



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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**Service Performance Measurement  
Data – Commercial Mail**

**Audit Report**

June 25, 2012

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Report Number CRR-AR-12-005



***IMPACT ON:***

Service Performance Measurement (SPM) data of commercial mail and the mailers who rely on this data.

***WHY THE OIG DID THE AUDIT:***

The Postal Accountability and Enhancement Act requires the Postal Service to measure service performance for market-dominant products and report the results to the Postal Regulatory Commission. Our objective was to determine whether the data used for SPM of commercial mail is reliable. In addition, we reviewed U.S. Postal Service actions to address the issues identified in our interim report to determine whether they were successful in increasing the effectiveness of the SPM process.

***WHAT THE OIG FOUND:***

We determined the data used for SPM of commercial mail is generally reliable. The Postal Service increased the volume of full-service Intelligent Mail<sup>®</sup> barcode mail, which resulted in a higher representation of commercial mail included in the measurement of service performance. However, coverage levels remain low for four of the 13 categories used to assess whether the data utilized is representative of the overall population of full-service commercial mail. In addition, the SPM system is complex and includes several duplicative internal and external calculation processes. Furthermore, the

Postal Service uses proxy data from the External First-Class Measurement System for the last-mile calculation across all mail classes which may distort actual results. We consider these issues to be minor as they relate to the overall reliability of SPM data.

***WHAT THE OIG RECOMMENDED:***

We recommended the Postal Service simplify the scoring process used for measuring service performance of commercial mail and use actual commercial mail data in the last-mile calculation.

***WHAT MANAGEMENT SAID:***

Management agreed with our findings and recommendations.

***AUDITORS' COMMENTS:***

We consider management's comments responsive.

[\*Link to review the entire report.\*](#)



June 25, 2012

**MEMORANDUM FOR:** JAMES P. COCHRANE  
VICE PRESIDENT, PRODUCT INFORMATION

A rectangular box containing a handwritten signature in cursive that reads "Darrell E. Benjamin, Jr." with a yellow question mark icon in the top right corner.

**FROM:** Darrell E. Benjamin, Jr.  
Deputy Assistant Inspector General  
for Revenue & Systems

**SUBJECT:** Audit Report – Service Performance Measurement Data –  
Commercial Mail  
(Report Number CRR-AR-12-005)

This report presents the final results of our audit of service performance measurement data for commercial mail (Project Number 11RG008CRR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Paul Kuennen, director, Cost, Pricing, and Rates, or me at 703-248-2100.

Attachments

cc: Joseph Corbett  
Pritha N. Mehra  
Corporate Audit and Response Management

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## Introduction

This report presents the final results of our audit of service performance measurement (SPM) data for commercial mail (Project Number 11RG008CRR000). Our objective was to determine whether the data used for SPM of commercial mail is reliable. In addition, we reviewed U.S. Postal Service actions addressing the issues identified in our interim report<sup>1</sup> to determine whether they were successful in increasing the effectiveness of the SPM process. This audit addresses strategic, operational, and financial risk. See [Appendix A](#) for additional information about this audit.

The Postal Accountability and Enhancement Act (PAEA)<sup>2</sup> requires the Postal Service to measure service performance for market-dominant products<sup>3</sup> and report the results to the Postal Regulatory Commission (PRC). The PRC approved the Postal Service's request to allow the commercial mail portion of market-dominant products to be measured using the Intelligent Mail™ barcode (IMb).<sup>4</sup> The full-service IMb program<sup>5</sup> provides the infrastructure and processes for obtaining scanned mail and mailer data to facilitate SPM. The Postal Service uses the Seamless Acceptance Service Performance System (SASP)<sup>6</sup> and the Intelligent Mail Accuracy and Performance System (iMAPS)<sup>7</sup> to produce actionable SPM data for itself and its customers. The PRC reviews this data to ensure service standards are met and delivery performance does not deteriorate under the current rate-setting process and to assess customer satisfaction.

Based on our interim audit, we reported that the process used to obtain SPM scores for commercial mail was ineffective. Specifically, the Postal Service did not meet its initial milestones for implementing the SPM process because they underestimated the complexity of obtaining reliable data. In addition, excessive electronic documentation errors and data exclusions reduced the amount of information available for SPM. We also noted the Postal Service delayed full-service electronic documentation postage corrections for full-service IMb mailpieces that did not qualify for the discounts they received. We recommended the Postal Service establish milestones for implementing recovery of discounts provided to mailers when full-service mailings do not meet the

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<sup>1</sup> *Service Performance Measurement Data – Commercial Mail* (Report Number CRR-AR-11-003, dated September 6, 2011).

<sup>2</sup> Public Law 109-435, 120 Statute 3198, Title 39 U.S.C.

<sup>3</sup> The PAEA defines market-dominant products such as First-Class Mail, Periodicals, Standard Mail, Single-piece, Parcel Post, Media Mail, Bound Printed Matter, Library Mail, Special Services, and Single-piece International Mail.

<sup>4</sup> According to the Postal Service's *2003 Intelligent Mail Corporate Plan*, intelligent mail places an information-rich code on all mail, aggregates of mail, and business forms to provide end-to-end visibility into the mailstream.

<sup>5</sup> Under the full-service option, full-service mailings require a unique IMb on each mailpiece. full-service mailers also submit postage statements and mailing documentation electronically.

<sup>6</sup> The SASP is used to process data from IMb scans. Seamless acceptance is the Postal Service's program to streamline all aspects of mail acceptance, verification, payment, and induction.

<sup>7</sup> The Postal Service contracted with an independent external contractor to develop iMAPS to measure and report service scores for the market-dominant mail classes of Presort First-Class Mail (PFCM), Standard Mail, and Periodicals based on the mailpieces and scans received from the SASP, independent reporters in the field, and other Postal Service data sources.

specific requirements for the discounts received. See [Prior Audit Coverage](#) for additional information about our interim report.

Management addressed these issues and increased the volume of full-service IMb mail included in SPM by:

- Simplifying start-the-clock business rules.<sup>8</sup>
- Generating compliance reports for field personnel and mailers to increase awareness of data exclusion errors.
- Suspending the full-service mailer certification process on May 27, 2011, and implementing national critical acceptance times and critical entry times.
- Implementing a number of the SASP enhancements in June 2011 to improve data accuracy.<sup>9</sup>

As a result, the mailpieces used in SPM in relation to full-service IMb volume, or yield, increased from about 191 million pieces in Quarter (Q) Q1, fiscal year (FY) 2011, to about seven billion pieces in Q1, FY 2012. This represents over 48 percent of all full-service IMb mail volume. Table 1 summarizes the improvement in the percentage of full-service IMb mail used in reporting service performance.

**Table 1. FYs 2011 – 2012, Q1 SPM Yield**

Quarter	Percentage Yield
Q1, FY 11	3.78%
Q2, FY 11	5.84%
Q3, FY 11	11.48%
Q4, FY 11	43.47%
Q1, FY 12	48.03%

Source: *IBM Global Business Services, IMb Full-Service Volumes; Intelligent Mail Accuracy and Performance System Data Analysis Quarterly Summary Reports, Section 2.4, Scoring Eligibility.*

For FY 2011, the Postal Service exceeded its year-end IMb compliance expectations<sup>10</sup> for First-Class Mail (55 percent actual vs. 50 percent planned) and were within an acceptable tolerance of meeting its year-end compliance expectations for Standard Mail (32 percent actual vs. 37 percent planned) and Periodicals (52 percent actual vs. 55 percent planned).

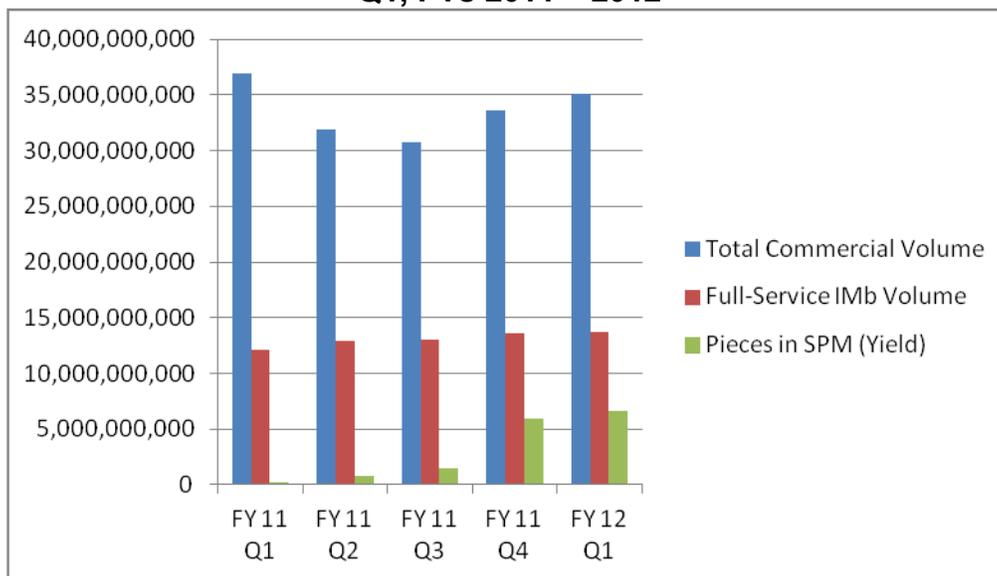
<sup>8</sup> Start-the-clock business rules describe how start-the-clock (the point where the Postal Service takes receipt of the mail) is calculated under different mail entry induction methods for full-service mailings.

<sup>9</sup> Specifically, Release 6 for the SASP included 13 system modifications designed to increase the amount of usable data and the accuracy of service measurement data. This included modifications to implement certain business rules for start-the-clock calculations and acceptance times.

<sup>10</sup> The compliance expectations are the percentage of mail expected to contain a full-service IMb by the end of FY 2011.

Figure 1 compares the total commercial mail volume, full-service IMb mail volume, and SPM yield for each quarter in FY 2011 and for Q1, FY 2012. The seven billion mailpieces used in Q1, FY 2012 to report commercial mail service performance represents about 19 percent of all commercial mail volume.

**Figure 1. Total Commercial Volume, Full-Service IMb Volume and SPM Yield for Q1, FYs 2011 – 2012**



Source: IBM Global Business Services, IMb Full-Service Volumes; iMAPS Data Analysis Quarterly Summary Reports, Section 2.4, Scoring Eligibility.

Although we considered these planned and ongoing efforts to be proper steps for increasing the effectiveness of the SPM process, we performed additional audit work to evaluate the success of these measures for Q1, FY 2012.

## Conclusion

We determined the data used for commercial mail SPM is generally reliable. However, despite the steady gains in SPM yield, coverage levels remain low for four of the 13 coverage categories<sup>11</sup> used to assess whether the data utilized is representative of the overall population of full-service commercial mail. In addition, the SPM system is complex and includes several duplicative internal and external calculation processes. Furthermore, the iMAPS uses proxy data from the External First-Class Measurement System<sup>12</sup> (EXFC) for the last-mile<sup>13</sup> calculation across all mail classes due to the limitations of available commercial mail data.

<sup>11</sup> The 13 categories are used to determine whether full-service IMb usage fairly represents key characteristics of the entire mail class and that results of the measured pieces are similar to unmeasured pieces. For example, “having mail sent from each district” is a coverage category.

<sup>12</sup> The EXFC is an end-to-end service performance measurement system for single-piece First-Class Mail.

<sup>13</sup> The last mile is the duration of time in days between the Anticipated Delivery Date based on final mail processing scan and the Actual Delivery Date.

## Coverage Percentages

Coverage levels remain low for four of the 13 coverage categories the Postal Service uses to measure the effectiveness of its SPM program for commercial mail. The iMAPS established 13 categories to determine whether full-service IMb mail is representative of the key characteristics of the various commercial mail classes and whether results for the measured pieces are similar to the results for unmeasured pieces.

The 13 categories help assess how well the data represents the overall population of commercial mail. The majority of categories have coverage levels at 80 percent or higher. While there is no formal criteria for coverage percentages, four of the 13 categories have coverage as low as 27 percent and need improvement. Specifically, for Q1, FY 2012, the following four sub-categories had coverage levels below 80 percent:

- PFCM and Standard Mail:
  - Having mail originate from the service area of every plant.
  - Having mail sent from all eligible 3-digit Zone Improvement Program (ZIP) Code areas.
- Standard Mail only:
  - Having a mixture of possible basic entry types originate from each district.
  - Having a mixture of possible basic entry types destined for each district.

For example, the coverage level for PFCM letters sent from all eligible 3-digit ZIP Code™ areas was only 27 percent, meaning that only 27 percent of all the eligible 3-digit ZIP code areas had full-service IMb PFCM letters sent from them to other locations. Table 2 shows the coverage levels in Q1, FY 2012 for the 13 coverage categories for PFCM and Standard Mail.

**Table 2. Coverage Category Performance for Q1, FY 2012**

Coverage Category	PFCM Letters	Standard Letters	Standard Flats
Having mail sent from each district	98.5%	100.0%	100.0%
Having mail inducted every day from each district	94.0%	96.1%	93.9%
Having mail sent to each district	100.0%	100.0%	100.0%
Having mail received every day in each district	100.0%	100.0%	100.0%
<b>Having mail originate from the service area of every plant</b>	<b>58.4%</b>	<b>56.9%</b>	<b>51.6%</b>
<b>Having mail sent from all eligible 3-digit ZIP Code areas</b>	<b>27.0%</b>	<b>43.9%</b>	<b>39.8%</b>
Having mail sent to all eligible 3-digit ZIP Code areas	100.0%	100.0%	100.0%
Having a mixture of overnight, 2-Day, and 3-Day+ service standards originate from each district	94.0%	N/A <sup>14</sup>	N/A
Having a mixture of overnight, 2-Day, and 3-Day+ service standards destined for each district	99.0%	N/A	N/A
Having coverage for origin-destination district-service standard combinations	84.6%	N/A	N/A
Having a mixture of both end-to-end and destination entry from each district and to each district.	N/A	83.2%	80.5%
<b>Having a mixture of possible basic entry types originate from each district.</b>	<b>N/A</b>	<b>78.1%</b>	<b>59.4%</b>
<b>Having a mixture of possible basic entry types destined for each district.</b>	<b>N/A</b>	<b>100.0%</b>	<b>75.8%</b>

Source: iMAPS Data Analysis Quarterly Summary Reports, Q1, FY 2012, page 15 of 25.

This is occurring because of the limited number of mailers participating in full-service IMb and their mailing patterns.<sup>15</sup> During our audit, the Postal Service announced plans to discontinue use of the POSTNET barcode in January 2013. In addition, they will allow only full-service IMb mail to qualify for automation discounts starting in January 2014. This will increase the use of full-service IMb and mitigate the risk that it is not representative of the overall population of commercial mail. Accordingly, we are not making a recommendation regarding low coverage levels for certain coverage categories.

<sup>14</sup> N/A is the designation for mail classes that do not apply directly to the specific coverage category.

<sup>15</sup> Mailing patterns include the decisions (such as volume, origin, and destination) that mailers choose for each of their mailings.

## Service Performance Measurement Process Simplification

The SPM process involves a hybrid system, which uses the internal SASP and the external iMAPS<sup>16</sup> to measure service performance for commercial mail. Differences in data exclusion rules between these two systems decreases the efficiency of the SPM process and delays reporting of service performance results.

The SPM process involves three steps to arrive at an end-to-end SPM calculation. The steps are as follows:

**Table 3. SPM Process**

Step	Calculation	Description
1	Start-the-clock (acceptance) to final processing calculation	This step includes full-service IMb mailpieces with a start-the-clock scan recorded <sup>17</sup> by the SASP, sampled by the iMAPS, and not excluded by business rules of either system. Both systems calculate a Step 1 score.
2	Last-Mile calculation	The iMAPS calculates the last mile by using both mailpieces staged by the SASP and proxy data from the EXFC.
3	End-to-End calculation	The iMAPS uses the results from steps 1 and 2 to arrive at an end-to-end SPM calculation.

Source: IBM Global Business Services.

We identified the following issues related to the hybrid system used for SPM commercial mail:

- Each system calculates its own SPM measuring acceptance through the final processing scan, which is redundant.
- Each system has its own set of business rules used for excluding mailpieces in SPM. The SASP uses 39 exclusion rules, which are not mutually exclusive. For example, a mailpiece could be excluded by the SASP for having a duplicate IMb barcode, as well as for missing a stop-the-clock date. The iMAPS evaluates scans using 20 exclusion rules that are mutually exclusive. As a result, about 1.7 billion full-service IMb mailpieces (20 percent) were excluded from the SPM process in Q1, FY 2012. The SASP excluded over 1 billion full-service mailpieces (13 percent), which was a slight increase compared to Q4, FY 2011; and the iMAPS excluded 611 million full-service IMb mailpieces (7 percent) from SPM, a significant decline compared to 877 million in Q4, FY 2011.

<sup>16</sup> According to the PAEA, the Postal Service must provide a system to objectively measure performance for each market-dominant product. However, PAEA does not require the Postal Service to use a particular system for this task. Hence, by leveraging the current IMb infrastructure to create a hybrid system, the Postal Service claimed it could avoid the cost of creating a complete stand-alone (non-hybrid) system.

<sup>17</sup> SASP scan records are made available to the iMAPS for matching.

Table 4 shows one example of business rule differences between the two systems during step 1 of the SPM process.

**Table 4. Business Rule Differences Between the SASP and the iMAPS for Q1, FY 2012**

<b>Differences in Scoring Between SASP and iMAPS</b>		
	<b>SASP</b>	<b>iMAPS</b>
Final processing scan date occurring before the start-the-clock date (Included or excluded from scoring)	Included	Excluded
Final processing scan is not a valid SASP stop-the-clock scan (Included or excluded from scoring)	Excluded	Included

Source: *iMAPS Data Analysis Quarterly Summary Report, Q1, FY 2012.*

For example, during Q1, FY 2012, the SASP excluded about 247 million mailpieces, but the iMAPS included them because the pieces had at least one processing scan and it applied the last-mile data collected from the iMAPS reporters.<sup>18</sup> Duplication of effort exists in step 1 of the SPM process because both the SASP and the iMAPS calculate independent performance scores and they do not match. Additional work is required to identify and address differences before arriving at matching scores, resulting in a final score. Management stated they are working to align the exclusion rules of these two systems in order to close the gap between the two scores. For example, during Q1, FY 2012, management implemented Release 6.2 for the SASP, which more closely aligns the exclusion rules for both systems.

### **Last-Mile Calculation**

Despite an increasing yield for SPM data, the iMAPS continues to use proxy data<sup>19</sup> from the EXFC for the last-mile calculation across all mail classes in order to aggregate sufficient data for reporting. The combination of the iMAPS reporter-scanned mail and single piece First-Class Mail from the EXFC reporter data develops the last-mile calculation to measure service performance from the last processing scan to delivery. Proxy data is used because there is insufficient data for district-level reporting based solely on full-service IMb commercial mail data. Use of this proxy data could introduce distortions to actual results, which should be disclosed to pertinent stakeholders.

Although proxy data use has steadily declined since Q1, FY 2011, about 47 percent of data used in the last-mile calculations in Q1, FY 2012 relied on proxy data from the EXFC instead of actual commercial mail data. Table 5 summarizes the last-mile data from the EXFC and the iMAPS for FY 2011 and Q1, FY 2012.

<sup>18</sup> iMAPS maintains a panel of thousands of residential and business customers who have agreed to report the receipt dates of IMb items they receive by using scanners. Members of the panel are referred to as “reporters.”

<sup>19</sup> A proxy data is supplemental information used in cases where there is not enough actual data for reporting purposes.

**Table 5. Last-Mile Data Analysis**

Quarter	Source			EXFC Percentage
	EXFC	iMAPS	Total	
Q1, FY 2011	550,148	14,071	564,219	97.51%
Q2, FY 2011	554,128	85,019	639,147	86.70%
Q3, FY 2011	586,372	403,688	990,060	59.23%
Q4, FY 2011	564,607	541,883	1,106,490	51.03%
Q1, FY 2012	576,139	656,737	1,232,876	46.73%

Source: iMAPS and external contactor data.

For four of the five mail products we examined, use of proxy data from the EXFC resulted in a slight overstatement of actual results. Table 6 shows the percentage delivered on time between actual last-mile iMAPS data and proxy data from the EXFC for commercial mail in Q1, FY 2012.

**Table 6. Percentage Delivered On Time Between Actual Last-Mile iMAPS Data and Proxy Data from the EXFC for Q1, FY 2012**

Commercial Mail Product	Percentage Delivered in 0 or -1 Day <sup>20</sup> in Last Mile		Last-Mile Delivery Impact
	(iMAPS)	(EXFC)	
PFCM Letters	97.8%	97.3%	Understatement
Standard Mail® Letters	95.8%	97.3%	Overstatement
Periodicals Flats	89.3%	91.6%	Overstatement
Standard Mail Flats	82.6%	91.6%	Overstatement
Package Services (Bound Printed Matter) Flats	80.5%	91.6%	Overstatement

Source: iMAPS and external contactor data.

For example, in Q1, FY 2012, the iMAPS used EXFC data of 97.3 percent delivered for both PFCM letters and Standard Mail letters in the last-mile calculation. This resulted in a minor understatement and an overstatement of Last Mile delivery, respectively. As mailers increasingly migrate to full-service IMb mail, using actual last-mile delivery results in calculating SPM would provide a more transparent view of actual commercial mail delivery results.

## Recommendations

We recommend the vice president, Product Information:

1. Simplify the scoring process used for measuring service performance of commercial mail.
2. Use actual commercial mail data in the last-mile calculation.

<sup>20</sup> A 0 or -1 day measurement represents on-time delivery.

## Management's Comments

Management agreed with our findings and recommendations. Regarding recommendation 1, management stated they are working on a project to simplify and remove redundant and conflicting processes. System changes are scheduled for completion in Q4, FY 2012. Regarding recommendation 2, management stated when more mailers adopt full-service IMb, a larger volume of mail will become measurable. The external contractor will continue to evaluate and reassess the need to use the supplemental data for last-mile calculations. In situations where it is feasible, additional reports may be added in areas where mail volumes are lower than anticipated. Management is exploring the feasibility of using scan data from non-full service IMb pieces in the future. When proxy data is used, management will include a statement describing this limitation in the quarterly service performance reports beginning with the Q3, FY 2012 reporting cycle. See [Appendix B](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. The OIG considers recommendation 1 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. This recommendation 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.

## Appendix A: Additional Information

### Background

The PAEA requires the Postal Service to establish modern service standards for its market-dominant mail products. According to law, these standards should be designed “to provide a system of objective external performance measurements for each market-dominant product as a basis for measurement of Postal Service performance.” However, with the approval of the PRC, an internal measurement system may be implemented instead of an external system.<sup>21</sup>

PFCM Letters, Standard Letters and Flats, Periodicals Flats, and Bound Printed Matter Flats are measured through the iMAPS. The Postal Service’s SPM system uses documented entry time in the postal network to start-the-clock and an IMb final processing scan within the distribution network to stop the clock. These data are augmented with a “last-mile” factor acquired through third-party reporter scans to develop end-to-end measurement data. Data the Postal Service collects are provided to an independent, external contractor to calculate service performance and compile the necessary reports. Throughout FY 2011, the measurement was based on data from the SASP, which captures data from all full-service Intelligent Mail. Actual transit time is compared against First-Class Mail® service standards to determine the percentage delivered on time.

In November 2010, the Postal Service established a certification process to review mailers’ compliance with the requirements to provide accurate information necessary for service measurement. Only certified mailers were included in measurements in Q1, FY 2011 through Q3, FY 2011. In Q4, FY 2011, the manual verifications being done for certification were automated and the certification process was no longer necessary. Thus in Q4, FY 2011 nearly all full-service mailings were eligible for measurement, as long as they passed the automated review processes.

The Postal Service continues to change the business rules to improve SPM. These changes have positively affected SPM. In Q3, FY 2011, there were only 118 certified mailers in measurement. In Q4, FY 2011, with the retirement of the certification process, all mail submitted by mailers participating in full service is eligible for inclusion in SPM. As a result, First-Class yield increased from 16.35 percent in Q3, FY 2011 to 54.34 percent in FY Q4, 2011. Standard Mail yield increased from 7.61 percent in FY 2011, Q3 to 36.58 percent in FY 2011, Q4. The total yield increased from 11.48 percent in Q3, FY 2011 to 43.47 percent in Q4, FY 2011.

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<sup>21</sup> PAEA, Public Law 109-435, 120 Statute 3198, Title 39 U.S.C.

## Objectives, Scope, and Methodology

Our objectives were to determine whether the data used for SPM of commercial mail is reliable. In addition, we reviewed Postal Service actions to address the issues identified in our interim report titled *Service Performance Measurement Data – Commercial Mail* (Report Number CRR-AR-11-003, dated September 6, 2011) to determine whether they were successful in increasing the effectiveness of the SPM process.

To accomplish our objectives we:

- Evaluated the impact of the decision to terminate the full-service mailer certification process.
- Conducted interviews with management, reviewed the changes of start-the-clock business rules and customer/supplier agreements, and determined the extent to which the changes have contributed to improvements in SPM.
- Reviewed the official SPM scores reported by the Postal Service to the PRC to determine whether the scores reflected improvement with the change from using only certified mailer data in Q2 and Q3, FY 2011 to the use of all full-service mailpieces meeting the service performance business rules for scoring.
- Reviewed the SASP container-level exclusion statistics for Q3 and Q4, FY 2011 to determine whether the number of data exclusions is decreasing and to identify the exclusion reasons with the highest number of errors.
- Analyzed Q4, FY 2011 data of mailer by entry point and evaluated mailer performance.
- Reviewed the results reported in the iMAPS Data Analysis Quarterly Summary Reports for Q2, FY 2011 through Q1, FY 2012. This was done to determine whether or not the data currently used by iMAPS to calculate the SPM score is representative of mail flow throughout the entire network.
- Analyzed SPM data, performed substantive tests by vouching reporter scans back to the start-the-clock date, and assessed the reliability of the data used for SPM of commercial mail.

We conducted this performance audit from July 2011 through June 2012 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our

observations and conclusions with management on May 15 and 17, 2012, and included their comments where appropriate.

We assessed the reliability of computer generated data by performing analytical and comparative tests on the automated data we received. We also verified the accuracy of the data by confirming our analysis and results with management and other data sources. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Service Performance Measurement Data – Commercial Mail</i>	CRR-AR-11-003	9/6/2011	\$19,193,730	There was a recommendation to establish milestones for implementing recovery of discounts provided to mailers when full-service IMb mailings do not meet specific requirements for discounts received. The Postal Service agreed with the finding and recommendation.
<i>U.S. Postal Service Needs to Strengthen System Acquisition and Management Capabilities to Improve Its Intelligent Mail® Full Service Program</i>	GAO-10-145	October 2009	None	The Government Accountability Office recommended the Postal Service improve management of the program, including developing a comprehensive cost estimate and sound acquisition and development policies. There were seven specific recommendations and the Postal Service disagreed with the following three: develop a comprehensive cost estimate, complete an overall program plan for the entire full-service program, and define the core set of requirements and use them as a basis for developing a reliable cost estimate. The Postal Service did not comment on the recommendations to complete program plans, develop specific requirements to establish a robust risk management process, and develop a system integration plan.

## Appendix B: Management's Comments



June 15, 2012

Lucine Willis  
Acting Director, Audit Operations

SUBJECT: Draft Audit report, Service Performance Measurement Data –Commercial Mail  
Report CRR-AR-12-DRAFT

Regarding Recommendation 1 to simplify the scoring process used for measuring service performance of commercial mail, Postal Management agrees and has been working on a project to simplify and remove redundant and conflicting processes in service performance measurement. The project will consolidate all business rules for exclusions and calculations into one system. These system changes are scheduled for completion in Quarter 4 FY12.

Regarding Recommendation 2 to use actual commercial mail data in the last mile calculations, Postal Management agrees that using only commercial mail data would provide a more accurate reflection of end-to-end service performance. Currently the data available are too sparse for certain products and for certain districts to use the commercial data exclusively without either incurring significant additional costs to add external reporters or having statistically imprecise last mile estimates. The use of the EXFC data to supplement the available commercial data for last mile is a method that provides a base of information that, while not ideal, was viewed as providing more cost effective, reliable, and stable measures than the alternatives.

When more mailers adopt full-service Intelligent Mail, a larger volume of the mail received by the existing external reporters will become measurable. The external contractor will continue to evaluate the volume of data available and reassess the need to use the supplemental data for last mile calculations. In situations where it is feasible to do so, additional reporters may be added in areas where mail volumes are lower than anticipated. We are also exploring the feasibility of using scan data from non-full service IMb pieces in the future for last mile calculations.

The OIG suggested that the use of the proxies could introduce distortions to actual results, which should be disclosed to pertinent stakeholders. When the proxy data is used in the last mile calculations, we will include a statement describing this limitation in the quarterly service performance reports prepared for the Postal Regulatory Commission beginning with the Quarter 3 FY12 reporting cycle.

A handwritten signature in black ink, appearing to read "James P. Cochrane".

James P. Cochrane  
Vice President Product Information