

Office of Inspector General | United States Postal Service

Audit Report

Inbound International Letter Post Performance and Strategies

Report Number CP-AR-18-005 | July 19, 2018



Table of Contents

- Cover
- Highlights..... 1
 - Objective 1
 - What the OIG Found..... 1
 - What the OIG Recommended 2
- Transmittal Letter 3
- Results..... 4
 - Introduction/Objective 4
 - Background..... 4
 - Finding #1: International Service Performance..... 6
 - Universal Postal Union Service Performance Strategies 6
 - Mail Processing Issues 6
 - Universal Postal Union Service Performance Data Analysis 8
 - Recommendation #1 9
 - Recommendation #2 9
- Management’s Comments..... 10
 - Evaluation of Management’s Comments 10
- Appendices 12
 - Appendix A: Additional Information..... 13
 - Scope and Methodology 13
 - Prior Audit Coverage 13
 - Appendix B: Management’s Comments..... 14
- Contact Information 16

Highlights

Objective

The Universal Postal Union (UPU) is a United Nations agency that facilitates the exchange of international postal services. The UPU sets the rules for international mail exchange and makes recommendations to stimulate growth in mail and improve the quality of service for customers. The U.S. is a member of the UPU and exchanges mail in accordance with UPU standards. In 2005, the UPU developed a program to increase the volume of letter post mail and improve service performance.

The program is based on an incentive where countries receive a participation bonus in addition to their terminal dues. Terminal dues are payments received from originating countries for the delivery of their mail. The participation bonus is 5 percent of the total terminal dues for the calendar year. Countries forfeit a portion or all of the bonus as well as up to a 5 percent reduction in terminal dues if standards are not met. Reductions are based on the level of service performance below UPU standards.

Our objective was to assess the service performance of inbound international letter post mail and strategies to meet service performance standards.

What the OIG Found

The U.S. Postal Service met International Letter Post service performance standards only once since the inception of the UPU program in 2005. In calendar year (CY) 2017, the Postal Service missed the UPU service performance target by about [REDACTED] percent.

Although the Postal Service does not have strategies specific to inbound international letter post mail, it has strategies to improve the overall service performance of First-Class mail, which includes inbound international letter post mail. The UPU-accepted service standards align to the domestic service standards of the country of destination; therefore, the Postal Service does not distinguish between domestic and international mail. However, some domestic mail service standards differ from UPU-accepted service standards. For example, some domestic mail service standards follow a three- to five- day delivery cycle, which is different from the two- to three-day standard used by the UPU. The PRC

has instructed the Postal Service to develop strategies to meet UPU service performance metrics because current strategies have not been sufficient to meet UPU service performance targets.

We identified the following issues that impact inbound international letter post service performance standards:

- **Mail Quality:** Deficiencies in the quality of mail from international postal services makes it difficult for letter post mail to run on automated equipment.
- **Stop-the-Clock readings:** Due to the volume of mail awaiting inspections by Customs and Border Protection personnel, [REDACTED]
- **Mail Volume:** Due to the volume of inbound mail received in sacks at the [REDACTED] International Service Center, management informed us they have not found an efficient way to process mail and [REDACTED]
- **Facility Layout:** Management informed us that, at times, there are delays in processing mail at the [REDACTED] Processing and Distribution Center because of the layout of the facility. Equipment needed to process international letter post mail is spread throughout the facility, on different floors, which extends the processing time needed for letter post mail.

Further, the Postal Service does not perform detailed analysis of UPU service performance data. Postal Service management stated they conducted quality

“The U.S. Postal Service met International Letter Post service performance standards only once since the inception of the UPU program in 2005.”

control reviews of UPU test mail but did not focus on a detailed analysis of service performance standards. For CY 2017, only [REDACTED] percent of letter post achieved the two- to three-day UPU service performance metric (from the first acceptance scan in the U.S. to the addressee's mailbox). Reviewing service performance data at a more detailed level, for example, by tracking and analyzing mail processing scans from the International Service Center to the Processing & Distribution Center, could be used to identify where mail processing delays occur related to service performance targets.

As a result of not meeting the service performance standard, the Postal Service forfeited about [REDACTED] million annually in revenue for CYs [REDACTED] and [REDACTED], and will have a projected loss of about \$ [REDACTED] million annually over the next four years.

What the OIG Recommended

We recommended management:

- Develop a strategic plan for inbound international letter post mail that is specifically aligned with UPU-accepted service standards and addresses mail processing deficiencies to improve the overall service performance of inbound international letter post mail.
- Evaluate resources to track and analyze UPU processing scans to identify service standard failures that prevent the Postal Service from meeting UPU service performance targets and to support the development of strategies to improve service performance.

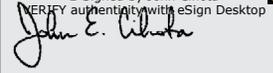
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

July 19, 2018

MEMORANDUM FOR: ROBERT CINTRON, VICE PRESIDENT,
NETWORK OPERATIONS

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop 


FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Pricing

SUBJECT: Audit Report – Inbound International Letter Post Performance
and Strategies (Report Number CP-AR-18-005)

This report presents the results of our audit of the Inbound International Letter Post Performance and Strategies (Project Number 18BG004CP000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Sherry Fullwood, Director, Cost and Pricing, 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 Inbound International Letter Post¹ Performance and Strategies (Project Number 18BG004CP000). Our objective was to assess the service performance of inbound international letter post mail and strategies to meet service performance standards. See [Appendix A](#) for additional information about this audit.

Background

The Universal Postal Union (UPU) is a United Nations agency that facilitates the exchange of international postal services. Their mission is to facilitate communications throughout the world by ensuring the free circulation of postal items over interconnected networks where member countries reimburse each other for delivery services. The UPU sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail and improve the quality of service for customers.

In 2005, the UPU developed the Quality of Service (QS) Link where terminal dues² payments are reflective of the inbound quality of service performance of members of the Quality Link User Group (QLUG). The QS Link aims to improve inbound letter post mail service quality and strengthen the worldwide postal network. As of calendar year (CY) 2017, there were 52 participants in the QS Link (see [Figure 1](#)). Quality of service is measured against approved, agreed-upon service performance quality standards, which determine whether test items sent

by a third party³ were delivered on-time. The program is based on an incentive where countries receive a bonus, in addition to the terminal dues, for participating in the program. Terminal dues are payments received from originating countries for the delivery of their mail. The participation bonus is 5 percent of the total terminal dues for calendar year. Service performance scores determine the total revenue received. Countries forfeit a portion or all the bonus as well as up to a 5 percent reduction in terminal dues if standards are not met. Reductions in revenue are based on the level of service performance below UPU standards. The range of service performance targets for participating countries is 75 to 88 percent. The U.S. is assigned a top-level service performance target of 88 percent along with most industrialized countries.⁴

The UPU's service performance measurement system tracks the processing and routing of survey test letters from different countries. A sender places a sample First-Class mailpiece that contains a radio frequency identification (RFID) device into a foreign postal service mail stream. The sample mailpiece then flows through the normal mail process for that country. The sample mailpiece arrives in the U.S. and is handed over to an International Service Center (ISC).⁵ When it arrives at an ISC, the mailpiece will pass under a RFID receiver that generates a timestamp. The RFID reader captures the locations of the mailpiece as it is processed at the ISC and processing and distribution centers (P&DC).⁶ The final service performance measurement metric occurs when the mailpiece is received by a UPU test panelist at the point of delivery.

1 [REDACTED]
2 System by which a foreign postal service pays the receiving country for processing and delivering letter post mail.

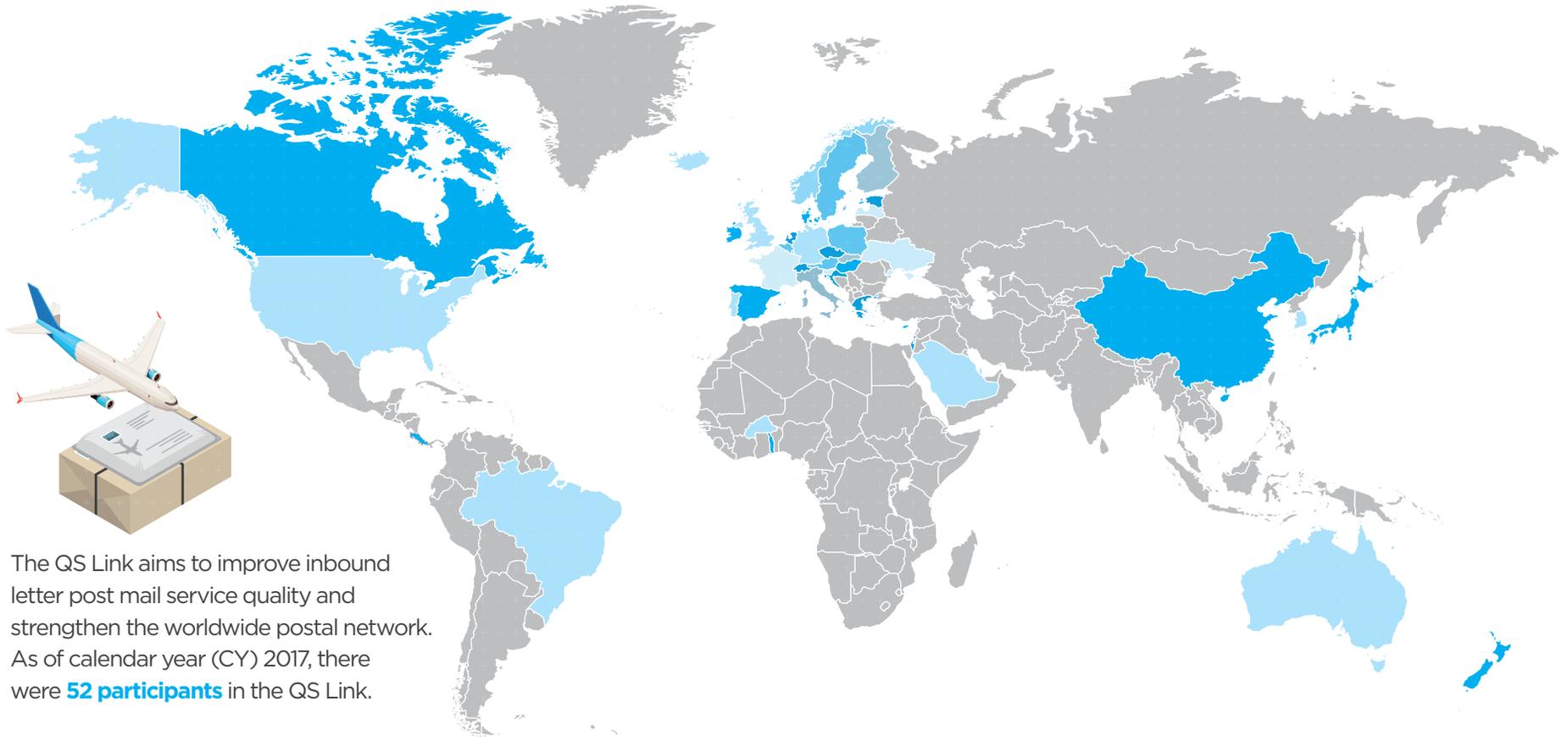
3 UPU contracts with a panel management company to evaluate service performance levels of QS Link member countries.

4 Other countries with the 88 percent target level include (but are not limited to) Belgium, Canada, Denmark, France, Germany, and Great Britain.

5 ISC is a postal facility that distributes and dispatches international mail received from a designated service area to specific foreign countries or to gateway exchange offices. There are currently five U.S. ISCs: New York, Miami, Chicago, Los Angeles, and San Francisco.

6 P&DCs process and dispatch incoming and outgoing mail for a designated service area.

Figure 1. CY 2017 Quality of Service Link Participants by Country



The QS Link aims to improve inbound letter post mail service quality and strengthen the worldwide postal network. As of calendar year (CY) 2017, there were **52 participants** in the QS Link.

Source: 2017 Quality of Link Participants, UPU QLUG User Manual.

Since fiscal year (FY) 2014, the Postal Regulatory Commission (PRC)⁷ has consistently directed the U.S. Postal Service to report on its plans to improve service performance for inbound letter post mail. Since FY 2014, the Postal Service initiated a Lean Six Sigma Black Belt project,⁸ implemented changes to critical entry times,⁹ and worked to improve sack handling for letter

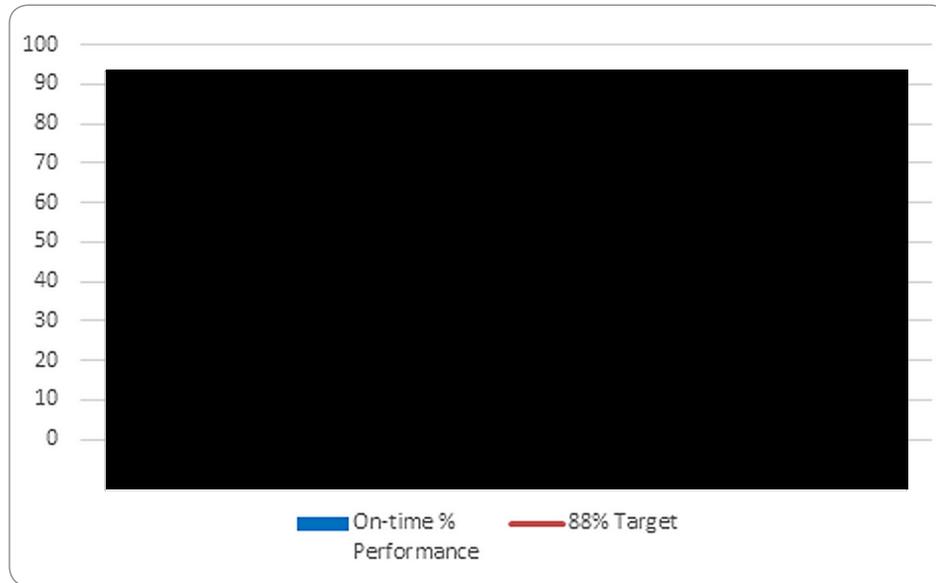
post mail. A review of service performance results for CY 2012 through CY 2017 has shown a steady decline in performance levels, except for CY 2016, where performance improved; however, it was still below the UPU target of 88 percent (see [Figure 2](#)).

⁷ The PRC is an independent agency that exercises regulatory oversight over the Postal Service.

⁸ This Lean Six Sigma Black Belt project was initiated to improve service performance and was suspended in 2016.

⁹ The critical entry time is the latest time an item can arrive at a postal facility to meet the service standard for processing, transportation, and delivery.

Figure 2. Postal Service Letter Post Mail Service Performance Scores



Source: Postal Service CY 2012-2017, Global Monitoring System (GMS)¹⁰ Specific Reports.

Finding #1: International Service Performance

The Postal Service has met International Letter Post service performance standards only once since the inception of the QS Link program in 2005. It missed the UPU service performance target by about [redacted] percent in CY 2017. This poor performance record occurred because of insufficient strategies to address inbound international letter post mail service standards and because of mail processing issues.

Universal Postal Union Service Performance Strategies

Although the Postal Service has strategies in place to improve the overall service performance of First-Class mail, it does not have specific strategies designed to meet UPU service performance targets for inbound international letter post mail. Also, these First-Class mail strategies do not always align with service standards for inbound international letter post mail because current strategies do not distinguish between domestic and international mail. Although, most service

standards for domestic mail are based on a 2- to 3-day delivery cycle, certain domestic mail service standards are based on 3- to 5-day cycle. If inbound international letter post mail mixes with the 3-5-day service standard once it becomes domestic mail, it would not meet the UPU-accepted 2-3-day service performance measure.

The Postal Service recently created an initiative called the “Terminal Dues and Bonus Improvement”¹¹ program. The goal of this program is to improve service performance of inbound international First-Class mail to meet the on-time delivery target required to receive full bonus and terminal dues payments. In addition, the Postal Service conducts training sessions and bi-weekly meetings between headquarters and ISC managers to discuss operational issues at facilities and address service performance for letter post mail as well as other areas of concern.

“Although the Postal Service has strategies in place to improve the overall service performance of First-Class mail, it does not have specific strategies designed to meet UPU service performance targets for inbound international letter post mail.”

Mail Processing Issues

We identified several Postal Service mail processing issues currently impacting its ability to meet inbound international letter post mail service performance targets. Specifically, those issues relate to:

- **Mail Quality:** [redacted] percent of the inbound international letter post mail received at the [redacted] P&DC must be re-processed on machines or manually processed due to poor mail quality. Deficiencies in the physical quality of mail received from foreign postal services makes it difficult for letter post mail to

¹⁰ GMS is a measurement system used to track performance and quality improvements of countries that are members of the QS Link. This system is managed by the UPU.

¹¹ The Terminal Dues and Bonus Improvement program initiated its development phase on April 12, 2018, with an expected end date of January 31, 2019.

run on automated equipment. These deficiencies include incorrect address placement, illegible writing, unreadable stamps, color of paper, and poor paper quality. UPU guidance for letter post mail strongly recommends¹² that all member countries follow uniform mail quality standards of the destination country. Accepting international mail that does not meet UPU letter post address requirements results in more manual labor and poor performance on automated mail processing equipment. By ensuring that foreign postal services adhere to standardized guidelines, the Postal Service would be capable of processing more mail through automation.

The International Postal Affairs (IPA)¹³ office stated that although the UPU has limited authority, it is currently studying the impact of poor letter post mail quality on service performance. Although the UPU cannot make countries comply with their provisions, they hope these provisions and training will help mitigate issues with mail quality. In addition, the UPU excluded sample mailpieces for the first quarter of CY 2018 for any mail that was received from Group III¹⁴ to better capture service performance metrics.

- **Stop-the-Clock readings:** [REDACTED]

- [REDACTED]
- **Mail Volume:** The overall volume of mail received at the ISCs has increased over recent years. This volume has significantly impacted the ISCs ability to provide adequate distribution to mail processing centers. [REDACTED]

- **Facility Layout:** At the [REDACTED] P&DC, personnel stated that there were delays in processing letter post mail because processing locations are not in close proximity within the facility. Letter post mail must be transported to different parts of the building that are not consistent with the efficient flow of mail. For example, initial manual operations take place on the second floor of the building; from there, automated equipment is located in different parts of the building or on different floors. Elevators that move the mail between floors may be out of service and may not have RFID readers to record the movement of this mail.

Postal Service management stated that facility layout is an issue for local management to evaluate and adjust with the approval of headquarters.

Although the Postal Service does not currently have any direct strategies to address these issues, management informed us that the Terminal Dues and Bonus Improvement program will seek to identify and address mail processing issues.

¹² *Technical Design Manual*, Chapter 8, Section 1.1, Characteristics of Test Mail, page 43, October 10, 2011.
¹³ IPA represents the Postal Service in postal matters with foreign countries, international organizations, federal departments and agencies. They also negotiate and interpret postal agreements, conventions, and service arrangements.
¹⁴ Group III makes up a list of countries and territories that joined the target system in 2016. Some of these countries include (but are not limited to) Brazil, Jamaica, Mexico, and South Africa.
¹⁵ [REDACTED]
¹⁶ The sacks can be processed at either the [REDACTED].
¹⁷ The latest time that mail can be received and still be processed to meet the service standard for processing, dispatch, and final delivery.
¹⁸ [REDACTED]

Universal Postal Union Service Performance Data Analysis

The Postal Service does not perform detailed analysis of UPU transactional data. Postal Service management stated they conducted quality control reviews of UPU test mail but do not conduct a detailed analysis of RFID scan data. In the 2016 and 2017 ACD, the PRC directed the Postal Service to provide performance reports for Inbound International Letter Post mail, weekly failure reports, and an analysis of the failures and steps being taken to improve service performance. For CY 2017, only [REDACTED] percent of inbound international letter post mail achieved the 2- to 3-day service performance metric (from the first acceptance scan in the U.S. to the addressee's mailbox). Postal Service management stated that ISCs and P&DCs typically process inbound international letter post mail within one day. Based on our analysis of RFID scans, the JFK and San Francisco ISCs processed, on average, about [REDACTED] percent of their letter post mail within one day. However, the South Florida Logistics & Distribution Center¹⁹ processed about [REDACTED] percent of letter post mail within one day, and the Los Angeles P&DC processed about [REDACTED] percent of letter post mail within one day. If the Postal Service were to analyze the amount of time taken to process letter post mail at all locations involved in processing, service performance numbers could improve. Reviewing service performance data at a more detailed level by tracking and analyzing RFID scans from acceptance to the ISC to when the mail exits the P&DC could be used to identify where mail processing delays occur related to service performance targets.

To meet the 88 percent service performance target, all inbound international letter post mail has a service performance standard of K²⁰ + (two to three days).²¹ The service performance target was met once, in 2010, when a Postal Service employee was dedicated to monitoring and analyzing the details of the service performance data provided by the UPU. This individual was also a member of the Validation and Review Committee.²² Regular analysis of service performance transactional data would allow the Postal Service to pinpoint service performance breakdowns within the letter post mail process flow and proactively identify operational and delivery issues that prevent it from meeting the UPU's service performance standards. Further, analyzing UPU transactional data could support the development of strategies to meet service performance targets, thereby reducing negative adjustments to terminal dues and maximizing bonus earnings.

All countries participating in the quality of service measurement system receive a 5 percent participation bonus on top of their terminal dues. For every three points below the 88 percent target, the Postal Service loses 1 percent of their 5 percent bonus. Once the full bonus has been forfeited, terminal dues can be decreased further based on service performance levels below 73 percent.²³ As a result of not meeting the service performance standard, in CYs 2016 and 2017, the Postal Service forfeited a total of \$ [REDACTED] in revenue²⁴ (see Table 1).

“The Postal Service does not perform detailed analysis of UPU transactional data.”

19 A Logistics & Distribution Center is a mail processing facility that primarily performs shape-based piece distribution, typically for parcels and/or bundles.

20 “K” is the day of receipt at the designated postal operator; two to three days is the number of days allotted for the mail to be delivered at the addressee's mailbox or door.

21 QLUG User Manual, Annex 3: Quality of Service Standards, page 106, July 2017.

22 The Validation and Review Committee monitored the functioning of the UPU-agreed measurement systems, examined and decided on the requests made by members to amend or correct operational data, and validated transponder data for those queries that could not be resolved by the member and the measurement system providers.

23 [REDACTED]

24 Questioned Costs: Unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, etcetera. May be recoverable or unrecoverable. Usually a result of historical events.

Table 1. Estimated Service Performance Revenue Loss

USPS Quality of Services Linked On Time Performance Scores for Terminal Dues and Lost Revenue - CY 2016 - CY 2017			
	CY 2016	CY 2017	Total
Terminal Dues	██████████	██████████	██████████
Earned Bonus in US Dollar	-	-	-
Penalty in US Dollar	█	██████████	██████████
Bonus Forfeit in US Dollar	██████████	██████████	██████████
Revenue Lost	\$ ██████████	██████████	██████████

Source: U.S. Postal Service Office of Inspector General (OIG) analysis based on CY 2016 and CY 2017 weight and volume of data from the Foreign Post Settlement System as of April 6, 2018.

If service performance scores do not improve, we project revenue loss will be ██████████ over the next four years (see Figure 3).

Figure 3. Projected Service Performance Revenue Loss



Source: OIG analysis.

Recommendation #1

We recommended the Vice President, Network Operations, develop a strategic plan for inbound international letter post mail that is specifically aligned with Universal Postal Union-accepted service standards and addresses mail processing deficiencies to improve the overall service performance of inbound international letter post mail.

Recommendation #2

We recommended the Vice President, Network Operations, evaluate resources to track and analyze Universal Postal Union (UPU) processing scans to identify service standard failures that prevent the Postal Service from meeting UPU service performance targets, and to support the development of strategies to improve service performance.

Management's Comments

Management disagreed with the recommendations in our report. Additionally, management agreed with the \$ [REDACTED] million in monetary impact for FYs 2016 and 2017 but disagreed with the [REDACTED] million projected over the next four years. Regarding recommendation 1, management stated that current strategies and processing plans for domestic letters and flats include international letters and flats. UPU-accepted service standards are based on Postal Service domestic service standards.

Regarding recommendation 2, management stated that resources are currently assigned at both the headquarters and field levels of the organization to analyze failures and improve service performance. Regarding monetary impact, management stated the OIG used limited data points to generate a regression analysis which resulted in a marginal correlation.

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

Evaluation of Management's Comments

The OIG considers management's comments unresponsive to the recommendations in this report.

Regarding recommendation 1, although current strategies include domestic and international mail processing, the UPU-accepted service standard focuses on a 2-3 day Postal Service domestic delivery cycle. However, the Postal Service's domestic mail standards are based on a 2-3 day or 3-5 day delivery cycle. The Postal Service should develop strategies specifically focused on meeting the 2-3 day inbound international letter post mail delivery cycle to achieve UPU service performance targets. Further, current strategies do not address mail processing issues specific to international mail before comingling it with domestic mail.

The OIG identified mail processing issues at ISCs which impact the Postal Service's ability to meet UPU service performance targets. The recently created Terminal Dues and Bonus Improvement Program charter includes language that supports a process that begins when international mail is received at an ISC. However, this program had not been initiated as of June 2018; therefore, the OIG believes it is important that management develop a strategic

plan specific to inbound international letter post mail processing and UPU-accepted service standards.

We agree with management's assertion that Letter Post mail [REDACTED] [REDACTED] however, as stated at the entrance conference, this review focused on [REDACTED].

Regarding recommendation 2, during our review, the OIG requested documentation to demonstrate data analysis of service performance failures. However, management did not provide documentation to support their assertion in management comments that this analysis is performed; therefore, the OIG believes management should either evaluate resources to analyze this data or provide documentation for our evaluation that demonstrates the data is currently being analyzed.

Regarding monetary impact, management stated the OIG used limited data points to generate a regression analysis which resulted in a marginal correlation. We question management's assertion that the correlation was marginal, since no correlation coefficient was provided in our report. In response to the issue now raised, the correlation coefficient for the regression analysis was 0.6697. This states for each incremental calendar year, costs are expected to increase by 66.97 percent. This value, called the Pearson correlation coefficient (or r), is a dimensionless quantity measuring standard deviations from the mean. It is based on four years of historical data and is used in the calculation of the slope of the regression line, which leads to our forecast.

Further, the OIG used annual financial data instead of quarterly data because the international community uses annual calculations, and the OIG's assessment was that it would be most useful to the Postal Service if our forecast is in the same unit of measure. Therefore, monthly or quarterly forecasts – while technically more granular – would be considerably less accurate. This consideration precludes our use of more granular time-series forecasts.

Given these considerations, the use of a trend spanning four years to estimate what can be expected to occur in the next four years is not only reasonable, it is the only forecasting tool that can be used with any integrity. We fully expect the fluctuations above and below the trend line to continue, but are confident the central tendency shown here is reliable.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) are completed. Both recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation(s) can be closed. We view the disagreements on all recommendations as unresolved and plan to pursue them through the formal audit resolution process.

Appendices

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information	13
Scope and Methodology	13
Prior Audit Coverage	13
Appendix B: Management’s Comments	14

Appendix A: Additional Information

Scope and Methodology

The scope of our audit was to assess why the Postal Service has not been successful in meeting UPU service performance standards for inbound international letter post mail for the period of CY 2012 through CY 2017. We reviewed operational areas and methodologies used to process international letter post mail to identify what prevented the Postal Service from meeting service performance standards and determine if the UPU service standards were achievable.

To accomplish our objective, we:

- Reviewed manuals and guidelines related to inbound international letter post mail to evaluate the criteria used to measure service performance.
- Identified Postal Service data collection systems and procedures used to compile and calculate the UPU service performance score.
- Identified how scores are reported and processed by UPU.
- Evaluated letter post mail processing issues at select ISCs and P&DCs to obtain an understanding of how letter post mail is processed. Specifically, we conducted site visits at the:
 - John F. Kennedy ISC, Jamaica, NY
 - Morgan P&DC, Manhattan, NY
 - Los Angeles ISC, Los Angeles, CA
 - Los Angeles P&DC, Los Angeles, CA
- Reviewed UPU service performance data from CY 2013 through CY 2017 to identify average processing times based on RFID readings.
- Interviewed personnel in the PRC and Postal Service functional areas, including International Accounting, International Operations, Network

Operations, International Postal Affairs, Mailing Information Systems, and managers at select ISCs and P&DCs to determine the:

- Methodology used to record and report service performance data.
- Systems, procedures, and controls over letter post mail.
- Trended service performance scores for inbound letter post mail from CY 2012 to CY 2017 to determine if past and current strategies were working.

We conducted this performance audit from January through July 2018, 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 sufficient, 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 June 22, 2018, and included their comments where appropriate.

We assessed the reliability of computer-generated International Post Corporation (IPC)²⁵ transactional data along with terminal dues financial data. We reviewed the IPC transactional data for completeness and validity. We analyzed the IPC data to identify the amount of time taken for mail to be processed from the ISC to the panelist.²⁶ We also used the weight and volume of mailpieces from the Foreign Post Settlement System²⁷ to determine the total amount of terminal dues received and the participation bonus earned or forfeited. We determined that the data was sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit.

²⁵ The IPC is an international service provider to the global postal industry. The headquarters is in Brussels, Belgium.

²⁶ A panelist is a person who is used to dispatch or receive test letters used to measure service performance. Dropper panelists post or “drop” test letters to be received by receiver panelists.

²⁷ An application that processes terminal dues settlements with foreign postal services.

Appendix B: Management's Comments

ROBERT CINTRON
VICE PRESIDENT, NETWORK OPERATIONS



July 16, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Inbound International Letter Post Performance and Strategies
Report No. CP-AR-18-DRAFT

Postal Service Headquarters has reviewed the findings and recommendations outlined in the Office of Inspector General (OIG) Inbound International Letter Post Performance and Strategies report.

Management agrees that it is necessary to improve the overall service performance of inbound international letter post mail. But management disagrees that a strategic plan be developed specifically for inbound international mail. These items are comingled with domestic letters, processed, transported and delivered simultaneously.

Management agrees with the nearly \$[REDACTED] million in monetary impact which is designated as questioned costs, as this represents lost revenue from 2016 and 2017. Management disagrees with the \$[REDACTED] million in monetary impact designated as funds put to better use, as this represents a forward-looking four years of data generated from a regression analysis with limited data points which showed marginal correlation.

The following is the response of the Postal Service to the OIG recommendations contained in the report:

Recommendation #1:

Develop a strategic plan for inbound international letter post mail that is specifically aligned with UPU-accepted service standards and addresses mail processing deficiencies to improve the overall service performance of inbound international letter post mail.

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- 2 -

Management Response/Action Plan:

Management disagrees with this recommendation. It should be noted that the focus of this report is on letter and flat mail and not all "Letter Post" mail, which includes [REDACTED] UPU-accepted service standards are based upon USPS domestic service standards. Current strategies and processing plans for domestic letters and flats include international [REDACTED]

Recommendation #2:

Evaluate resources to track and analyze UPU processing scans to identify service standard failures that prevent the Postal Service from meeting UPU service performance targets and to support the development of strategies to improve service performance.

Management Response/Action Plan:

Management disagrees with recommendation as resources are currently assigned at both the Headquarters and Field levels of the organization to perform analysis of failures and improve service performance.

If you have any questions about this response, please contact Robert Raines Jr. at (202) 268-5903.



Robert Cintron

cc: Manager, Corporate Audit Response Management



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