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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

GENERAL GOVERNMENT
DIVISION

MAR 19 1973

The Honorable Benjamin F Bailar
Senior Assistant Postmaster General
United States Postal Service

Dear Mr. Bailar

The General Accounting Office has completed a survey of selected aspects of registered and collect-on-delivery (COD) mail. The objective of our survey was to obtain a working knowledge of these activities for the purpose of deciding whether an in-depth examination was warranted

We performed work at the Chicago, Illinois, Post Office and at the Washington, D C., headquarters of the Postal Service Our survey included discussions with postal officials at both locations, and an examination of pertinent Postal Service documents, records, and reports.

We did not find any significant problems and, consequently, we are terminating our work on this survey. We did, however, note that (1) it is possible to consolidate COD remittances and (2) apparent undercharges are being made to certain Government agencies using registered mail Although postal officials were aware of these two matters, we are bringing them to your attention for whatever corrective action you deem appropriate.

POSSIBLE CONSOLIDATION
OF COD REMITTANCES

The Postal Service provides COD service when a customer mails an article for which he has not been paid and requests that postal employees collect the price of the article and the postage costs from the addressee when the article is delivered The amount collected for the article is then returned to the customer by postal money order.

Current procedures require that Postal Service employees (1) prepare separate money orders for each COD package delivered, (2) prepare an envelope for transmitting the money order, and (3) make entries in COD and money order records. Postal customers receiving these money orders must endorse each one separately when depositing or cashing it

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Our survey at the Chicago Post Office showed that the majority of COD parcels were mailed by a few large mailers. In a one week test period, we found that 84 percent of the total COD volume originated with 16 firms. Although records were not available to make a comparison between the costs to the Postal Service for processing individual COD remittances and the costs for processing consolidated COD remittances, we believe that consolidation of remittances should result in a cost reduction.

We discussed the possibility of consolidating COD remittances with two large-volume COD mailers in the Chicago area. Officials of both firms indicated that they would be interested in participating in some form of consolidated remittance system if it were offered by the Postal Service. In addition, they anticipated some cost reductions in their own operations as a result of such a consolidation.

The Postal Service's Eastern Region, in conjunction with Sears Roebuck and Co. of Philadelphia, Pennsylvania, completed a pilot study in November 1972 designed to determine the feasibility and desirability of consolidating COD remittances. At the time we completed our survey, postal officials had not yet completely evaluated the study and, thus, had not made any decisions concerning it. The study indicated that the Postal Service could realize potential annual savings totaling \$3 million and recommended that the practice be implemented nationwide.

APPARENT UNDERCHARGES TO AGENCIES USING REGISTERED MAIL

The Postal Service has entered into special agreements permitting the Federal Reserve System and the United States Department of Agriculture to send certain registered mail weighing one pound or more at fourth-class rates. Normally, registered mail requires first-class, airmail, or priority postage, however, these agencies were granted an exception because of a similar arrangement made by the former Post Office Department with the Department of the Treasury.

There is a significant difference between priority rates and fourth-class rates. For example, if the Postal Service charged zone 1 fourth-class rates on a registered article weighing 40 pounds, the postage revenue would be \$2.80. However, if zone 1 priority rates were charged for the same article, then postage revenue would be \$19.40--a difference of \$16.60.

Because the Postal Service has no records concerning the costs incurred, or revenues received, for providing this service to each participating agency, we are unable to determine whether the Postal Service's revenues from registered items mailed at fourth-class rates covered the related costs

We were also unable to determine the volume of registered mail shipped by Federal Reserve banks or by the Department of Agriculture

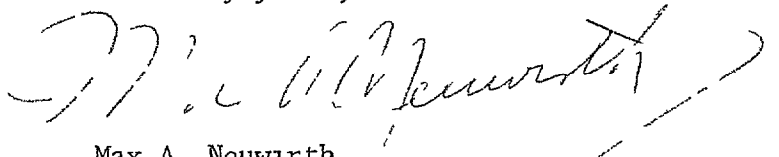
We are aware that the Postal Service is currently renegotiating the terms of the agreements with both the Federal Reserve System and the Department of Agriculture. Postal officials stated that their objective was to obtain a rate increase, or to get a guarantee of a larger volume of both agencies' total registered mailings if the Postal Service continues to charge the reduced rate

The agreements with the two Government agencies require that the Postal Service provide first-class service at fourth-class rates. Consequently, the Postal Service may not be recovering all its costs. We believe that, before any new agreements are reached, a study should be undertaken to determine what costs are actually incurred in providing this service to assure that the rates established enable the Postal Service to recover its costs.

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We wish to acknowledge the cooperation extended to our representatives during the survey. We shall appreciate being advised of any actions taken by the Postal Service or any comments you may have regarding the matters discussed in this report.

Sincerely yours,



Max A. Neuwirth
Associate Director