



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

Postal Service Management of Closed Post Office Boxes

Audit Report

June 18, 2013

Report Number DP-AR-13-007



HIGHLIGHTS

BACKGROUND:

Post Office Box™ (box) service is an optional delivery service that consists of delivery to uniquely addressable boxes of various sizes located at U.S. Postal Service facilities. Nationwide, the Postal Service manages more than 21 million boxes, which accounted for \$836 million in fee revenue in fiscal year 2012.

A customer rents a box by prepaying the box rent fee for a 3-, 6- or 12-month interval at a window unit, an Automated Postal Center or online. After that term has expired, the customer can renew box service for an additional term by prepaying in the ways previously described. When a customer does not renew a box, the Postal Service places the box into a closed status and then changes the lock or combination before renting the box to a new customer. As of April 2012, more than 1 million boxes nationwide required a lock change.

Our objective was to determine whether the Postal Service was effectively using national box data to manage closed boxes.

WHAT THE OIG FOUND:

The Postal Service did not effectively use national Post Office Box data to manage closed boxes. Specifically, the current management reports do not evaluate units and identify potential risks, such as:

- Loss of revenue due to units with no available boxes for rent but with closed or broken boxes.
- Loss of revenue due to physically available boxes not recorded in the automated systems, thereby preventing them from being rented.
- Non-compliance with box billing procedures.

Also, the Postal Service does not require managers to periodically review box national reports to identify potential risks. As a result, we calculated \$3 million of annual revenue loss for units showing no boxes available for rent but with closed, broken, or unrecorded physical boxes on site, based on data in the Web Box Activity Tracking System. Additionally, we identified \$2.36 million of annual revenue at risk for closed boxes with customer access not blocked.

WHAT THE OIG RECOMMENDED:

We recommended management develop additional data analysis tools and provide them directly to district management to improve Post Office Box oversight. We also recommended district management follow up with all units that have no available boxes to ensure closed boxes are available for rent and all physical boxes are documented and available for rent.

[Link to review the entire report](#)



June 18, 2013

MEMORANDUM FOR: EDWARD F. PHELAN, JR.
VICE PRESIDENT, DELIVERY AND POST OFFICE
OPERATIONS

KELLY M. SIGMON
VICE PRESIDENT, CHANNEL ACCESS

JAMES P. COCHRANE
VICE PRESIDENT, PRODUCT INFORMATION

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". A small yellow question mark icon is located in the top right corner of the box.

FROM: John E. Cihota
Deputy Assistant Inspector General
for Financial and Systems Accountability

SUBJECT: Audit Report – Postal Service Management of Closed Post
Office Boxes (Report Number DP-AR-13-007)

This report presents the results of our audit of the U.S. Postal Service's Management of Closed Post Office™ Boxes (Project Number 12BG023FF000).

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: Megan J. Brennan
Randy Miskanic
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 management of closed Post Office™ (PO) boxes (Project Number 12BG023FF000). The objective of our audit was to determine whether the Postal Service was effectively using national Post Office Box data to manage closed PO boxes. This self-initiated audit addresses financial and operational risk. See [Appendix A](#) for additional information about this audit.

PO box service is an optional delivery service that consists of delivery to uniquely addressable PO boxes of various sizes at Postal Service facilities.¹ A customer rents a box by pre-paying the box rent fee for a 3-, 6- or 12-month interval at a window unit, an Automated Postal Center or online. After that term expires, the customer can renew box service for an additional term by pre-paying in one of the ways previously described. The Postal Service manages more than 21 million PO boxes nationwide, which accounted for \$836 million in revenue in fiscal year (FY) 2012. When a customer does not renew a PO box, the Postal Service places the box into 'closed' status and changes the lock or combination on the box before renting it to a new customer. As of April 27, 2012, more than 1 million PO boxes nationwide required a lock or combination change. The Web Box Activity Tracking System (WebBATS) is a web-based application that allows post offices to manage their PO boxes. It allows the user to access the facility's box-section database to perform PO Box tasks,² as well as run reports that display unit PO box data.

Conclusion

The Postal Service did not effectively use national PO box data to manage closed PO boxes. Specifically, the current Postal Service Enterprise Data Warehouse (EDW)³ PO box management reports do not evaluate units and identify potential PO box risks, such as:

- Loss of revenue due to units with no available boxes for rent but with closed or broken boxes that could be made available for rent.
- Loss of revenue due to physically available PO boxes not recorded in WebBATS and that cannot be rented.
- Non-compliance with PO box billing procedures.

Also, the Postal Service does not have a process established to require management to review national PO box reports periodically to identify potential PO box risks, such as those previously described. As a result, we calculated \$3 million of annual revenue loss

¹ PO box service is provided at post offices and contract postal units.

² These tasks include renting a PO box, updating or deleting a PO box, changing the status of a PO box, managing customer account information, and printing fee notifications.

³ The EDW provides a single repository for managing the Postal Service's corporate data assets. The EDW provides a common source of accurate corporate data across organizations to a wide variety of users. Users can report on and manipulate data in a variety of ways both within and across functions for deeper analysis, which can lead to additional revenue, reduced costs, and improved business practices.

for units showing no PO boxes available for rent in WebBATS but with closed, broken, or unrecorded physical PO boxes on site.

Additionally, we visited 26 PO box sites to conduct reviews of closed Post Office boxes requiring lock changes and found the Postal Service did not block access to and/or were delivering mail to 27 percent of the boxes reviewed. We identified \$2.36 million of annual revenue at risk for closed PO boxes that were not blocked.

Post Office Box Data Not Used Effectively

The Postal Service does not effectively use PO box data to evaluate units and identify potential risks, such as not maximizing PO box revenue, non-compliance with PO box billing procedures, and delivering mail to closed boxes. Although the Postal Service does have PO box data analysis management reports and national PO box reports, the Postal Service is not required to use the products. Additionally, the data presented could be enhanced for better usability and to provide users with greater insight into PO box operations. Such data would include:

- Status (open, closed, etc.) of the boxes.
- Date of the status.
- Ratio of available to closed boxes.
- Units that did not generate fee payment labels or letter notification for the month.⁴
- Units that do not run the *Delinquent Report*.⁵
- PO box up-times.⁶

The Postal Service captures national PO box data that are generated in reports on the PO box Blue Pages;⁷ however, most of the WebBATS coordinators and managers we interviewed stated they do not review these reports unless instructed to do so by headquarters. Currently, no criteria exist detailing how these reports should be used by the field; rather, the reports are just included as a resource that management is not required to use. Headquarters management stated generally they do not mandate the use of reports by the field.

The Postal Service could increase revenue and improve customer service by using a more robust data analysis tool that identifies potential PO box service risks at units nationwide. By closely examining available information, we identified risks associated with closed, broken, and unrecorded PO boxes; and with delivering mail to unblocked, closed PO boxes.

⁴ Units must print fee payment labels from WebBATS on the 1st of the month for all PO box rents set to expire that month. The unit then attaches them to fee payment notifications and places them in the appropriate customer PO box. On the 20th of the same month, units must print fee payment reminder letters from WebBATS for customers who still have not renewed their boxes and place them into customer PO boxes.

⁵ This is a WebBATS report that shows all PO boxes that have delinquent fee payments. Units are required to run this report at the beginning of a month and block customer access to delinquent boxes.

⁶ Each unit must have a scheduled PO box 'up-time' for box mail to be finalized and available to customers.

⁷ The Post Office Box Blue Pages is an internal webpage Postal Service employees can access to obtain and review PO box resources.

Closed, Broken, and Unrecorded Post Office Boxes

The Postal Service is not managing PO boxes to maximize revenue. Specifically, 400 units nationwide do not have PO boxes available for rent but have almost 23,000 closed or broken⁸ PO boxes. Additionally, using the results from the annual PO box reviews⁹ conducted by each unit, we identified 95 units that have no available boxes for rent in WebBATS but have almost 20,000 physical PO boxes available that were not recorded in WebBATS. For a unit to be able to rent a PO box, it must record the box in WebBATS.¹⁰

Management stated that they used to regularly review a WebBATS report titled *Facilities With Broken or Closed Boxes And No Available Boxes* but other priorities have taken precedent. Management added that they will notify those units to change the locks on their closed boxes and make the boxes available for rent. According to the annual PO box review instructions¹¹ headquarters sent to the units, if the physical count of PO boxes does not match the number reported in WebBATS, units must contact the Address Management System¹² (AMS) group to ensure that PO box totals are correct. However, no policy regarding management oversight exists to ensure this is completed. These boxes could have produced \$3 million in additional annual revenue if rented. See [Appendix B](#) for monetary impact calculations.

Unblocked Closed Post Office Boxes

Postal Service units are delivering mail to closed PO boxes. Specifically, units do not always block customer access and deliver mail to both blocked and unblocked closed PO boxes. After a box has been closed for 11 days, units are supposed to stop delivering mail to the box and return mail to the sender. During FYs 2008 and 2009, the U.S. Postal Service Office of Inspector General (OIG) found these same exceptions at 32 sites.¹³ As part of this audit, we revisited 26 of those 32 units¹⁴ and reviewed closed PO boxes requiring a lock change to determine whether the exceptions remained. Of the 1,966 closed PO boxes reviewed at these sites, 531 had exceptions. Specifically, 144 were not blocked but also did not contain mail when we visited the unit; 260 were

⁸ A broken PO box cannot be rented because it is listed as broken in WebBATS. Some broken boxes can be repaired and rerented.

⁹ See [Appendix A](#).

¹⁰ See [Appendix A](#).

¹¹ These instructions were included as a separate tab in the Microsoft Excel spreadsheet that units used to complete the annual PO box review.

¹² The national Postal Service database of every delivery address with its associated ZIP Code, ZIP+4 code, and city/state name that serves as the foundation of data for all address correction tools.

¹³ *Fiscal Year 2008 Financial Installation Audits – Post Offices, Stations, and Branches* (Report Number [FF-AR-09-055](#), dated December 26, 2008). Units did not close or block PO boxes for customers who did not pay their fees — this exception was identified at 19 of 105 sites reviewed; *Fiscal Year 2009 Financial Installation Audits – Post Offices, Stations, and Branches* (Report Number [FF-AR-10-045](#), dated December 14, 2009). Units did not close or block PO boxes for customers who did not pay their fees — this exception was identified at 13 of 105 sites reviewed.

¹⁴ The OIG did not revisit all 32 sites because four of the sites had no closed boxes as of July 2012, and it was not cost-effective to visit the other two.

not blocked but did contain mail; and 127 were blocked but were still receiving mail. See [Table 1](#) for a breakdown of PO box exceptions by unit.

Table 1 – Summary of Closed and Do-Not-Issue PO Boxes Reviewed During Site Visits

Site Name	Number Of PO Boxes Reviewed	Number Of Boxes Not Blocked And Not Containing Mail	Number Of Boxes Not Blocked And Containing Mail	Number Of Boxes Blocked But Containing Mail	Total Number Of Boxes With Exceptions
[REDACTED]	90	89	1	0	90
[REDACTED]	100	15	10	54	79
[REDACTED]	93	10	47	1	58
[REDACTED]	314	6	48	4	58
[REDACTED]	87	5	41	0	46
[REDACTED]	61	1	13	26	40
[REDACTED]	44	3	23	4	30
[REDACTED]	30	0	3	21	24
[REDACTED]	317	2	13	3	18
[REDACTED]	50	2	13	1	16
[REDACTED]	229	1	10	1	12
[REDACTED]	12	2	10	0	12
[REDACTED]	14	3	7	0	10
[REDACTED]	68	0	0	7	7
[REDACTED]	164	0	5	2	7
[REDACTED]	28	0	6	0	6
[REDACTED]	8	1	3	2	6
[REDACTED]	5	0	3	0	3
[REDACTED]	8	1	1	0	2
[REDACTED]	174	1	0	1	2
[REDACTED]	24	1	1	0	2
[REDACTED]	7	0	2	0	2
[REDACTED]	25	1	0	0	1
[REDACTED]	1	0	0	0	0
[REDACTED]	10	0	0	0	0
[REDACTED]	3	0	0	0	0
Total	1,966	144	260	127	531

Source: OIG reviews of closed PO boxes conducted at each site.

Although, the OIG had identified these exceptions at these units in prior reports, nearly all of the sites continue to have these exceptions, with roughly 27 percent of the closed boxes reviewed either not blocked and/or receiving mail.

Generally, PO box clerks were aware of the requirements but stated they did not correct these errors because other duties took priority. Management stated that it costs roughly \$13-\$15 to change out a PO box lock that would prevent customers from accessing their boxes. They did not want to spend more than \$13 million to change out locks on all the closed boxes nationwide. However, WebBATS and AMS functionality could be enhanced to provide useful information to Postal Service management, such as identifying closed PO boxes that receive mail after they have been closed for a reasonable length of time.

PO boxes that are not blocked are at risk for loss of revenue because customers can still access their boxes and receive PO box service without having to pay the fee. About 26,000 units have more than 1 million closed status PO boxes nationwide. Based on our statistical analysis, we estimate the Postal Service has \$2.36 million of annual revenue at risk attributed to unblocked closed PO boxes nationwide. See [Appendix B](#) for other impact and [Appendix C](#) for our statistical analysis and other impact calculations.

Recommendations

We recommend the vice president, Delivery and Post Office Operations, in conjunction with the vice president, Channel Access:

1. Develop additional data analysis tools to enhance the current Post Office Box management tools and provide these tools and analysis directly to district management via push reports sent out periodically.
2. Direct district management to follow up on units with no available Post Office boxes to ensure that closed boxes are made available for rent and physical Post Office boxes not in the Web Box Activity Tracking System are recorded and made available for rent, unless it is determined that no new boxes are to be rented from the unit.

We recommend the vice president, Product Information, in coordination with the vice president, Delivery and Post Office Operations:

3. Look at the feasibility of developing an automated report process to notify unit management when mail is sorted to closed Post Office boxes after the box has been closed a reasonable length of time.

Management's Comments

Management disagreed with the reported findings, recommendations, and monetary impact. However, they did state they will review the 26 units to ensure compliance with Postal Service policies and procedures.

Management further stated the audit was based on a judgmental, non-representative sampling method, deemed inappropriate to determine or quantify any monetary findings. Furthermore, management stated that it was reasonable to assume that, if the methodology was deemed inappropriate, it would extend throughout the entire audit. Management concluded the integrity and credibility of the audit was compromised.

Additionally, management provided the following specific comments to information contained in the report:

- Management believes that our statement “more than 1 million PO boxes nationwide required a lock or combination change” is misleading. Management stated they manage lock changes incrementally, based on customer demand, thereby mitigating Postal Service labor and equipment costs.
- Management believes the reported estimate of \$3 million in annual revenue loss is misleading and incorrect. Management stated that it appears we based our methodology on the assumption that every PO box not currently in operational status represents revenue. They added that customer demand initiates appropriate Postal Service action to meet the need.
- Management disagreed with the methodology used to calculate the \$2.36 million of revenue at risk. They also surveyed employees at the sites visited. Employees did not understand why there were exceptions, as the OIG did not communicate any findings to them.
- Management disagreed with our assertion that they do not effectively use data to identify units not maximizing revenue or not complying with billing and mail delivery procedures. Management contends that the judgmental, non-representative sampling methodology used renders all of our conclusions invalid.

See [Appendix D](#) for management’s comments in their entirety.

Evaluation of Management’s Comments

The OIG does not consider management’s comments responsive to the recommendations. Since management does not plan to take corrective action, the issues identified in the report will continue to exist.

Management concluded that the sampling methodology used in the [Unblocked Closed Post Office Boxes](#) finding was inappropriate based on their belief that the sites were judgmentally selected. During the audit, we obtained management’s agreement with our methodology. We agreed that the OIG would visit and evaluate units where there was previously found non-compliance with PO box procedures. These units had been randomly selected during OIG financial compliance audits. We believe that selecting units that had already been audited and corrective actions taken would provide the

basis for a very conservative estimate of the current state of unit compliance with PO box controls.

During our initial exit meeting, management stated we had misinterpreted their initial concurrence with our methodology and did not agree that this was a valid methodology. Further, they did not believe there was currently a nationwide compliance problem regarding PO box procedures. Consequently, we re-analyzed the results using a valid statistical methodology and presented those results to management in a subsequent meeting (see [Appendix C](#) for the statistical evaluation). Management still did not agree there was a nationwide problem with unblocked closed PO boxes.

Additionally, management is incorrect in their belief that the 'inappropriate' methodology makes the conclusions in the report unreliable. Our conclusions regarding the effective use of PO box data and management not maximizing PO box revenue were reached independently from the sampling methodology. The information presented was derived directly from the Postal Service's own management reports. If management does not believe that data is correct, they should take actions to correct their data.

Regarding management-specific comments to information in the report:

- Management believes the statement that more than 1 million PO boxes nationwide required a lock or combination change is misleading and assumptive. Management added that the Postal Service manages lock changes within the system incrementally and in conjunction with customer demand, thus mitigating costs associated with labor and equipment. While the OIG agrees the Postal Service should mitigate costs by not changing locks on closed boxes when there is no customer demand, we do not agree that the Postal Service should have 20,000 PO boxes nationwide that require a lock change at units where there are no available boxes for rent. The 1 million boxes identified are included in the report to provide the reader with a perspective on the size of the aspect of the business we were discussing.
- We calculated \$3 million of annual revenue loss for units showing in WebBATS with no PO boxes available for rent but with closed, broken or unrecorded physical PO boxes on site. Management stated that this was misleading and the alleged revenue loss appears to be based on the assumption that every PO box not currently in operational status represents revenue. The monetary impact calculation takes into account a 63 percent nationwide rental rate for PO boxes and bases the revenue loss on that rental rate. See [Appendix B](#) for monetary impact calculations.
- We visited 26 PO box sites to review closed PO boxes requiring lock changes and found that the Postal Service did not block access to and/or were delivering mail to 27 percent of the boxes reviewed. We identified \$2.36 million of annual revenue at risk for closed PO boxes that were not blocked. Management stated, through their own survey, that findings were not communicated with the employees. They added that some boxes may have had mail in them during the 10-day grace period. The

OIG included only closed status boxes that required lock changes in the review; consequently, the 10-day grace period had already expired. Additionally, the OIG obtained causes for each exception identified from the PO box clerks or responsible managers. Consequently, management's assertion that units were not informed of all deficiencies noted is incorrect.

Management stated that a judgmental, non-representative sampling method abdicated our conclusions, including not effectively using PO box data to evaluate units and identify potential risks. This finding was independent of the sampling methodology and based on data from the Postal Service's national PO box reports and the absence of procedures to use them.

Appendix A: Additional Information

Background

PO box service is an optional service that consists of delivery to uniquely addressable PO boxes of various sizes that the Postal Service rents to customers for a fee. These boxes are at Postal Service facilities, subject to both customer demand and the Postal Service's ability to provide them. The Postal Service assigns PO boxes to fee groups and classifies them as competitive or market-dominant, based on the Post Office's location. Customers must pay PO box fees quarterly, semiannually, or annually.

Post Office Box Billing Process

On the first of the month when a fee payment is due, the Postal Service places a notice in the PO box notifying the customer that the payment is due. If the customer has not paid the PO box fee by the 20th of the month, the Postal Service places a letter inside the PO box reminding the customer that the payment is due. If the customer does not pay the fee by the end of the month, the Postal Service blocks the PO box to prevent the customer from accessing it. WebBATS automatically sends an email notice to those customers who have provided a valid email address. If the customer has not paid the fee after 10 days, the Postal Service closes the box and treats any mail and subsequent mail addressed to the box as undeliverable. The Postal Service must change locks immediately after it closes a PO box if the unit has a shortage of available PO boxes. If there is no shortage of PO boxes, the Postal Service should take the necessary steps to ensure that locks/combinations are changed within 48 days of closing the box. Once this is done, the box can be rented to a new customer.

Web Box Activity Tracking System

Management can use WebBATS to post PO box payments and refunds; conduct Postal Service Form 1093, Application for PO Box Service, searches; and generate more than 40 reports.¹⁵ The Postal Service must record all PO boxes in WebBATS to effectively manage its inventory. Almost every single unit uses WebBATS to maintain its PO box information. The Postal Service has updated WebBATS to enable integration with the Point-of-Service System,¹⁶ automated postal centers,¹⁷ and the Post Office Box Online¹⁸ application for automatic posting of payments. WebBATS was integrated with AMS in 2009 to save workhours at the delivery unit and eliminate the need for separate entries of identical PO box information. Adding and deleting PO boxes are now done through AMS and fed to WebBATS. Box status changes are fed from WebBATS to AMS, and those status changes are provided to mailers through existing products.

¹⁵ Such reports include the *Box Inventory* report that shows all boxes recorded in WebBATS and their status; the *Closed on Hold* report, which shows all the closed boxes at the unit; and the *Payment Due Notification Labels* report, which prints notification labels for customers who have upcoming fee payments due.

¹⁶ The electronic system used at retail facilities to record sales and payment transactions.

¹⁷ Kiosks at PO retailers that accept payments and fees.

¹⁸ Online application that allows customers to rent, renew or reserve a PO box.

The headquarters WebBATS coordinator is responsible for the WebBATS system and any associated software problems. Area and district WebBATS coordinators assist the field whenever they have questions on how to complete tasks in WebBATS, such as posting payments, adding or deleting PO boxes, and resolving any technical questions they may have. District coordinators are also responsible for ensuring that annual PO box reviews are completed by each unit within its district.

Annual Post Office Box Review

Annual PO box reviews consist of a unit comparing the statuses of PO boxes in WebBATS to its actual status at the unit and the total number of PO boxes reported in WebBATS to the actual number of PO boxes at the unit. Additionally, the unit must determine whether any PO boxes require a lock or combination change, and if the unit has overflow mail. Each unit supervisor or manager must perform and complete PO box reviews annually by July 1. If the physical count of PO boxes does not match the amount reported in WebBATS, units must contact the AMS group to ensure that PO box amounts are correct by adding or deleting PO boxes from WebBATS. Any discrepancies with closed and available boxes must be corrected as soon as possible to prevent revenue loss.

Post Office Box Blue Pages

The Postal Service has Post Office Box Blue Pages that field, district, area, and headquarters staff can use as a resource to help manage PO boxes. The Post Office Blue Pages contain Standard Operating Procedures (SOP) that detail PO box processes and are the most up-to-date criteria for staff to reference. Additionally, there are several national WebBATS reports that staff can reference and use to identify potential problems with PO boxes. These reports include:

- The *Facilities with Broken or Closed Post Office Boxes but No Available Boxes* report shows units that do not have PO boxes available for rent but have closed boxes that could have the locks changed and made available for rent.
- The *Post Office Box Audit Review* report shows whether units have completed their annual PO box review and whether there is a discrepancy between the physically counted PO boxes and the number reported in WebBATS.

Objective, Scope, and Methodology

The objective of our audit was to determine whether the Postal Service was effectively using national PO box data to manage closed PO boxes. To accomplish our objective, we reviewed handbooks, manuals, and SOPs to determine current policies and procedures. We interviewed Postal Service employees to gain an understanding of their roles and responsibilities in regard to the PO box process. We obtained and analyzed WebBATS and PO box data in reports posted on the Post Office Box Blue Pages. We reviewed closed PO boxes requiring lock changes at 26 judgmentally selected units

agreed to by management,¹⁹ where PO box exceptions had been identified in prior reports.

We conducted this performance audit from April 2012 through June 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 20, 2013, and included their comments where appropriate.

We assessed the reliability of WebBATS PO box data by interviewing postal officials knowledgeable about the data and by tracing WebBATS data to physical PO boxes during site visits. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG issued a report titled *Caller and Reserve Service Operations* (Report Number [DP-AR-13-001](#), dated January 3, 2013) recommending the Postal Service evaluate the feasibility of implementing an automated process to identify unassigned or inactive caller and reserve addresses, update criteria, and provide adequate training for necessary employees for caller and reserve service. We also recommended the Postal Service ensure that districts collect all delinquent fees identified in the annual reviews and our audit, require districts to review all caller service accounts, update annual caller and reserve instructions, and provide system access to coordinators. Management agreed to eight of nine OIG recommendations. The one recommendation not agreed to was to provide area and district WebBATS coordinators with access to WebBATS so they can effectively and efficiently provide support to the field and provide appropriate headquarters personnel nationwide access so they can effectively and efficiently support the WebBATS coordinators. Management disagreed with this recommendation because WebBATS contains sensitive personally identifiable information that is protected by the Privacy Act. Additionally, management stated that modifying WebBATS in such a way would result in a significant expense.

¹⁹ Because the sample size of a valid statistical sample of post offices with PO boxes would be too large to review, management agreed to our approach to revisit audit sites from FYs 2009 and 2010 with prior PO box exceptions to determine whether nationwide exceptions related to PO boxes exist.

Appendix B: Monetary and Other Impacts

Monetary Impacts

Recommendation	Impact Category	Amount
2	Revenue Loss ²⁰	\$5,322,026

Other Impacts

Recommendation	Impact Category	Amount
3	Revenue at Risk ²¹	\$7,088,757

Closed, Broken, and Unrecorded PO Boxes at Facilities With No Available Boxes for Rent

To calculate the monetary impact, revenue loss, for closed, broken, and unrecorded PO boxes at facilities with no available boxes for rent, we obtained the *Facilities with Broken or Closed Boxes and No Available Boxes* report from the Post Office Box Blue Pages on May 4, 2012. This report provides the total number of broken and closed boxes by size and fee group at units where there are no boxes available for rent. From this report, we determined there were 1,725 broken boxes and 21,235 closed boxes. The Postal Service could repair and/or change the locks on these closed and broken PO boxes to make them available for rent, which would provide an additional \$1.615 million in annual PO box revenue.

On May 7, 2012, we obtained the *Post Office Box Data Review* report from the Post Office Box Blue Pages. This report is constructed using data from annual PO box reviews completed by the Postal Service. As part of these reviews, units must compare total PO boxes recorded in the WebBATS system to the number physically located at the unit. This report provides data on the number of physical PO boxes not recorded in WebBATS. In conjunction with the *Facilities with Broken or Closed Boxes and No Available Boxes* report, we determined that 19,791 physical PO boxes were not recorded in WebBATS at units with no available PO boxes. Because the *Post Office Box Data Review* report only lists the total number of physical PO boxes not recorded in WebBATS and does not provide details on the size of boxes or the fee group for the unit, we assumed the ratio of size of boxes to total and fee groupings would be the same as those derived from the *Facilities with Broken or Closed Boxes and No Available Boxes* report. That report lists the size of the boxes and the fee group of the unit. As a result, we calculated these boxes would have produced an additional

²⁰ Amount Postal Service is (or was) entitled to receive but was underpaid or not realized because policies, procedures, agreements, requirements or good business practices were lacking or not followed. May be recoverable or unrecoverable 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).

²¹ Revenue the Postal Service is at risk of losing (for example, when a mailer seeks alternative solutions for services currently provided by the Postal Service).

\$1.39 million in annual PO box revenue if the Postal Service recorded them in WebBATS and made them available for rent.

$$\frac{19,791 \text{ unrecorded PO boxes}}{X} = \frac{22,960 \text{ closed and broken PO boxes}}{\$1,615,630 \text{ annual PO box revenue}}$$

X = \$1,392,636 annual revenue for PO boxes not recorded in WebBATS.

The total annual revenue loss for closed, broken, and unrecorded PO boxes at units with no available boxes for rent is \$3,008,266. We projected this amount for the next 2 years to be \$9,024,799. We then obtained the *Monthly Summary* report for June 2012 from the Post Office Box Blue Pages, which shows the total number of active PO boxes, as well as the total number of PO boxes nationwide. From this report, we determined that 63 percent of PO boxes nationwide were rented. We then multiplied the \$9,024,799 in revenue for closed, broken, and unrecorded PO boxes by the 63 percent to obtain a more accurate estimate of how many of these boxes would be rented if the Postal Service made them available for rent.

Additionally, we took into account management's assertion that it costs \$13-\$15 to change a lock in order to make a box available for rent. As a result, the audit team calculated the total monetary impact, revenue loss, attributed to closed, broken, and unrecorded PO boxes at facilities with no available boxes for rent to be \$5,322,026.

Appendix C: Statistical Sample and Projections for Review of Unblocked Post Office Boxes

Purpose of Sampling

The objective of our audit was to determine whether the Postal Service was effectively using national PO box data to manage closed PO boxes. In support of this objective, the audit team employed a variable sample of post offices with closed PO boxes. The sample design allows statistical projection of the annual revenue for unblocked closed PO boxes. This projection was used to estimate revenue at risk to the Postal Service for unblocked closed PO boxes that customers can still access without paying for PO box services.

Definition of Audit Universe

We obtained the WebBATS *Facilities With Boxes Requiring Lock Change* report from the Post Office Box Blue Pages on April 27, 2012. This report provides the total number of PO boxes at each facility that requires a lock change. From this report, we determined there were 26,421 facilities with PO boxes requiring a lock change. During 2008 and 2009, the OIG found unblocked, closed PO boxes at 15 percent of the statistically selected sites reviewed. Therefore, we estimate that 4,026 of these sites have exceptions related to unblocked closed PO boxes. These sites comprised our sampling universe.

Sample Design

We judgmentally selected 26 sites, agreed to by Postal Service management, to review PO boxes requiring lock changes. However, these 26 sites were originally randomly selected for review during prior audits in 2008 and 2009.

There were 1,966 PO boxes requiring a lock change at the 26 selected sites. We reviewed each box to determine whether it was blocked to prevent customer access. We determined that 404 of the 1,966 PO boxes requiring a lock change reviewed were not blocked.

Because the WebBATS *Facilities With Boxes Requiring Lock Change* report only lists the total number of PO boxes requiring lock change and does not provide details on the size of boxes or the fee group for the unit, we assumed the ratio of size of boxes to total and fee groupings would be the same as the ones derived from the *Facilities with Broken or Closed Boxes and No Available Boxes* report. That report lists the size of the closed boxes and the fee group of the unit.

Sample Results and Cost Savings Calculations

We are 95 percent confident the annual revenue at risk for unblocked closed PO boxes requiring a lock change is between \$1,972,368 and \$6,830,772 and determined the point estimate to be \$4,401,570. The relative precision achieved was +-55.19 percent. Because the relative precision achieved was so great, the lower bound estimate of \$2,362,919 of the one-sided 95 percent confidence level was then used in subsequent revenue at risk calculations.

As a result, we are 95 percent confident that the annual revenue at risk for unblocked PO boxes requiring lock changes is at least \$2,362,919. We projected this amount for the next 2 years and calculated the total other impact, revenue at risk, attributed to unblocked PO boxes requiring lock changes to be \$7,088,757.

Appendix D: Management's Comments

EDWARD F. PHELAN
VICE PRESIDENT, DELIVERY AND POST OFFICE OPERATIONS



May 30, 2013

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Postal Service Management of Closed Post Office Boxes
(DP-AR-13-DRAFT)

Thank you for the opportunity to respond to the findings and recommendations contained in the subject Draft Audit Report – conducted by the Office of the Inspector General (OIG). While we appreciate your efforts with this audit, it is unclear why it was not cancelled due to the findings presented on behalf of the USPS. Subsequent to the meeting held on March 20th, it was determined through USPS Finance, that the audit was based on a judgmental non-representative sampling method, deemed inappropriate to determine or quantify any monetary findings. It is therefore, reasonable to assume that if the methodology was deemed inappropriate, this would extend throughout the entire audit. The integrity and credibility of the audit is compromised.

Albeit that the OIG retained the audit as active; USPS has reviewed the report and expresses the following reservations with OIG observations and/or assumptions:

Several factors were articulated at the March 20th meeting concerning monetary and operational measures that are practiced within USPS to mitigate unnecessary expenses.

~ more than 1 million PO boxes nationwide required a lock or combination change.
Misleading and Assumptive statement. USPS manages lock changes within the system incrementally, and in conjunction with Customer demand. Thus mitigating costs associated with USPS labor and equipment.

~ we calculated \$3 million of annual revenue loss for units showing in WebBATS no PO boxes available for rent but with closed, broken or unrecorded physical PO boxes on sites.
Misleading/ Monetary findings abdicated (noted above). The alleged revenue loss appears to be based on the assumption that every PO Box not currently in operational status represents revenue. Fact, customer demand initiates the appropriate action to meet the need (as noted above – mitigation of costs). In addition, other factors may apply relative to office optimization changes.

~ we visited 26 PO Box sites to conduct reviews of closed Post Office Boxes requiring lock changes and found the Postal Service did not block access to and/or were delivering mail to 27 percent of the boxes reviewed. We identified \$2.36 million of annual revenue at risk for closed PO Boxes that were not blocked.” Monetary findings abdicated (noted above).
USPS surveyed the sites for feedback. The response(s) “OIG stated the operation was good, however, Sites did not understand why they showed up with exceptions yet were told

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everything was good". "OIG was pleasant"; "Why didn't OIG provide us their findings if there were problems?"; "Some boxes may have had mail in them, during the 10 day grace period".

~ Postal Service does not effectively use PO box data to evaluate units and identify potential risks, such as not maximizing PO box revenue, noncompliance with PO box billing procedures and delivering mail to closed boxes." Judgmental non-representative sampling method abdicated (noted above).

This report and management's response do not contain information that may be exempt from disclosure under the Freedom of Information Act.

In lieu of the above noted reservations, USPS hereby respectfully disagrees with the recommendations ~

RECOMMENDATIONS:

We recommend the Vice President, Delivery and Post Office Operations, in conjunction with the Vice President, Channel Access:

1. Develop additional data analysis tools to enhance the current Post Office Box management tools and provide these tools and analysis directly to district management via push reports sent out periodically.
2. Direct district management to follow up on units with no available Post Office boxes to ensure that closed boxes are made available for rent and physical Post Office boxes not in the Web Box Activity Tracking System are recorded and made available for rent, unless it is determined that no new boxes are to be rented from the unit.

Again, thank you for the opportunity to respond to the findings / recommendations contained in the subject Draft Audit Report – conducted by the Office of the Inspector General (OIG). While we appreciate your efforts with this audit, USPS will review compliance with the 26 sites to ensure compliance with established USPS policies and procedures.



Edward F. Phelan, Jr.

cc: Megan Brennan
Randy Miskanic
CARM