

Office of Inspector General | United States Postal Service

Audit Report

Management of Postal Zones

Report Number 19RG009MS000-R20 | March 25, 2020



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Highlights

Objective

Our objective was to evaluate the accuracy of U.S. Postal Service “zone”-based postage rates. These rates apply to select mail products including Priority Mail, Bound Printed Matter, Parcel Select, First Class Package Service, and Periodicals. The total volume of competitive and market dominant mail that included zone pricing was 10.1 billion of the 142.4 billion pieces (7 percent) in fiscal year 2019.

The Postal Service considers a variety of factors when setting the price of an individual mailing including the mail class, weight, and distance. When calculating distance, the Postal Service uses the mileage between its starting (originating) and ending (destinating) mail processing facilities, which are the 195 Sectional Center Facilities (SCF) throughout the country. For example, a mailpiece originating from Byron, IL (Zone Improvement Plan (ZIP) Code 61010) and destined to Frederick, MD (ZIP Code 21701) will be processed by and priced in accordance with the servicing SCF. In this example, these SCF locations are 64 and 45 miles away from the respective post offices.

“When calculating distance, the Postal Service uses the mileage between its starting (originating) and ending (destinating) mail processing facilities, which are the 195 Sectional Center Facilities (SCF) throughout the country.”

The Postal Service has a complex methodology for determining the distances used in its zone pricing, utilizing mileage calculations based on the geospatial coordinates (latitude and longitude) of each SCF. The Postal Service makes two distance calculations for each potential originating and destinating SCF “pair” and selects the lesser mileage of each calculation to represent the “final” distance between the two SCFs.

The Postal Service currently uses 10 zones in its postage pricing: one local zone, eight other domestic zones (Zones 1 to 8), and one zone for special cases, such as mailings to the Republic of Palau and the Federated States of Micronesia (Zone 9). Each zone has defined distances based on the mileage between the originating and destinating SCFs—for example Zone 2 encompasses distances of 51-150 miles, while Zone 3 encompasses distances of 151-300 miles. The larger the “zone” number (and thus the farther a piece must travel), the higher the price charged to the mailer.

To assist mailers in the preparation of mailing labels and to ensure accurate mail routing/processing, the Postal Service publishes labeling lists. The labeling list titled *L005 3-Digit ZIP Code Prefix Groups – SCF Sortation*, known more commonly as “L005”, associates each of the 915 3-digit ZIP Code prefixes to the 195 SCFs for mail processing.

We issued an interim report on June 24, 2019, that identified an issue related to incorrect postage rates charged for mail entered at the Palatine, IL SCF.

Findings

The Postal Service did not always charge the correct postage rates for mail subject to zone pricing. We found incorrect postage rates for mail sent between 21,570 ZIP pairs (2.6 percent of the 836,310 ZIP pairs). These pricing inaccuracies resulted from the following errors attributed to 38 of the 195 (19 percent) SCFs:

- Thirty-seven SCFs had incorrect geospatial coordinates in the computer program used to calculate zones. We verified the coordinates on record using the Postal Service’s methodology and found the coordinates were incorrect and did not reflect the current locations of these SCFs.
- One SCF was assigned the wrong 3-digit ZIP Code on the labeling list, resulting in the use of incorrect coordinates when calculating postage for mail going to and from this ZIP Code.

These conditions occurred because the Postal Service did not have applicable policies or procedures for periodically reviewing, updating, and monitoring SCF

coordinates for newly built or leased facilities. From 1965 through 2009, the Postal Service moved mail processing for specific 3-digit mail to 36 newly owned facilities and one leased facility. However, when operations were transferred to the new facilities, the Postal Service did not update the coordinates to reflect the change in location.

We estimated the Postal Service undercharged \$17.3 million in postage for 27.2 million mailpieces and overcharged \$5.5 million for 10.7 million mailpieces from January 27, 2019, (date of annual price change) through December 31, 2019. Unless corrective action is taken to update the geospatial coordinates, labeling list, and applicable policies and procedures, revenue for zone priced mailings will continue to be at risk.

In addition, the Postal Service's current methodology for calculating distance – by being linked to the mail processing SCFs – may have been suitable in the past but may no longer be appropriate. Of note, this methodology does not always factor the distance mail travels (and corresponding cost) and may result in unintended zone impacts based on changes in mail processing operations.

In a recent example, the Postal Service moved the mail processing of mixed drop shipments entered at the Fairbanks, AK General Mail Facility to the Anchorage Processing and Distribution Center in 2016. Because this mail is now processed at the Anchorage facility, the zone pricing chart reflects as if the mail were accepted in Anchorage, when in fact it was accepted in Fairbanks, about 259 miles away. As a result, zoned mail from Fairbanks to Anchorage is now charged a Zone 1 rate, whereas it was a Zone 3 before the change. The

Postal Service will receive \$1.05 less for each 5-pound priority mail parcel mailed from Fairbanks to Anchorage because of the zone change.

The Postal Service can take advantage of current technologies (such as GIS) to more accurately analyze and manage spatial data, which includes developing methodologies that (1) more accurately reflect the true distance between where a mailpiece is accepted and delivered and (2) can be more easily updated as mail processing operations change moving forward. Evaluating these alternative methodologies for determining distances could lead to a more accurate reflection of costs.

Recommendations

We recommend the Vice President, Enterprise Analytics:

- Immediately correct the coordinates for SCFs used in zone price calculations and update the Zone Matrix and labeling list with applicable changes.
- Develop policies and procedures for periodically reviewing, updating, and monitoring SCFs coordinates used in zone pricing.

We recommend the Vice President, Enterprise Analytics, in coordination with the Vice President, Pricing & Costing:

- Evaluate alternative methodologies for determining zone mileage, which could include calculating distance between the originating 5-digit ZIP code to the designating 5-digit ZIP code, to more accurately reflect the distance the mailpieces travel.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 25, 2020

MEMORANDUM FOR: JEFFREY C. JOHNSON
VICE PRESIDENT, ENTERPRISE ANALYTICS

SHARON D. OWENS
VICE PRESIDENT, PRICING & COSTING

E-Signed by Janet Sorensen
VERIFY authenticity with eSign Desktop 



FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Retail, Delivery, and Marketing

SUBJECT: Audit Report – Management of Postal Zones
(Report Number 19RG009MS000-R20)

This report presents the results of our audit of the Management of Postal Zones.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joe Wolski, Director, Sales, Marketing, and International, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service’s “zone”-based postage rates (Project Number 19RG009MS000).

Background

“Zone”-based postage rates apply to select mail products that include Priority Mail, Bound Printed Matter, Parcel Select, First Class Package Service, and Periodicals.¹ The total volume of competitive and market dominant mail that included zone pricing was 10.1 billion of the 142.4 billion pieces (7 percent) in fiscal year (FY) 2019.²

The Postal Service considers a variety of factors when setting the price of an individual mailing including the mail class, weight, and distance. When calculating distance, the Postal Service uses the mileage between its starting (originating) and ending (destinating) mail processing facilities, which are the 195 Sectional Center Facilities (SCF) throughout the country. For example, a mailpiece originating from Byron, IL (Zone Improvement Plan (ZIP) Code 61010) and destined to Frederick, MD (ZIP Code 21701) will be processed and priced from the servicing SCFs. In this example, the SCF locations are 64 and 45 miles away from their respective post offices.

The Postal Service currently uses 10 zones in its postage pricing: one local zone, eight other domestic zones (Zones 1 to 8), and one zone for special cases, such as mailings to the Republic of Palau and the Federated States of Micronesia (Zone 9). Each zone has defined distances based on the mileage between the originating and destinating SCFs—for example Zone 2 encompasses distances of 51-150 miles, while Zone 3 encompasses distances of 151-300 miles. The larger the “zone” number (and thus the farther a piece must travel), the higher the price charged to the mailer (see Table 1).

Table 1. Zone Mileage Chart

Zone	Distance
Local	Mail deposited at any post office for delivery to addresses within the delivery area of that post office
1	Outside the local zone and within 50 miles from the center of the area.
2	51 - 150 miles
3	151 - 300 miles
4	301 - 600 miles
5	601 - 1,000 miles
6	1,001 - 1,400 miles
7	1,401 - 1,800 miles
8	1,801 miles and above
9	Republic of Palau, Federated States of Micronesia, and Republic of the Marshall Islands.

Source: Domestic Mail Manual 300, Sections 9.4.1 and 9.4.2, October 7, 2019.

¹ Zoned classes of mail include Priority, Priority Express, Retail Ground, Parcel Select, First Class Package Service (effective January 27, 2019), Bound Printed Matter, and Periodical (Outside County).

² International mail and Domestic Competitive Services are not included in the total.

The Postal Service has a complex methodology for determining the distances used in its zone pricing. The Postal Service first determines the geospatial coordinates (latitude and longitude) for each SCF and then applies a mapping grid of 30-minute square areas to cover the entire country and aligns each SCF into the respective square area where it is located. The Postal Service then makes two distance calculations for each potential originating and destinating SCF “pair” using the center of each 30-minute square. For example, between Dallas and Raleigh SCFs:

- Calculation 1: The distance from the center of the square area containing the originating SCF (e.g., Dallas) and the closest edge of the square area containing the destinating SCF (e.g., Raleigh).
- Calculation 2 (reverse of Calculation #1): The distance from the center of the square area containing the destinating SCF (e.g., Raleigh) and the closest edge of the square area containing the originating SCF (e.g., Dallas).

“We estimated the Postal Service undercharged \$17.6 million in postage for 11.4 million mailpieces and overcharged \$5.3 million for 4.2 million mailpieces from January 21, 2018, (date of annual price change) through January 26, 2019.”

The Postal Service selects the lesser mileage resulting from the above two calculations to represent the “final” distance between each SCF. The zone for the pair is determined by that final distance. There are 915 possible 3-digit ZIP Codes, which combine to create 836,310 domestic ZIP pairings.

For example, for the Dallas-Raleigh SCF pairing, all mailings sent between Dallas ZIP Codes starting with “751-753” and Raleigh ZIP Codes starting with “275-277” would be considered to travel 1,031 miles, and thus be subject to Zone 6 (1,001-1,400 miles) prices.

To assist mailers in the preparation of mailing labels and to ensure accurate mail routing/processing, the Postal Service publishes labeling lists. Specifically, the list titled *L005 3-Digit ZIP Code Prefix Groups – SCF Sortation*, known as “L005”, associates each of the three-digit ZIP Codes to the 195 SCFs for mail processing.

We issued an interim management alert titled *Geospatial Coordinates for the Palatine Sectional Center Facility* on June 24, 2019 (Report Number: MS-MT-19-002) that identified an issue related to incorrect postage rates being charged for mail entered at the Palatine, IL, SCF.

Finding #1: Incorrect Postage Rates for Zoned Mail

The Postal Service does not always charge the correct postage rates for mail subject to zone pricing. We found incorrect postage rates for mail sent between 21,570 ZIP pairs (2.6 percent of the 836,310 ZIP pairs). These pricing inaccuracies resulted from the following errors attributed to 38 of the 195 (19 percent) SCFs (see [Appendix B](#)):

- Thirty-seven SCFs had incorrect geospatial coordinates in the computer program used to calculate zones. We verified the coordinates on record using the Postal Service’s methodology and found the coordinates were incorrect and did not reflect the current locations of these SCFs.
- One SCF was assigned the wrong 3-digit ZIP Code on the labeling list, resulting in the use of incorrect coordinates when calculating postage for mail going to and from this ZIP Code.

These deficiencies occurred because the Postal Service did not have policies or procedures for periodically reviewing, updating, and monitoring SCF coordinates; or a process for handling permanent changes in facility processing.

As a result, mileage calculations were incorrect, which impacted zone determination. We estimated the Postal Service undercharged \$17.6 million in postage for 11.4 million mailpieces and overcharged \$5.3 million for 4.2 million mailpieces from January 21, 2018, (date of annual price change) through January 26, 2019. We further estimate the Postal Service undercharged \$17.3 million in postage for 27.2 million mailpieces and overcharged \$5.5 million

for 10.7 million mailpieces from January 27, 2019, (date of annual price change) through December 31, 2019.

Unless corrective action is taken to update the geospatial coordinates, labeling list, and applicable policies and procedures, we estimate the Postal Service will not collect \$34.9 million in postage for 38.6 million mailpieces and will overcharge \$10.8 million for 14.9 million mailpieces over the next two years, and revenue for zone priced mail will continue to be at risk.

Incorrect Geospatial Coordinates

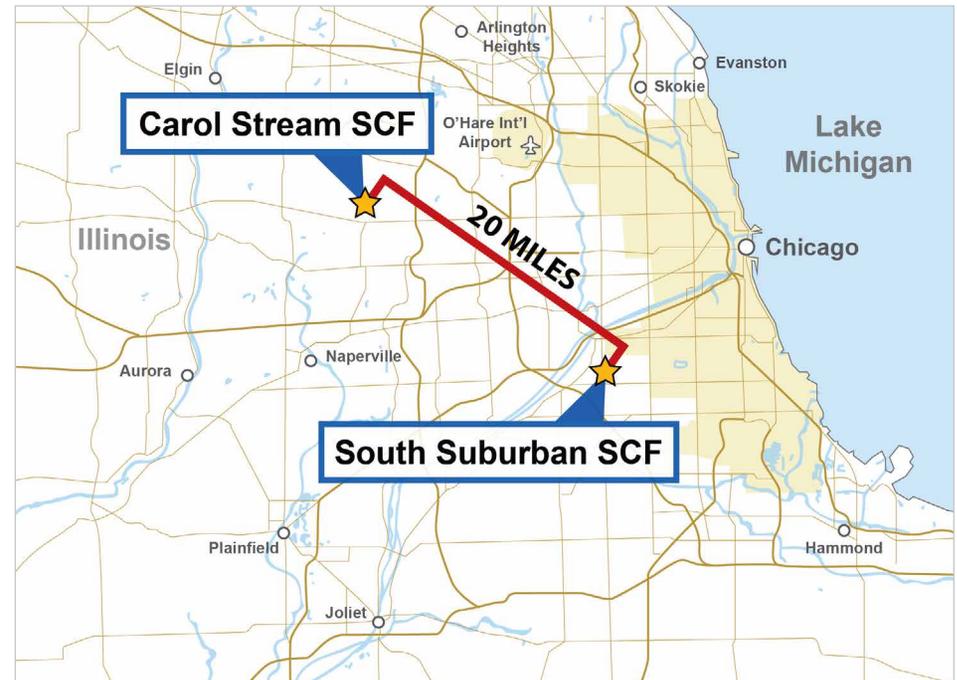
We reviewed coordinates for the 195 SCFs and determined 37 had incorrect geospatial coordinates. The Postal Service assigns geospatial coordinates to SCFs to determine the mileage and zone. From 1965 through 2009, the Postal Service moved mail processing for specific 3-digit mail to 36 newly owned facilities and one leased facility.³ However, when the operation was transferred to a new facility, the Postal Service did not update the coordinates to reflect the change in location.

The Carol Stream, IL SCF is an example of one of the 37 SCFs where the transfer of operations to a new facility did not include updating the coordinates for the transferred ZIP Codes. Prior to June 1992, mail for the 3-digit ZIP Codes 601 and 603 were processed at the South Suburban SCF, 3-digit ZIP Code 604, located south of Chicago. The Postal Service completed the Carol Stream SCF facility, located west of Chicago, in June 1992 (see Figure 1). As a result, the processing of mail for ZIP Codes 601 and 603 was transferred from the South Suburban SCF to the Carol Stream SCF, about 20 miles away. However, the coordinates used to determine postage rates for 601 and 603 ZIP Codes were never changed to the Carol Stream location but rather remained as the South Suburban SCF coordinates in the computer program used to measure distance.

To illustrate the impact of this change, mailpieces originating at the Carol Stream SCF and destined to the Baltimore, MD SCF are currently priced as Zone 4.

This pricing reflects the distance from the South Suburban, IL SCF rather than the Carol Stream SCF. If the correct coordinates were used, a higher zone – Zone 5 – would have been used. Conversely, a lower zone would have been used for mail originating from the Carol Stream SCF and destined to the Phoenix, AZ SCF and Tucson, AZ SCF, which are priced at a Zone 7 instead of the lower Zone 6. The overall impact of having incorrect coordinates for mail originating from the Carol Stream SCF was 98 ZIP pairings where customers were being undercharged and 48 ZIP pairings where customers were being overcharged.

Figure 1. Map of Carol Stream SCF and South Suburban SCF Locations



Source: OIG created.

³ Although mail processing facility consolidations occurred during this period, the facility geospatial coordinates are not impacted by changes in mail processing operations. Rather these changes are managed through the labeling list.

Labeling List Error

Our review of the 195 SCF coordinates also found that while the Provo, UT SCF had the correct geospatial coordinates, it was incorrectly identified on the “L005” labeling list⁴ as the Price, UT facility. The Price facility has different centroid coordinates, which resulted in different mileage calculations for 495 of the ZIP pairs originating from the Provo SCF (see Figure 2). For mail originating from the Provo SCF, there were 369 ZIP pairings where customers were being undercharged and 93 ZIP pairings where customers were being overcharged.

Figure 2. Map of the Provo SCF and Price Facility Coordinates



Source: OIG created.

In our June 2019 management alert, we recommended management correct coordinates for the Palatine SCF. Unless corrective action is taken to update the geospatial coordinates and labeling list for all 38 SCFs as well as all applicable policies and procedures, revenues for zone priced mailings will continue to be at risk.

Recommendation #1

We recommend the **Vice President, Enterprise Analytics**, immediately correct the coordinates for Sectional Center Facilities used in zone price calculations and update the Zone Matrix and labeling list with applicable changes.

Recommendation #2

We recommend the **Vice President, Enterprise Analytics**, develop policies and procedures for periodically reviewing, updating, and monitoring Sectional Center Facilities coordinates used in zone pricing.

Finding #2: Modernizing the Zone Mileage Methodology

We also have concerns that the Postal Service’s current methodology to calculate distance – by being linked to the mail processing SCFs and not where the mail entered the Postal Service network by the customer – may no longer be appropriate. Of note, this methodology does not always factor the distance mail travels (and corresponding cost) and may result in unintended zone impacts based on changes in mail processing operations.

“Unless corrective action is taken to update the geospatial coordinates and labeling list for all 38 SCFs as well as all applicable policies and procedures, revenues for zone priced mailings will continue to be at risk.”

⁴ The Labeling List identifies the service area by individual 3-digit ZIP Code prefix for mail destined to a SCF. Subject to the standards for the rate claimed, pieces for the 3-digit ZIP Code prefixes must be combined and labeled to the corresponding SCF destination. If the 3-digit servicing ZIP is incorrect, the system will associate it with the incorrect coordinates.

In a recent example, the Postal Service moved the mail processing of mixed drop shipments entered at the Fairbanks, AK General Mail Facility to the Anchorage Processing and Distribution Center in 2016. Because this mail is now processed at the Anchorage facility, the zone pricing chart reflects the mail being accepted in Anchorage, when in fact it is accepted in Fairbanks, about 259 miles away (see Figure 3). As a result, zoned mail from Fairbanks to Anchorage is now charged a Zone 1 rate, whereas it was a Zone 3 before the change. The Postal Service will receive \$1.05 less for each 5-pound priority mail parcel mailed from Fairbanks to Anchorage because of the zone change.

Figure 3. Distance from Fairbanks to Anchorage



Source: OIG created.

In another example, effective January 1, 2020, the Postal Service changed the “L005” labeling list and moved the three-digit ZIP Code 759 from the North Houston, TX SCF (three-digit ZIP Code 773) to the Shreveport, LA SCF

(three-digit ZIP Code 710). This changed the zones for some ZIP pairs involving the 759 ZIP. The straight-line mileage between the two SCFs coordinates is nearly 195 miles.

The Postal Service can take advantage of current technologies (such as GIS⁵) to more accurately analyze and manage spatial data, which includes developing methodologies that (1) more accurately reflect the true distance between where the mailpiece was accepted and delivered and (2) can be more easily updated as mail processing operations change moving forward. Such methodology could include creating zones based on 5-digit ZIP Codes to better reflect the actual distance the mailpiece travels. Evaluating these alternative methodologies for determining distances could lead to a more accurate reflection of the costs.

Recommendation #3

We recommend the **Vice President, Enterprise Analytics** in coordination with the **Vice President, Pricing & Costing** evaluate alternative methodologies for determining the zone, which could include calculating distance between the originating 5-digit ZIP Code to the designating 5-digit ZIP Code, to more accurately reflect the distance the mailpieces travel.

Management’s Comments

Management agreed with the report’s findings and recommendations. Management partially agreed with the monetary impact, noting that they agree with the amounts calculated as overcharges and undercharges but disagree with the way they were presented in the report, noting that the amounts should be shown as net values rather than absolute values.

Regarding recommendation 1, management stated that they updated the 37 incorrect coordinates and published them in the February and March releases of National Zone Chart Matrix products. Management also stated that the process for changing the references listed in the L005 labeling list for Provo, UT will be done using the standard process for review and approval of changes. A notice of the change will be published in the Postal Bulletin. The target implementation date is July 31, 2020.

⁵ GIS is a platform for organizations to create, manage, share, and analyze spatial data. It consists of server components, mobile and desktop applications, and developer tools.

Regarding recommendation 2, management stated that they will modify the programming used to create the National Zone Chart Matrix to detect changes in a plant's physical location or a change in any 3-digit service area. This will trigger a manual review of the coordinates prior to publication of the monthly National Zone Chart Matrix and L005 labeling list. The target implementation date is June 30, 2020.

Regarding recommendation 3, management stated that a cross-functional review of different methodologies for determining postal zones will be completed and the impact evaluated considering financial, operational, technical, and customer factors. The results of the review will be presented to management. The target implementation date is October 31, 2020.

See [Appendix C](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and planned actions should resolve the issues identified in the report.

Regarding management's disagreement with presenting the monetary amounts as an absolute value, we recognize that overcharges and undercharges could be netted to show the overall financial impact to the Postal Service. However, to accurately reflect the impact on customers, we reported the revenue loss and refundable revenue separately.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

Our objective was to evaluate the accuracy of Postal Service’s “zone”-based postage rates. To accomplish our objective, we:

- Interviewed headquarters Addressing and Geospatial team to discuss the process for determining the mileage and zone between ZIP pairs.
- Determined the process used to maintain and update SCF coordinates.
- Using GIS, verified Postal Service coordinates for SCFs in the contiguous U.S.
- Recreated the Postal Service’s mileage and zone determination process and calculated a monetary impact from the Postal Service’s use of incorrect coordinates.

The Postal Service has 195 SCFs that process mail for 915 3-digit ZIP codes. This results in a possible 836,310 combinations of origin to destination ZIP Codes. The scope of the monetary impact was from the period

January 21, 2018 through December 31, 2019. We also reviewed January 2016 data for Alaska.

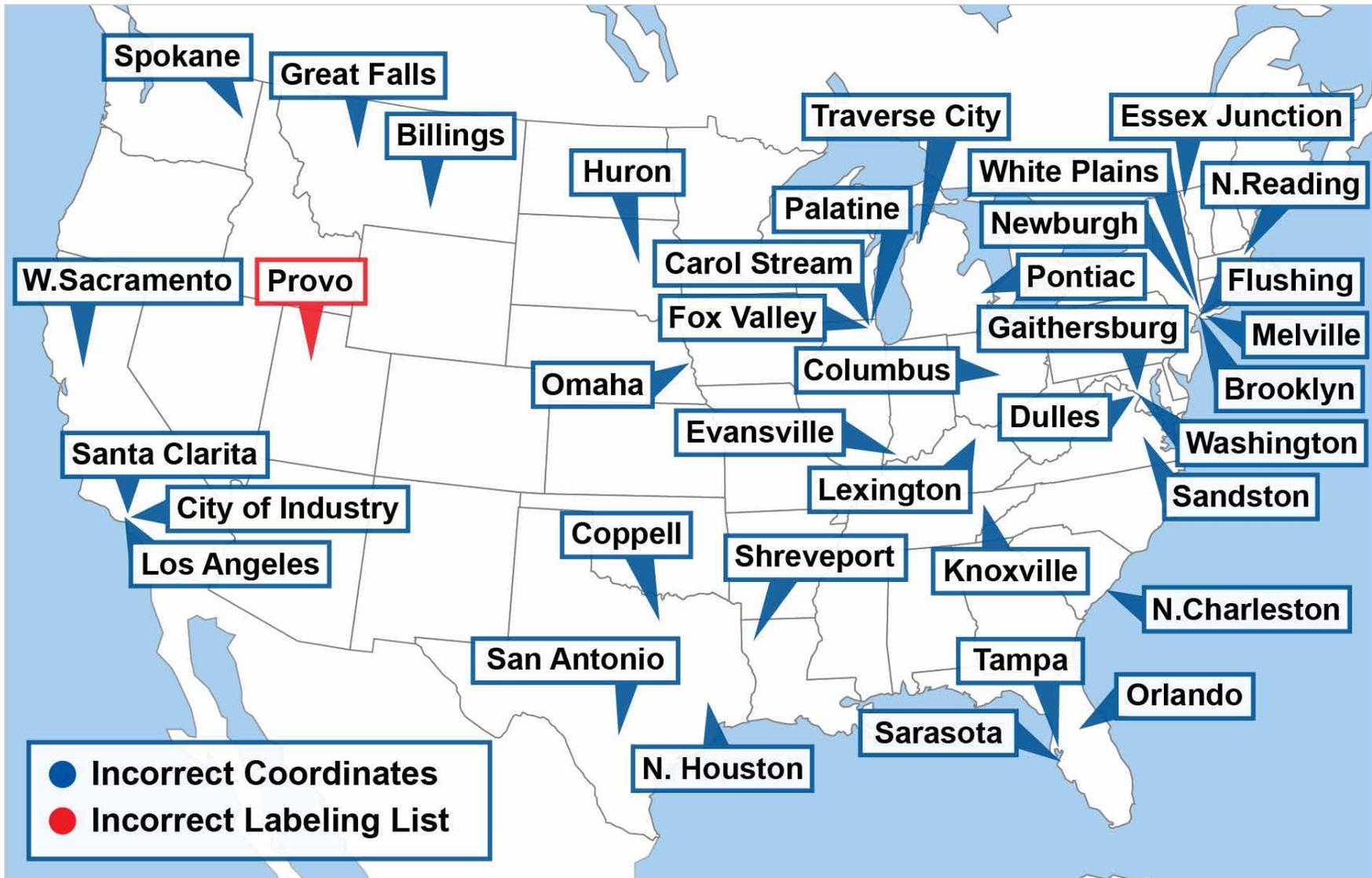
We conducted this performance audit from February 2019 through March 2020 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain enough, 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 February 25, 2020, and included their comments where appropriate.

We assessed the reliability of Postal Service data by reproducing and verifying the coordinates and mileage calculations. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Management Alert – Geospatial Coordinates for the Palatine Sectional Center Facility</i>	Provide U.S. Postal Service officials immediate notification of the issues identified during our ongoing audit on Postal Zones.	MS-MT-19-002	6/24/2019	None

Appendix B: Sectional Center Facility Errors



Source: OIG

Appendix C: Management's Comments



March 10, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management of Postal Zones (Project Number 19RG009MS000-
DRAFT)

Management agrees with the findings contained in this draft report.

The estimated monetary impacts that resulted from inaccuracies in the coordinates used in the calculation of postal zones varies slightly from Postal Service estimates, however, the variance is not considered to be significant. Management accepts the OIG's estimated monetary impacts representing the amounts of undercharged and overcharged. Management disagrees with OIG's representation of the financial impacts in terms of an absolute value.

Recommendation [1]:

We recommend the Vice President, Enterprise Analytics, immediately correct the coordinates for Sectional Center Facilities used in zone price calculations and update the Zone Matrix and labeling list with applicable changes.

Management Response/Action Plan:

Management agrees with the recommendation.

Updated coordinates were implemented and published in the February and March releases of the National Zone Chart Matrix products. These updates resolved the incorrect coordinates impacting the 37 SCFs identified in the report.

Evaluation of the process for changing the references listed in *L005 3-Digit ZIP Code Prefix Groups – SCF Sortation* for Provo UT will be performed using the standard process for review and approval of changes to L005. Assuming the final decision to make the change is approved a notice of the change to L005 will be published in the Postal Bulletin.

Target Implementation Date:

July 2020

Responsible Official:

Vice President, Enterprise Analytics

475 L'Enfant Plaza SW
Washington, DC 20260

Recommendation [2]:

We recommend the Vice President, Enterprise Analytics, develop policies and procedures for periodically reviewing, updating, and monitoring Sectional Center Facilities coordinates used in zone pricing.

Management Response/Action Plan:

Management agrees with the recommendation.

Existing processes for identifying changes in a plant's physical location, or a change in L005 mail processing responsibility for any 3-digit service area, will be used to recognize when a review of potential changes to SCF coordinates are needed. The programming used to create the National Zone Chart Matrix will be modified to detect these changes and trigger a manual review of the coordinates prior to publication of the monthly product.

Target Implementation Date:

June 2020

Responsible Official:

Vice President, Enterprise Analytics

Recommendation [3]:

We recommend the Vice President, Enterprise Analytics in coordination with the Vice President, Pricing & Costing evaluate alternative methodologies for determining the zone, which could include calculating distance between the originating 5-digit ZIP Code to the designating 5-digit ZIP Code, to more accurately reflect the distance the mailpieces travel.

Management Response/Action Plan:

Management agrees with the recommendation.

A cross-functional review will be performed of different methodologies for determining postal zones and to evaluate their impacts from the perspectives of financial, operational, technical implications and customer experience factors. The results of this review will be presented to management outlining the various options for revising the current methodologies for determining postal zones facilitating their decision for proceeding.

Target Implementation Date:

October 2020

Responsible Official:

Vice President, Enterprise Analytics



Jeffrey C. Johnson
Vice President, Enterprise Analytics



Sharon D. Owens
Vice President, Pricing & Costing

cc: Manager, Corporate Audit Response Management

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