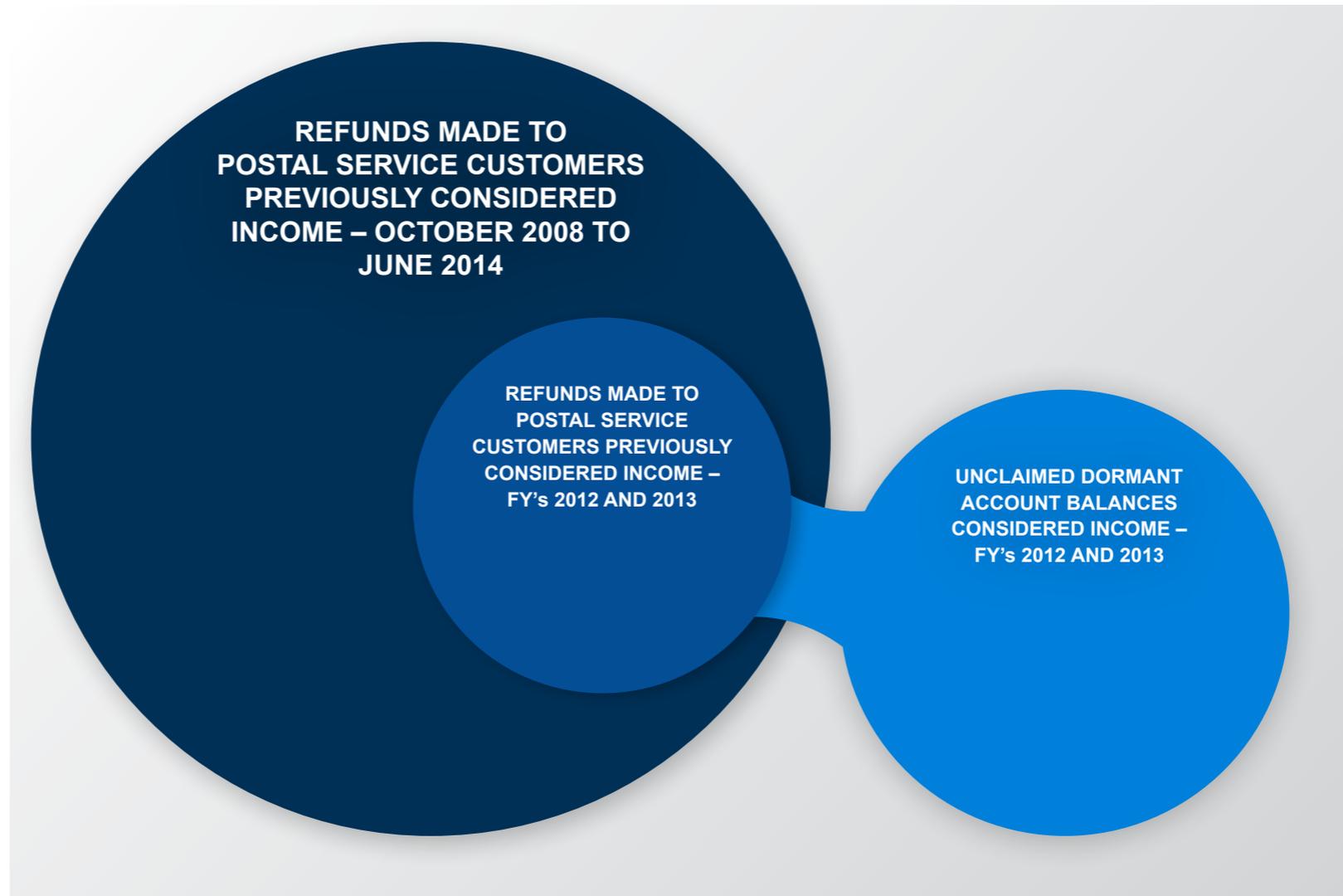
³ Postal Service Form 3621-A, *Renewal Notice for Annual Fee(s)*, dated January 2014.

⁴ Business Customer Gateway is a web portal for Postal Service business services. It allows mailers to access all their mailing accounts to monitor balances and fees for ease of mailing.

⁵ We were not able to determine the total dollar value of refunds to customers of archived dormant accounts as they were comingled with other transactions.

Figure 1. Analysis of Refunds and Unclaimed Funds

The Postal Service is prohibited by law from advertising to the public and transferring unclaimed funds to the State or U.S. Department of Treasury.



Source: Postal Service data and EDW Accounting Data Mart (ADM).

Conclusion

The Postal Service's procedures for refunding dormant advance deposit permit accounts to customers are effective and consistent with best practices to the extent allowed by law. Specifically, it sends a letter to customers prior to cancellation and processes refunds for an indefinite period of time. However, opportunities exist to enhance the process for locating customers and archiving account information. These opportunities will increase visibility, provide customers a better opportunity to obtain refunds on their deposits, and ensure continued effectiveness and efficiency in the refund process.

We reviewed best practices for managing unclaimed property at state and federal agencies.⁶ As shown in [Table 1](#), we determined these agencies also notify customers of unclaimed funds or property. Also, while state and federal agencies advertise and transfer funds to make them more accessible, the Postal Service is prohibited by law from performing these activities.

⁶ We reviewed practices at 30 state agencies. We also reviewed 31 U.S.C. Section 1322, *Payments of Unclaimed Trust Fund Amounts and Refund of Amounts Erroneously Deposited*, for practices governing all federal agencies.

Table 1: Best Practices for Unclaimed Funds

Best Practices	State Agencies	Federal Agencies	Postal Service
Notify Customers/Public of Unclaimed Funds.	Effort varies by state agency.	Effort varies by federal agency.	Yes, 60 days prior to cancellation of account, a letter is issued to the customer.
Advertise unclaimed funds.	Yes, on individual and public websites.	Yes, on individual and public websites.	Prohibited by law. ⁷
Transfer unclaimed funds. ⁸	Yes, to individual state offices.	Yes, to Department of Treasury.	Prohibited by law. ⁹
Unclaimed funds refunded indefinitely.	Yes.	Yes.	Yes.

Source: Individual state, Department of Treasury, and Postal Service websites.

The Postal Service refunded \$34.3 million to customers from October 1, 2008, through June 30, 2014. Based on this data, we projected the Postal Service will issue an average of \$3,364,465 annually in refunds from dormant accounts for the period of July 1, 2014, through June 30, 2016.

Locating and Contacting Customers

Sixty days prior to the month of cancellation, the Postal Service sends a letter to business mail customers advising them that due to inactivity their account will be canceled. The letter includes the remaining account balance and states that the customer must submit a request for refund to obtain it.¹⁰ Postal Service policy does not require further, ongoing attempts to contact customers prior to closure. However, during our site visits to selected postal units,¹¹ we noted that field personnel conducted internet searches and sent emails to locate customers prior to closing accounts. Management confirmed that other sites followed these same additional efforts as a goodwill gesture.

⁷ Codified at 39 U.S.C. §412.

⁸ State entities transfer unclaimed funds to the individual state offices, and federal agencies transfer funds to the U.S. Department of Treasury.

⁹ Codified at 39 U.S.C. §410(a).

¹⁰ Handbook F-101, *Field Accounting Procedures*, Section 16-7-2, *Non-Use Cancellation Notice*, dated October 2013.

¹¹ We judgmentally selected the business mail entry unit (BMEU) and postal retail unit (PRU) in Eagan, MN, and the BMEU and PRU located within the St Louis, MO, Main Post Office.

Archived Account Information

Business mail customers may claim refunds of unused account balances, even after the account becomes dormant. However, 1 year after the month of cancellation, dormant account information is deleted from the PostalOne! system and archived. As a result, customers lose visibility within PostalOne! to identify their dormant account information. Also, once archived, refunds from dormant accounts become more difficult to process for the Postal Service. To process refunds from archived accounts, Postal Service employees must submit a data retrieval request to management for approval. Once approved, it is submitted to the Integrated Business Systems Solutions Center (IBSSC) in San Mateo, CA. The IBSSC retrieves account information and forwards the refund request to the PRU to process. If the Postal Service retained account information within PostalOne! beyond 1 year, business mail customers would retain visibility to account balances for longer periods, and the Postal Service's refund process would be more effective and efficient.¹²

¹² We did not obtain detailed cost information related to data retrieval from the IBSSC.

Recommendation

We recommend management conduct periodic attempts to locate customers of inactive and dormant accounts and extend retention of account information within the PostalOne! system.

We recommend the vice president, Controller, in coordination with the vice president, Mail Entry and Payment Technology:

1. Develop procedures to enhance the refund process for dormant advance deposit permit accounts, to include:
 - Periodic attempts to locate customers of inactive and dormant accounts.
 - Retaining canceled account information within the PostalOne! system for more than 1 year.

Management's Comments

Management disagreed with the findings, recommendation, and monetary impact, stating that the current processes for dormant accounts refunds are reasonable, efficient, and effective. They stated the recommendation would unduly burden the Postal Service with non-value added processes that would add additional costs and inefficiencies. They also reiterated our conclusion that the current processes are both effective and consistent with best practices to the extent the law allows. Finally, they said the Postal Service maintains an extensive level of customer support and a consumer friendly refund policy that allows customers to claim a dormant account refund at any time after cancellation.

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

Evaluation of Management's Comments

Management's comments are not responsive to the recommendation. While we acknowledge that the Postal Service may incur some costs, we disagree that the recommended enhancements cause inefficiencies. We maintain that additional periodic attempts to locate customers and longer retention of account information in the PostalOne! system would enhance the process. These enhancements will provide greater visibility of dormant account information and more timely refunds resulting in greater customer satisfaction. The intent of our recommendation was to provide management with opportunities to enhance the process to achieve greater customer satisfaction and transparency. Since the processes are not material in relation to overall Postal Service operations, we will not initiate formal audit resolution.

Regarding the monetary impact, we believe our recommendation would provide Postal Service customers with better transparency of refunds available to them. As a result, had the recommendation been agreed to by the Postal Service and implemented, we computed customers would have a better opportunity to obtain an average of \$3.4 million annually from dormant accounts for the period July 1, 2014, through June 30, 2016. We will report this in our *Semiannual Report to Congress*.

Appendices

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Appendix A: Additional Information

Background

The Postal Service maintains advance deposit permit accounts of customers to pay for business mailings in the PostalOne! system. These accounts contain deposits for future permit imprint, periodicals, business reply, and postage due mailings processed and maintained by BMEUs and PRUs. Additionally, the Postal Service refunds fees or advanced deposits within 10 business days from the receipt of the customer's request.

The PostalOne! system automatically cancels advance deposit permit accounts for inactivity and when business mail customers do not pay the annual fee of \$220 for 2 years. The Postal Service sends a letter to customers for inactive accounts 60 days prior to the month of cancellation. According to the letter, the customer must submit a request for refund for the remaining account balance. If no response is received from the customer, the account is canceled. The Postal Service then closes the account, transfers the balance to revenue, and the account is classified as dormant. Customers retain visibility to dormant account information within PostalOne! through the Business Customer Gateway for 1 year after the month of cancellation. When a customer requests a refund from a dormant account within the 1 year period, it is processed through PostalOne!. After the 1 year timeframe, account information is deleted from PostalOne! and archived. Customers may continue to claim refunds at any time after accounts are canceled. The Postal Service refunded \$34.3 million to customers from October 1, 2008, through June 30, 2014. Based on this data, we projected the Postal Service will issue an average of \$3,364,465 annually in refunds from dormant accounts for the period of July 1, 2014, through June 30, 2016.

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service's procedures for refunding dormant advance deposit permit accounts to customers were effective and consistent with best practices. To accomplish our objective, we:

- Researched laws and regulations of the Postal Service and compared them to federal and state agencies' laws and regulations to identify best practices for unclaimed funds.
- Reviewed Postal Service policy for retaining records of dormant advance deposit permit accounts to determine retention period.
- Reviewed Postal Service procedures to understand closing and refunding of dormant advance deposit permit accounts.
- Interviewed Postal Service personnel to obtain details of the dormant advance deposit permit accounts and feedback on the refund process.
- Evaluated the visibility of dormant advance deposit permit accounts and customer satisfaction survey for customer's concerns of the refund process.
- Evaluated how Postal Service accepts and processes refund requests of dormant advance deposit permit accounts for payment to gain knowledge of the refund process.

- Conducted site visits at four judgmentally selected postal units¹³ to understand the dormant advance deposit permit account refund process and to trace dormant account information to the source documents.
- Analyzed PostalOne! system data to identify dormant advance deposit permit accounts transferred to revenue during FYs 2012 and 2013.
- Obtained general ledger data to identify dormant advance deposit permit account refunds from October 1, 2008, through June 30, 2014.

We conducted this review from March through October 2014 in accordance with the Council of the Inspector General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on September 5, 2014, and included their comments where appropriate.

We assessed the reliability of PostalOne! data by tracing it to source documents and the general ledger. We determined that the data was sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The U.S. Postal Service Office of Inspector General did not identify any prior audits or reviews related to the objective of this audit.

¹³ We judgmentally selected the BMEU and PRU, Eagan, MN; and BMEU and PRU located within the St. Louis, MO, Main Post Office.

Appendix B: Management's Comments

MAURA A. MCNERNEY
VICE PRESIDENT, CONTROLLER



September 23, 2014

Lori Dillard
(A) Director, Audit Operations

SUBJECT: Draft Management Advisory Report – Dormant Advance Deposit Permit Accounts
(Report Number FT-MA-14-DRAFT)

This is in response to the subject draft management advisory report and recommendation by the Office of Inspector General. The recommendation and our responses are listed below.

We appreciate the continued review by the Office of Inspector General (OIG); however, we disagree with the findings, monetary impact and the recommendation.

Audit Recommendation 1:

Develop procedures to enhance refund process for dormant advance deposit permit accounts to include:

- Periodic attempts to locate customers of inactive and dormant accounts
- Retaining cancelled account information within the PostalOne! system for more than 1 year.

Managements Response/Action Plan:

Management disagrees with this recommendation and believes this recommendation would unduly burden the Postal Service by requiring the addition of non-value added processes that would neither enhance nor add efficiencies to the current refund procedures. As noted in this reports conclusion, the Postal Services current processes are both effective and consistent with the best practices to the extent the law allows.

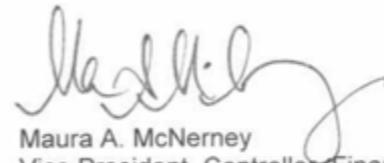
To add additional requirements beyond the current policy of contacting customers after 2 years of inactivity and evidence of an undeliverable address, would only add additional costs and inefficiencies to the current process. This holds equally true regarding the recommendation of adding an additional year of data storage when the current system already provides customer balance visibility for an additional year after the month of cancellation.

Today, customers have numerous avenues in order to contact the Postal Service regarding both updating their current mailing addresses and to seek account information. Customers have access to the Business Customer Gateway, the Customer Care Centers or by visiting their local Post Office/Business Mail Entry unit. In addition to this extensive level of customer support, the

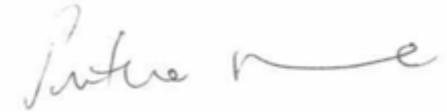
Postal Service also maintains a very consumer friendly refund policy, which allows for customers to claim a dormant account refund at any time after cancellation.

Based on these facts, Management believes the current process for dormant accounts refunds are reasonable, efficient and effective.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.



Maura A. McNerney
Vice President, Controller, Finance



Pritha N. Mehra
Vice President, Mail Entry and
Payment Technology



Contact us via our [Hotline](#) and [FOIA](#) forms, follow us on social networks, or call our Hotline at 1-888-877-7644 to report fraud, waste or abuse. Stay informed.

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