

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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GENERAL COUNSEL

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-28)

In accordance with Commission Order No. 1207 (February 9, 1998), the United States Postal Service hereby provides its response to the following interrogatory of the Alliance of Nonprofit Mailers: ANM/USPS-28. The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.

Chief Counsel, Ratemaking


Anne B. Reynolds

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-28. Assume that several mailings bearing Nonprofit Standard Mail (A) (or nonprofit third-class) indicia later gave rise to payment of back postage on grounds that each affected mailing was ineligible for nonprofit rates.

a. When a check is received for payment of the back postage, would the payment be credited to a Standard Mail (A) (commercial) revenue account, or to a Nonprofit Standard Mail (A) revenue account? Please identify the account to which the payment would be credited, and explain why the Postal Service accounts for such payments in this way.

b. Assume that the checks for payment of back postage were all received within the same time frame, but in different cities. Would the payment always be credited in the same manner as described in response to preceding part (a), or is it possible that in one city it would be credited one way, but in another city it would be credited differently? Please explain.

c. If your response to preceding part (b) is that such payments are systematically credited in the same way, please:

- i. identify the accounting regulation, rule, standard, guideline, instruction, or procedure that specifies the account to which the receipt of payment of back postage (under the circumstances specified here) should be credited, and
- ii. produce a copy of the accounting regulation, rule, standard, guideline, instruction, or procedure.

d. When the payment is credited to a revenue account in the manner described in response to preceding part (a), is a new or revised form 3602 filled out? If not, what record(s) is (are) filled out in conjunction with receipt of payment? Please identify the regulation, rule, standard, guideline, instruction, or procedure that specifies when a new or revised form 3602 is to be filled out, and produce a copy of the regulation, rule, standard, guideline, instruction, or procedure.

e. Assume that the check for payment of back postage is received and credited to a revenue account (as described in your response to part (a)) in an office that is part of the PERMIT system. Please describe how the PERMIT system would pick up and reflect these additional revenues in the RPW system. For example, would the PERMIT system pick up revenues without any corresponding mail volumes? If not, how is the situation handled? Please identify the regulation, rule, standard, guideline, instruction, or procedure that specifies how the PERMIT system would pick up and reflect these additional

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revenues, and produce a copy of the regulation, rule, standard, guideline, instruction, or procedure.

f. If a revised form 3602 is filled out, does it have the effect of removing the volume for which the payment of back postage is made from the nonprofit category and transferring it to the commercial rate category?

g. Assume that a nonprofit organization has made a payment for back postage within the same year when the mail was entered and the "case" has been closed. How are the revenues and volumes for the affected mail finally recorded in the revenue accounts and the RPW system? Please identify the regulation, rule, standard, guideline, instruction, or procedure that specifies how the revenues and volumes for mail affected in this manner should be recorded and produce a copy of the regulation, rule, standard, guideline, instruction, or procedure.

RESPONSES:

a. No. According to official USPS accounting procedures, when the revenue deficiency is identified, revenue is recorded in revenue account 41511, revenue postage other (AIC 119, "Revenue Deficiency Found"), with an offset to an accounts receivable, general ledger account 13412 (AIC 814, "Suspense"). The recording of the account receivable in AIC 814 is made at the same time the revenue deficiency is booked into AIC 119. Entries are made in AIC 119 and 814 simultaneously, as part of the double entry accounting system used by the USPS.

When a check is received for postage due to revenue deficiencies, it is debited to general ledger account 11211, AIC 802 (cash received). A corresponding credit is made to the accounts receivable account 13412, AIC 814 (suspense account).

Revenues in general ledger account 41511 are used in developing revenue and volume estimates in RPW through the revenue control. This revenue account is not class specific, and so revenues in account 41511 would not be credited to

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either nonprofit or regular Standard (A) categories. Account 41511 goes into the overall revenue control, and so minimally affects all revenue-controlled rate categories. The overall level of revenue in AIC 119 is so small (only \$12.8 million in FY96), it impacts revenues for revenue-controlled rate categories only 0.04 percent. The revenues and volumes from the original nonprofit entry will remain as nonprofit.

b. Yes.

c. Attached is the Management Instruction titled "Collecting Revenue Deficiencies." Also attached are the pages of the F-1 Handbook ("Post Office Accounting Procedures") concerning suspense accounts.

d. In the case that the postage due is recorded in AIC 119 (as described in (a.)), a revised Form 3602 is not needed, although one may be filled out as a worksheet to calculate the postage due. A Form 3544 (Cash Receipt) will be filled out and provided to the mailer.

e. Any nonprofit-related revenue deficiencies recorded in AIC 119 (general ledger account 41511) and payments subsequently debited to AIC 802 (general ledger account 11211) will not be entered into the PERMIT system in a revenue account, since that would result in double recording of revenue. The PERMIT system revenues and volumes will remain as originally entered: there will be no shifting of volumes between nonprofit and regular rate categories. The adjustments made through AIC 119 are reflected in overall RPW revenue control for stamped and metered mail. The overall level of revenue in AIC 119 in FY96 was only \$12.8 million, but AIC 119 includes all revenue deficiencies, not just those associated with nonprofit ineligibility. We cannot isolate revenue deficiency transactions due to ineligibility for nonprofit Standard (A) rates within the time available. At most, payments for postage due on ineligible nonprofit

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transactions impact stamped and metered mail revenues by 0.04 percent (conservatively assuming all revenues in AIC 119 are due to nonprofit-related deficiencies).

f. No. When revenue deficiencies are recorded in AIC 119 (as in (a.)), a revised Form 3602 would not be filled out, except as a worksheet to calculate the postage due that is charged to the revenue deficiency account (as discussed in (d.)). No volume changes would be recorded in PERMIT as a result.

Revised Form 3602s are occasionally entered into the PERMIT system. These are entered to correct errors in the original entries, and are rarely used for revenue deficiencies. Official USPS accounting procedures require treatment of revenue deficiencies as described in (a). In infrequent cases where an error is caught in the original Form 3602 (locally, and shortly after mailing) or when a regular rate mailing is sent pending approval for nonprofit status, a revised Form 3602 is filled out and the data subsequently entered into the PERMIT system. As a result, permit imprint volumes would be moved from nonprofit to regular rate (or from regular rate to nonprofit, in the case where the mailer later is approved for nonprofit status).

Using FY96 PERMIT system transaction-level data, an estimated 6.1 million pieces were moved from nonprofit to regular rate. This represents only 0.05 percent of all nonprofit volumes. The transaction-level data for FY96 also show that an estimated 12.9 million pieces were moved from regular rate to nonprofit, which represents 0.02 percent of all regular rate volume.

g. See (e.) above.

Management Instruction



Date Issued 6-16-89	Filing Number DM-140-89-2
Effective Date Immediately	Obsoletes MI DM-140-85-2 (7-26-85)
Originating Organization & OCC Code Rates and Classification Dept. RC210	
Signature & Title <i>Frank R. Haselton</i> Frank R. Haselton Assistant Postmaster General, R&CD	

Title Collecting Revenue Deficiencies
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I. Purpose

To establish procedures for the uniform and expeditious handling of revenue deficiencies.

II. Procedures

A. Documenting the Deficiency

The postal inspector or other postal employee who discovers a revenue deficiency must document the amount and the circumstances involved in a memorandum to the postmaster. The amount of the deficiency cited in the letter will be posted immediately to AIC 119, Revenue Deficiency Found. This AIC is a receipt entry only and cannot be used on the disbursement side of the accountbook. The general ledger account number is 41511.

B. Collection by Postmaster

1. Postmasters must take immediate action to collect amounts due. The postmaster must send a letter to the customer indicating the amount and basis of the deficiency and requiring payment 30 days from the customer's receipt of the letter. The letter must instruct the customer that a statement of intention to pay or a formal appeal contesting the deficiency must be made within 15 days of receipt of the letter.

2. The letter must also advise the customer that, in the event an appeal is not filed within 15 days, the letter will constitute the final Postal Service decision on the existence and amount of the deficiency. The letter must be delivered to the customer via certified mail, return receipt requested. If such delivery cannot be made within 30 days (if, for example, the customer refuses to sign for certified mail), a duplicate letter must be delivered as First-Class Mail. The postmaster must make a

written record of the date of delivery and the previous attempts to deliver it.

3. If no appeal is filed and the deficiency is not collected within 45 days of delivery of the letter, the postmaster must refer the case to the Field Division Controller. Copies of all letters to the customer must be sent to the General Manager, Rates and Classification Center (RCC). A second copy is sent to the Inspection Service if the revenue deficiency was discovered by a postal inspector.

4. If the revenue deficiency is paid or partial payments (see E) are received after the Field Division Controller has been notified that a revenue deficiency exists, the postmaster must promptly advise the Controller.

C. Appeal Process

1. An appeal of a deficiency notice must be in writing and addressed to the postmaster. Postmasters must forward all appeals immediately to the General Manager, Rates and Classification Center (RCC), who will make the final Postal Service decision concerning the amount of the deficiency and advise the customer and the postmaster of the decision in writing. This notification should occur within 30 days after the receipt of any additional information or assistance requested by the General Manager. The postmaster will not initiate collection action before the RCC decision on the appeal.

2. Based upon the facts and regulations involved, the General Manager's decision will specify whether a deficiency should be assessed and, if so, its amount. A complete statement supporting the decision must be included.

Distribution Standard Distribution plus Headquarters, Headquarters Administrative Support Facilities, including Rates and Classification Centers, Regions, Management Sectional Centers, and Bulk Mail Centers	Special Instructions Organizations listed under Distribution may order additional copies from material distribution centers. Use Form 7380, MDC Supply Requisition, and specify the filing number. You may redistribute this document by photocopying it, but do not paraphrase or otherwise revise it.
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D. Customer Responsibility to Respond

Customers must fully respond to all Postal Service correspondence concerning revenue deficiency matters within 15 days. Failure to respond within that time will be assumed as customer agreement that the assessed deficiency is correct and that the amount is due.

E. Payment of Deficiencies

1. The full amount due should be paid in a lump sum. When warranted, the deficiency may be settled through equal monthly payments for up to 3 years with interest computed each month on the unpaid balance. The interest rates to be applied (as set by the Secretary of the Treasury) will be published in the *Postal Bulletin* before each new calendar year.

2. An agreement to pay a deficiency by installments must be in writing and should include a provision for the acceleration of the balance due upon default in the payment of any installment. (Advice should be sought from the Field Division Controller before entering into such agreements.)

F. Uncollected Deficiencies

1. Postmasters must forward uncollected deficiency cases to the Field Division Controller as soon as the customer's response period has ended, or when the customer refuses to pay the amount due.

2. The Field Division Controller, with advice from the Regional Counsel, if necessary, will promptly attempt to collect outstanding amounts. If such efforts are unsuccessful, the Field Division Controller will refer the matter to the Regional Counsel for legal action.

3. If customers, in discussions with Field Division Controllers, offer to pay a partial amount in lieu of the full amount (or seek total relief), the Controller has authority to deny the request. If the Controller believes that a partial payment should be accepted, the Controller must document this recom-

mendation to the Regional Director, Finance. The Regional Director will decide whether to accept a settlement offer or to accept a request for total relief.

a. The customer must provide detailed financial records sufficient for the Regional Director, Finance, to make such determination if the basis for the requested relief is financial hardship. Postal employees will not initiate an offer to settle disputed deficiency cases for less than the full amount.

b. In making a decision, the Regional Director, Finance, may consider whether the underpayment (1) was made because of incorrect instructions given in writing by a postmaster or mail classification manager or (2) existed before a previous Postal Service review or audit of related mailer records, but was not identified at that time.

c. If the Regional Director, Finance, decides to accept a settlement offer, the Field Division Controller will establish a payment schedule and interest charges for the deficiency and will advise the customer, the postmaster, and the General Manager, RCC, of the amount due. The Field Division Controller will also advise these officials if the Regional Director, Finance, grants total relief for a postage deficiency.

4. In handling deficiency cases, Finance personnel are not to revise the established amount of the deficiency which was determined in the final Postal Service decision.

5. For uncollected deficiencies, the Regional Director, Finance, will either (a) hold the postmaster responsible for the deficiency in whole or in part or (b) relieve the postmaster of accountability for the deficiency.

6. The Postal Data Center must be informed of the necessary accounting adjustments.

52 Suspense Items

Suspense items are defined as stamp credits, money orders, banking shortages, travel and salary advances, external and internal audit discrepancies, revenue deficiencies, Form 1412 differences, and miscellaneous cash items. Units must report the totals in AIC 814 at the accountbook level. Records for suspense are maintained at the accountbook unit.

This section describes how to report the different types of suspense, when to use suspense for adjustment purposes, and what forms to use when reporting activity and maintaining control.

521 **Maintaining Suspense at the Form 1412 Level**

521.1 **Non IRT Offices**

- 1> Use AIC 814 to report suspense entries in the disbursement side of the daily Form 1412 and the accountbook.
- 2> To clear suspense, report AIC 814 in the receipt side of the daily Form 1412, but make a reduction only to AIC 814 in the analysis section of the accountbook.

521.2 **IRT Offices**

- 1> Use AICs 754–770, except for AIC 762, to report suspense items on the Form 1412. AIC 814 is a roll-up of all sub-AICs for the accountbook entry.
- 2> Use AICs 354–370 to clear suspense items of Form 1412.

Example: Enter a salary advance for \$100.00 as AIC 754 on the Form 1412 or the IRT. When you collect the salary advance, clear the suspense item by using AIC 354 on the Form 1412.

522 **Controlling Suspense at the Accountbook Level**

- >> Use AIC 814, the controlled account for suspense in the accountbook and statement of account (SOA) to report suspense balance.

AICs 754–770 increase AIC 814 at the accountbook level. AICs 354–370 decrease AIC 814 at the accountbook level.

523 **Controlling Suspense Items Internally**

523.1 **For Non-SFAP Units**

- 1> Maintain a master suspense on Form 25.
- 2> Record increases and decreases on the form to calculate the ending balance.
- 3> Compare and verify the balance to AIC 814 in the accountbook daily.

The accountbook unit uses Form 1556, *Suspense Items Support Information* (exhibit 523.1), to identify each suspense item in sufficient detail to provide an audit trail for reporting purposes. The total of all individual Forms 25 by type must equal the Form 1556 master record and AIC 814.

523.2 For SFAP Units

The district accounting office (DAO) maintains the individual records for each suspense entry for offices reporting under SFAP procedures.

- >> Use the trust and suspense system (TASS) worksheet to make entries or to clear suspense items at the local Form 1412 level. Sufficient information must be noted to identify the individual or the exact reason for the suspense entry.

524 Maintaining Form 1556

524.1 For Non-SFAP Units

- 1> Maintain a Form 1556 to list each individual suspense item outstanding on the last business day of a postal quarter (PQ).
- 2> In chronological order, fill in the original date entered to suspense, a brief description, action taken to clear, and amount.
- 3> Submit the original as support for the entry to AIC 814 on the statement of account at the end of the PQ to the DAO. Retain the duplicate as support for the office copy of the SOA.

524.2 For SFAP Units

The DAO maintains the Form 1556 for all SFAP units. Within the SFAS, all suspense items are identified by unit number, AIC, description, and amount in the TASS module.

The SFAS generates a Form 1556 with all information required in date order by AIC.

525 Clearing Suspense Items

- >> Use the guidelines below for clearing suspense items whenever possible.

Note: Suspense items cannot be cleared expeditiously in every case. However, you must not ignore any item.

Type of Items	Item	Time Limit or Other Instructions/Requirement
Advances	Salary	Must be collected no later than receipt of check containing the adjustment.
	Travel	Must be collected no later than receipt of the reimbursement check.
Shortages	Stamp credit	Collect upon resolution.
	Banking	Must be cleared when the unit collects from the responsible employee, clears the amount due for a nonsufficient funds (NSF) check, sends the NSF check to CSC for collection, or provides support that the item is uncollectible (claim for loss).
Audit differences	External	The ASC issues statement of differences for these discrepancies. They should not be carried in suspense beyond 30 days unless the DAO directs it.
	Internal	These discrepancies (not to be confused with revenue deficiencies) are those discovered at the post office, usually by an inspector. They are limited to 30 days unless otherwise directed by the DAO.
Revenue deficiencies	Revenue deficiencies	Management Instruction DM-140-89-2, Revenue Deficiency, governs the length of time you may carry deficiencies.
Form 1412 differences	Item reported on Form 1908	Clear by entry to a subsequent Form 1412 by the responsible employee.
Miscellaneous	Suspense items classified as such	Should be held for no longer than 30 days before requesting assistance from the district.

526 Applying Tolerances

526.1 Banking

Shortages

- >> District accounting offices may clear banking shortages of \$5 with an offset to AIC 406, Unidentified Difference Short, when responsibility for the shortage cannot be determined.

Overages

- >> District accounting offices may clear banking overages of \$5 or less and offset to AIC 306, Unidentified Difference Over, when responsibility for the overage cannot be determined.

526.2 Miscellaneous

- >> District accounting offices may clear Form 1412 shortages of \$5 and less with an offset to AIC 406, Unidentified Difference Short, when responsibility for the shortage cannot be determined.

527 Monitoring Suspense**527.1 District Accounting Office**

The district accounting office is responsible for monitoring all Forms 1556 from all statement of account offices within the district.

- 1> Compare the total on Form 1556 with the total in AIC 814 on the statement of account.
- 2> Review the Forms 1556 and resolve outstanding items with the individual office.
- 3> Submit semi-annual district summary suspense report to the area finance office.

527.2 Area Finance Office

- 1> Consolidate the district summary suspense reports.
- 2> Submit summary of suspense data to post office accounting, Headquarters.

53 Statement of Difference

The statement of account is audited by the Minneapolis Accounting Service Center (MNASC). When information from the SOA is matched against information obtained from internal and/or external sources, differences may arise. The various internal and external sources include stamp stock shipments, banking, debit or credit cards, money order differences, and centralized trust activity. If not already discovered by the post office, resolution will be initiated by the MNASC.

531 Responsibilities**531.1 Minneapolis Accounting Service Center**

The MNASC is responsible for auditing the statements of account and issuing statements of differences for discrepancies.

disks used for operation needs, such as weighing, rate information, and customer information, to ensure that there is no financial activity.

- 2> Rolls of blank PVI labels must be controlled by the supervisor. Keep unused labels in original plastic bags and shipping carton until needed, for protection and to prevent undue exposure.

715.5 Consolidating and Closing Out the Unit

- 1> The unit close-out person is responsible for verifying the receipt of PVI activity reports from individual clerks and the consolidated unit PVI activity report.
- 2> Each day, consolidate all clerk disks that have been "booted up" on an IRT with a PVI.
- 3> Review the unit Form 1412 "PVI Activity Report" and make the necessary adjustments to AIC 109 on the unit Form 1412 if you discover an out-of-balance condition.

72 Mail Without Postage Affixed

Mallers may be authorized to mail material without affixing postage. Procedures detailing acceptance requirements are in DMM Module P.

721 Handling Payment

721.1 Accepting Payments

Customers pay at the time they mail or through an advance deposit account. Checks accepted at bulk mail entry units (BMEUs) must have "BMEU" recorded on the front of the check. Postmasters will apply the usual criteria for accepting business checks for new permit holders and clients of permit holders.

- >> Examine checks before acceptance to be sure that the payee is either the U.S. Postal Service or the postmaster. See section 312.1.

721.2 Recording Payments

Non-IRT

Receipt	Disposition	
Form 3544	Original	Customer
	Duplicate	Support to Form 1412
	Triplicate	Unit maintaining accounts

IRT

Receipt	Disposition	
Form 3544	Original	Customer
	Duplicate	Unit maintaining accounts
	Unit list	Support to Form 1412

721.3 Collecting on Nonsufficient Funds Checks

The Postal Service may contact the check writer of returned checks or may immediately submit nonsufficient funds (NSF) checks to a collection agency after a second deposit attempt. NSF checks go to the check collection agency for collection without further collection efforts by the Postal Service. Collection efforts will be pursued only against the writer of the check, whether the permit holder or client of the permit holder.

721.4 Additional Collection Alternatives

If the writer of the NSF check is the permit holder, the Postal Service, after notification, may reduce the permit holder's accounts by the amount of the NSF check and applicable surcharge if the permit holder does not pay upon demand. If the amount in the permit holder's account does not cover the whole amount of the NSF check, the remainder of the amount owed is treated as a revenue deficiency. The procedures for handling revenue deficiencies are in Management Instruction DM-140-89-2, *Collecting Revenue Deficiencies*, June 16, 1989.

722 Handling Revenue

722.1 Recording Revenue

>> To control payments and mailings, use Forms 1412, 3083, and individual account forms related to the specific revenue category.

Revenue Category	Form	Descriptions
Permit Imprint	Form 3609	Record of permit imprint
Periodicals	Form 3543	Record of periodical postage
Express Mail	Form 25	Express Mail corporate accounts
Postage due/business reply	Form 25	Additional postage required/business reply mail

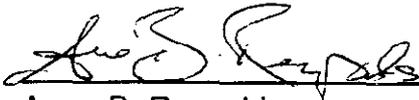
Offices using approved automated systems such as the permit system and express mail reporting system (EMRS) will not transfer data to the Postal Service forms listed above.

722.2 Reporting Revenue

BMEU employees must prepare Form 3083, entering for each category the beginning balance, the total of all applicable Forms 3544 as deposits, the

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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February 18, 1998