

092746



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C. 20548

CIVIL DIVISION

MAY 5 1970

Dear Mr. Hargrove:

The General Accounting Office made a limited review of the Post Office Department's financial policies for establishing rates for special services and for reporting revenues and related allocated costs of these services. In fiscal year 1969, revenues, fully distributed costs, and the amount charged to public service cost totalled \$283.8, \$399.9 and \$116.1 million, respectively. Our review was conducted at Department headquarters in Washington, D.C.

The purpose of this letter is to notify you that we are suspending our review because of the recent changes adopted by the Department in developing and reporting revenues and costs of the different classes of mail and services. Also, we plan to look into the special services as a part of our current examination of the Revenue and Cost Analysis Systems and Report.

The Cost Ascertainment Reports showed that "public service losses and costs" attributed to special services rose from \$13.8 million in 1958 to \$92.6 million in 1968. The Revenue and Cost Analysis Report issued in April 1970 for fiscal year 1969 showed the "public service costs" rose to \$116.1 million or an increase of \$23.5 million over fiscal year 1968.

Recently Department officials, in testifying before the Subcommittee on Postal Rates, House Post Office and Civil Service Committee, stated that all mail services should recover at least their demonstrably related costs. The Revenue and Cost Analysis Report, however, shows that registry and special delivery services did not recover at least their demonstrably related costs in fiscal year 1969. For the two services, the report shows that such unrecovered costs totalled \$15.4 million.

We will appreciate being advised of the actions taken by the Department to revise rates to recover appropriate costs for these services.

We appreciate the cooperation extended our representatives during our limited review.

Sincerely yours,

Frank Medico
Max A. Neuwirth
Associate Director

DOCUMENT AVAILABLE

The Honorable James W. Hargrove
Assistant Postmaster General

092746

ACC 00052

774815