



# The Ultimate Guide to Recovering Lost Postage

Lost Postage is a serious and pervasive issue for many companies, and yet, most have no idea they are losing millions of dollars because of it. **Mailers need to know why this happens, where the money** goes, how you can go about recovering your funds, and finally, how to prevent this type of leakage in the future.

## THE MOST COMMON REASONS FOR LOST POSTAGE FUNDS

- 1. **Expense vs. Asset** Once the funds are deposited in the different postage accounts, most companies write it off as an expense. In other words, the money is considered spent. However, until the postage is utilized, these balances are a company asset rather than an expense and should be treated as such.
- 2. Decentralized Oversight Often, there is no single location within a company where postage is managed. For instance, it might be managed separately from the permits and mail house funding. There could also be multiple departments managing their own permits for different mailings or reply mail activities. For example, the marketing department might have its own permit for mass mailings, while accounts receivable uses a separate account for Business Reply Mail (BRM) to get payments returned. The decentralization creates opportunity for oversight, allowing cost leakages to go undetected.
- 3. **Multiple Locations** Postage management gets even more difficult when each location sets up their own permits or have individually funded postage meter accounts.
- 4. **Mailings run on mail service providers permit numbers** Companies typically receive an estimate of the funds needed for mailings, but do not look at the final postage statements to validate what was spent.
- 5. Accounts are terminated or forgotten In 2008, there were over 1.5 million postage meters in the US compared to less than one million today. This means that one-third of all meters were returned during this period. There is a similar trend with permit accounts as more organizations are eliminating local Business Reply Mail and Postage Due accounts. Was there a process at your company to make sure each closed account got the funds properly returned?

### WHAT HAPPENS TO LOST POSTAGE?

**Postage Meter Lost Funds** – When a mail machine gets returned because it is no longer needed (Or when you switch vendors), the money on the meter gets put back into the postage account. The final balance of this account is now available to be refunded and you may receive a statement of the final postage balance. If you do not contact the meter vendor to request a check for reimbursement, only one of the meter vendors turns the funds over to the states' unclaimed funds offices. The remaining companies will hold onto the money through their USPS accounts until you request it. The question is





what visibility are they providing to you indicating funds are available and if the office closed, where are they sending this information?

**Permit Accounts Lost Funds** – The USPS Defines an inactive permit as "imprint, meter, or pre-canceled account [that has] no mailings or payment of fees during a 2-year period from the date of fee expiration." If the balance exceeds \$25, they are required to send the customer a letter with a Form 3553 to get your funds reimbursed.

In the January/February 2014 issue of Mailing Systems Technology, I wrote an article about how the USPS has been taking our permit funds when they become inactive and dormant. Since then, the Office of Inspector General of the USPS conducted a study titled "Dormant Advance Deposit Permit Accounts" Which confirms these findings and made recommendations for change that was rejected by USPS management. According to the study, "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."

In other words, USPS admits that it considers unclaimed dormant account balances as income. Also, during these two years -Fiscal 2012 and 2013- 63% of these dormant funds were not returned to customers. If we extrapolate these numbers over 10-20 years, there could be hundreds of millions in dormant permit funds that the USPS has held onto and made it very difficult for the average entity to claim.

The bigger issue is how the United States Postal Service handles these funds. With most organizations, Corporate, Non-Profit and state government--unclaimed funds are turned over to the state's unclaimed funds office, where it is easy to search for your money. These funds typically remain visible on that states website or on <u>www.missingmoney.com</u> until the money is claimed. With the USPS, at 24 months of inactivity, a notification is sent (<u>USPS 16-7.3 Sample Add-Pos Non-Use Cancellation Notice</u>). The entity then has 30-60 days to either collect their funds, renew the permit or the money gets transferred into general ledger account where the money is considered income to the USPS. Worse, these dormant permit accounts are deleted from POSTALONE! and archived one year from when the funds are transferred. The only way to get this money back is to know what funds you had lost, and then to go to that specific local postmaster or district for help. While there is a procedure that can be followed to get access to the information, but the visibility and access is lost at the local level.

**Mail Service Providers' Lost Funds** – Oftentimes, for the ease of funding or because the company does not want to set up permits in the geographic area where the provider is located, they will use the permit accounts of their mail house or presort service. Companies will typically be deposit funds upfront for future mailings. The mail provider will create an invoice detailing the funds used for recent projects. However, these invoices typically provide minimal information or can be challenging to decipher if you are unfamiliar with the mailing industry. Further, companies rarely request postal statements and balance receipts of the funds utilized. Finally, very few companies check the detail of these invoices to see exactly what they are paying for. These types of oversights can lead to lost postage funds.





### STEPS FOR IDENTIFYING AND RECOVERING LOST POSTAGE

**Postage Meters** – It's critical to locate prior meter accounts and compare this to the current population. Look for any current and past reports you may have received from your postage meter provider. We also recommend doing a search of your accounts payable system going as far back as possible. Enter the mailing vendors' names and see where you had expenses that may no longer be active. When contacting the meter vendor to validate available funds, try to have the following information: location name, address, account number, postage account (Prepaid or advance, invoice number, serial number).

Once the funds have been identified, the vendor can send you a link to their online form where the funds can be requested.

Funds may also be available where you had office closures or had changed meter vendors. Finally, it is important to know your balances in all active accounts because it is common to find funds sitting dormant in prepaid postage accounts when the location is actively using an advanced funds or vice versa.

**Permit Accounts** – The USPS offers very limited support in the area of permit accounts. However, the best way we have found to combat this is to go through your accounts payable files and look for transactions paid to "USPS", "United States Postal Service" or "Postmaster...". If you spent over \$200 on an item on the invoice, take a closer look because that is a typical annual permit fee too. You will need to capture the following information for your search:

location name, address, permit number, permit type, USPS Post Office name, USPS Post Office addresses.

Go to your local Postmaster to validate if funds are available. If you are large enough and have a postal liaison, you can ask them for assistance. Once the funds have been identified, fill out a PS Form 3533 to have the money returned. The USPS may be reluctant to want to help with the process either due to resources or lack of understanding of the issue. It is important that you stress they are acting like a bank when holding your funds and they should be held to the same fiduciary standards. It is your right to request that they search for funds that you held in their coffers.

Mail Service Providers – You would want to follow the same accounts payable search that you did in the sections above but in this case, look for businesses that had provided mailing services for you in the past. Some organizations code this expense in their systems when the transactions are being entered and others might need to remember what vendors had been used in the past. Go back to these providers and ask for any documentation detailing postage accounts they had maintained in your name to validate that all funds had been returned.

### BEST PRACTICES FOR PREVENTING THIS FROM HAPPENING IN THE FUTURE





**Postage Meter Accounts** – It is important to have online visibility to your postage balances. Most meter vendors can give you web access to this information. This is an easy way to check your balances and see every time the meter is filled. If you have multiple meters, link them to this same online visibility, and if possible, onto master account numbers. Now, if any office closes, the money will automatically go back into the master account to be used by other locations. Finally stick with one prefunding or advance postage strategy so funds cannot get confused.

**Permit Accounts** – Link all permits to the Centralized Accounts Processing System (CAPS) \_or create visibility on the Business Customer Gateway. This way, you can go onto the USPS website and see your account balances and transactions where funds were withdrawn. The best part is you can manage the funding and permit fees from one place rather than scrambling last minute to pay postage for mailing projects.

**Mail Service Providers** – Use as few providers as possible. As part of the scope, have quarterly reviews where the details of your mailings, invoices and account balances are discussed. Make sure to go over at least a couple of invoices to understand their format and request additional detail if necessary.

### SUMMARY

As we migrate to digital, we are mailing from fewer places and with fewer providers. With fewer experts to manage postage, it can be expected that more funds will be lost. By understanding what can happen to your funds, and by developing structure around its future management, you can eliminate potential lost postage for your organization.

Adam Lewenberg, CMDSS, MDC, President of <u>Postal Advocate Inc.</u>, runs the largest Mail Audit and Recovery firm in the United States and Canada. They manage the biggest mail equipment fleet in the world and their mission is to help organizations with multi-locations reduce mail related expenses, recover lost postage funds, and simplify visibility and oversight. Since 2013, they have helped their clients save an average of 60% and over \$38 million on equipment, avoidable fees, and lost postage. He can be reached at (617)372-6853 or <u>adam.lewenberg@postaladvocate.com</u>