



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

Commercial Mail Entry and Acceptance Initiatives

Audit Report

September 14, 2012

Report Number EN-AR-12-004



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GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

September 14, 2012

Commercial Mail Entry and Acceptance Initiatives

Report Number EN-AR-12-004

BACKGROUND:

The U.S. Postal Service developed initiatives for commercial mail entry and acceptance processes necessary to achieve core business strategies and performance goals. The objective of this audit was to determine the status of these initiatives and to identify issues facing the Postal Service as it moves forward with them.

WHAT THE OIG FOUND:

The key initiatives, which will streamline the commercial mail entry and acceptance processes, are only in the initial phases but are currently meeting planned milestones. However, there are ongoing issues that may negatively impact the current and future success of these initiatives.

The Postal Service developed and revised its proposal for transforming commercial mail acceptance several times throughout this fiscal year. This occurred because management needed to submit additional data to various internal units to further justify the proposal. Although the project was approved on July 25, 2012, we believe financial and operational risks will continue to exist.

In addition, *PostalOne!*, the Postal Service's primary system for

recording commercial mail transactions and managing customer accounts, has experienced multiple operational and availability issues. The mailing industry also has concerns about the availability of *PostalOne!* and other issues related to commercial mail initiatives. Failure to properly address these issues may result in mailers' reluctance to participate in the Full-Service intelligent mail barcode program, which is critical to the success of these initiatives.

WHAT THE OIG RECOMMENDED:

We recommended management closely monitor the financial and operational risks related to proposed commercial mail entry and acceptance initiatives and address availability issues related to *PostalOne!*. Further, we recommended identifying additional incentives to increase mailer participation in the Full-Service intelligent mail barcode program and develop a plan to address concerns mailers have with commercial mail transformation initiative requirements. Lastly, we recommended developing a process that will allow Full-Service intelligent mail barcode mailers the opportunity to challenge postage adjustments made to streamlined mailings.

[Link to review the entire report](#)



September 14, 2012

MEMORANDUM FOR: PRITHA N. MEHRA
VICE PRESIDENT, MAIL ENTRY AND PAYMENT
TECHNOLOGIES

JAMES P. COCHRANE
VICE PRESIDENT, PRODUCT INFORMATION

JOHN T. EDGAR
VICE PRESIDENT, INFORMATION TECHNOLOGY

JEFFREY C. WILLIAMSON
VICE PRESIDENT, PRICING

A rectangular box containing a handwritten signature in cursive script that reads "Darrell E. Benjamin, Jr." with a black circular mark to the right.

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

SUBJECT: Audit Report – Commercial Mail Entry and Acceptance
Initiatives (Report Number EN-AR-12-004)

This report presents the results of our audit of Commercial Mail Entry and Acceptance Initiatives (Project Number 12RG009EN000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Sean D. Balduff, director, Retail, Business, and International, or me at 703-248-2100.

Attachments

cc: Joseph Corbett
Deborah Giannoni-Jackson
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Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of Commercial Mail Entry and Acceptance Initiatives (Project Number 12RG009EN000). This self-initiated review addresses operational risks related to the Postal Service's Delivering Results, Innovation, Value, and Efficiency (DRIVE) 17 initiative – Commercial Mail Acceptance Transformation (CMAT). Our objective was to determine the status of various commercial mail entry and acceptance initiatives and to identify issues facing the U.S. Postal Service as it moves forward with these initiatives. See [Appendix A](#) for additional information about this audit.

The Postal Service is currently facing the challenge of protecting commercial mail revenue. Commercial mailings accounted for \$47.9 billion (about 72 percent) of total revenue in fiscal year (FY) 2011.¹ Total revenue declined by about \$9 billion from FY 2008 to FY 2011 and is expected to continue declining in the foreseeable future.² These declines are the result of economic downturns and the accelerating preference for digital communication alternatives. As such, the Postal Service developed 36 DRIVE initiatives comprised of vital projects and activities necessary for it to achieve core business strategies and performance goals.

The DRIVE 17 initiative, CMAT, focuses on the commercial mail entry and acceptance channel that serves as an essential bridge between the Postal Service and business customers. This channel is continually challenged with high operational costs due to paper-intensive processes, manual mail verification processes, compliance issues, and a complex and evolving mailing environment. DRIVE 17 activities concentrate on automating mail preparation, acceptance, and verification to strengthen the business-to-customer channel, reduce costs, improve revenue assurance, and improve the customer experience.

Conclusion

The electronic induction (eInduction), seamless acceptance, and electronic verification system (eVS) initiatives, which are designed to streamline mail entry and acceptance processes, are in the pilot, proof-of-concept, and system enhancement phases, respectively.³ These projects are currently meeting planned milestones. However, there are ongoing issues, which may negatively impact the current and future success of commercial mail initiatives.

¹ Figures obtained from the Accounting Data Mart.

² Figures obtained from the Accounting Data Mart..

³ A pilot is a preliminary program that evaluates feasibility, time, costs, and adverse events to predict how best to proceed with future development. Proof-of-concept is a method to verify that a concept or theory has the potential of being used in the future and is developed before a pilot program. System enhancements are improvements to the reliability and performance of a system.

The Mail Entry and Payment Technologies group developed and revised the CMAT Decision Analysis Report (DAR)⁴ several times throughout this fiscal year. This occurred because the group needed to provide additional data to various internal units to further justify the proposal before the Investment Review Committee (IRC)⁵ could make a final decision. Although the CMAT project was approved on July 25, 2012, we believe financial and operational risks will continue to exist.

In addition, *PostalOne!*,⁶ the Postal Service's primary system for recording business mail transactions and mailers' primary system for managing their accounts, has experienced several operational and availability issues. The mailing industry also expressed concerns about these and other issues related to commercial mail entry and acceptance initiatives. Failure to properly address these issues may result in mailers' reluctance to participate in the Full-Service Intelligent Mail® barcode (IMb) program.⁷

Status of Specific Streamlined Mail Entry Initiatives

Streamlined mail entry initiatives related to eInduction, seamless acceptance, and eVS are in pilot, proof-of-concept, or system enhancement phases, respectively. These projects are generally meeting planned milestones.

eInduction: eInduction is proposed to replace manual hard copy verification and clearance procedures with an automated paperless verification process for plant-verified drop shipments (PVDS).⁸ The process will leverage existing electronic documentation, IMbs, and handheld scanner technologies to provide an integrated capability of validating container payment at a destination facility without the need for paper PVDS forms as proof of payment. eInduction was limitedly deployed at three pilot sites: the Chicago, IL Network Distribution Center (NDC); the Tampa, FL Logistics and Distribution Center; and the Dulles, VA Processing and Distribution Center. The Postal Service is currently verifying the payment of mailings at the container level at these sites and ensuring containers are inducted into the correct destination facility. In addition, the Postal Service is analyzing the data from these pilot efforts and will continue doing so as it transitions into the seamless acceptance pilot phase.

Seamless Acceptance: Seamless acceptance is the Postal Service's program to streamline significant aspects of mail acceptance, verification, payment, and induction

⁴ The purpose of a DAR is to ensure that Postal Service investments are properly documented and reviewed. A DAR must be prepared when the requiring organization requests an investment. The DAR defines the problem and details the need for the expenditure, providing sufficient detail to enable the approving officials to make an informed decision.

⁵ The IRC establishes Postal Service investment direction, policy, and procedures; ensures compliance with investment policy procedures; and prioritizes resource utilization. The IRC must review and vote on individual projects greater than \$5 million in combined total capital and expense investment.

⁶ *PostalOne!* is used to record business mail and Periodicals transactions. The system allows users to enter postage statements, deposits, and other financial transactions; and to retrieve reports necessary to manage the daily business of their units. It also allows customers to submit postage statements and other information to the Postal Service through a web-based process.

⁷ The purpose of Full-Service acceptance and verification is to ensure that Full-Service mailings meet IMb preparation and data requirements to qualify for Full-Service discounts.

⁸ PVDS allows mailings and the related postage payment to be verified at an origin postal facility and then returned to the mailer for transport to a destination Postal Service facility.

for First-Class[™] and Standard mail, letters, cards, flats, and Periodicals. Seamless acceptance will automate business mail acceptance and verification processes by associating mailer manifest⁹ data with IMb scans of mailpieces containing customer identification, facility, and delivery point data. Seamless acceptance is in the proof-of- concept phase, and the Postal Service plans to pilot the program in October 2012.

eVS: eVS has been effective in streamlining and automating the acceptance and verification process for commercial packages. eVS allows package mailers and consolidators to document and pay postage, including extra service fees, by using electronic manifest files. Although the eVS streamlined verification model provides significant improvements in verification efficiency and revenue assurance capabilities, the Postal Service is continuing to improve the system by expanding support for all commercial package projects and services, increasing reporting capabilities, and improving reconciliation processes. System enhancements are implemented through *PostalOne!* updates.

We believe the Postal Service is actively working toward its intended goals and, as such, we are not making a recommendation related to these projects at this time. We encourage the Postal Service to continue pursuing these efforts as it transitions to an automated environment. However, other ongoing issues may negatively affect the current and future success of these mail entry and acceptance initiatives.

Commercial Mail Acceptance Transformation Decision Analysis Report

Although the Postal Service is currently developing and piloting various projects, as indicated previously, many of its proposed initiatives have yet to be completed. The Postal Service initially started streamlining business mail entry, acceptance, and verification efforts in FY 2007 when the U.S. Postal Service Office of Inspector General (OIG) first reported a significant deficiency¹⁰ related to commercial mail acceptance and verification controls.¹¹ Over the years, the Postal Service has implemented corrective actions to help mitigate the deficiencies and, more recently, developed plans to leverage electronic documentation and Full-Service IMb to automate acceptance and verification processes. These latter efforts resulted in development of the CMAT DAR. The Mail Entry and Payment Technologies group submitted multiple versions of the CMAT DAR throughout this fiscal year, none of which were approved until July 25, 2012. This occurred because the group needed to provide additional data¹² to various internal units to further justify the proposal before the IRC could make a final decision. While the DAR was being changed and updated, the group received \$21.6 million in

⁹ A manifest is a document listing the contents of a mailing.

¹⁰ Per the *Statement on Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit*, dated December 2009, a significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

¹¹ *Fiscal Year 2007 Financial Installation Audits – Business Mail Entry Units* (Report Number FF-AR-08-131, dated March 19, 2008).

¹² The group provided additional data related to potential savings, requirements, costs, and functionality for the projects included in the DAR.

advanced funding for the CMAT project through July 2012. At the July 25 IRC meeting, the committee approved the remaining \$82 million needed to fund the project through FY 2019. Although the CMAT project was approved, we believe financial and operational risks will continue to exist. For example, projects of this magnitude have an inherently high financial risk of exceeding approved funding levels. In addition, the Postal Service needs to improve its current Full-Service IMb adoption rate for these projects to be fully successful.

PostalOne! System Issues

The *PostalOne!* system continues to encounter issues that cause operational and availability problems for Postal Service personnel and customers. The Postal Service implemented a system software upgrade (Release 29) in January 2012, which resulted in 768 issues related to financial accountability, verification processes, and production time outs. Postal Service management also determined there was a significant deficiency in the performance of change management controls related specifically to this release and subsequent software releases for FY 2012, Quarters 2 and 3.¹³ This occurred because a large number of system enhancements combined with a critical rate change significantly stressed the organization's resources involved in the upgrade. Therefore, the Postal Service could not complete all the necessary testing before the software upgrade. As such, management continues to perform monitoring activities designed to provide reasonable assurance that business mail revenue is correctly recorded and system outages are promptly addressed.

In a June 11, 2012 letter, the president of the Association for Postal Commerce outlined concerns customers have with *PostalOne!*.¹⁴ Some of their concerns include:

- System outages and downtime are defined differently by the Postal Service and the mailing community. For example, mailers and service providers frequently experienced what the Postal Service defines as intermittent system unavailability. Mailers believe the Postal Service may not define these instances as outages and does not track them in terms of its system performance, but these intermittent outages cause significant delays in processing electronically submitted files. However, Postal Service officials stated any system outage is determined to be a critical incident and they promptly work to correct the issues.¹⁵ In addition, it tracks, logs, and monitors all outages as a means to determine root causes.
- Mailers and service providers must use technical teams to evaluate the status of files that are in transit when *PostalOne!* goes down. The teams must determine how to recover files resulting from the unexpected outage.

¹³ Postal Service management's *Evaluation Memorandum for PostalOne! Release 29-January 2012* (May 10, 2012), and *Evaluation Memorandum-PostalOne! Change Control Management* (August 9, 2012).

¹⁴ The letter was sent to Elizabeth Dobbins, Postal Service Product Classification manager, on June 11, 2012, regarding the Advance Notice of Proposed Rulemaking, Implementation of Full-Service Intelligent Mail Required for Automation Prices, *Code of Federal Regulations*, Volume 77, No. 77, 23643-23647.

¹⁵ The Postal Service recently created an enterprise system-monitoring group that monitors *PostalOne!* round-the-clock to ensure it is operating as expected.

- Mailers frequently experienced slow processing time when submitting files through *PostalOne!*, as well as slow system response time when navigating through the *PostalOne!* web pages.

Additionally, the OIG reported issues related to another *PostalOne!* outage that occurred in February 2010.¹⁶ This outage considerably impacted the effectiveness of business mail entry operations and customer mailing activities. Customers incurred additional costs and expressed concern regarding the operational availability of business mail acceptance systems. Specifically, certain mail acceptance business controls that relied on the operational availability of *PostalOne!* were not effective during the outage. Mailers could not submit postage statements electronically and business mail acceptance employees could not enter postage statements, record revenue at the time mail entered the mailstream, verify whether customer accounts had sufficient funds or qualified for reduced rates, and prompt employees when in-depth mail verifications were required. This resulted in revenue collection and recognition delays and increased employee, contractor, and customer costs.

Mail entry and acceptance initiatives rely on *PostalOne!* integrity, reliability, and functionality to automate acceptance and verification processes for business mailings. The Postal Service is proposing that mailers use this paperless environment by 2014 in order to receive full automation discounts;¹⁷ however, mailers are reluctant to do so when *PostalOne!* is not operating as expected. Therefore, frequent interruptions in the availability of *PostalOne!* and the lack of confidence in the system's stability cause mailer frustration and angst.

Mailer Concerns

The mailing industry has expressed concerns about commercial mail entry and acceptance initiatives and the costs associated with the requirements for Full-Service IMb. Streamlined mail entry efforts such as eInduction and seamless acceptance are still in the pilot and proof-of-concept phases. Therefore, mailers are skeptical about how these efforts will affect the Full-Service IMb 2014 proposed requirement. Some mailers also have not been receptive to the Full-Service IMb effort because the current incentives and discounts offered do not offset their implementation costs.

In addition, mailers do not feel Postal Service employees fully understand the new initiatives and have concerns related to postage reconciliation activities. Although the mailing industry voiced its opinions¹⁸ and provided feedback to the Postal Service about these issues, some mailers feel the Postal Service has not been responsive to their

¹⁶ *Fiscal Year 2010 PostalOne! Outage* (Report Number FF-AR-10-205, dated August 5, 2010).

¹⁷ In order for mailers to receive full automation discounts for letters, postcards, and flats, the Postal Service is proposing to mandate the full-service IMb option in January 2014. The Postal Service posted an advance notice of the requirement in the *Federal Register* on April 20, 2012, as a means to solicit feedback from mailers.

¹⁸ Customers have various means such as Mailers Technical Advisory Committee (MTAC) work groups, Business Service Network, the *Federal Register*, National Postal Forum breakout groups, and other forms of communication to provide feedback to the Postal Service.

concerns. According to some mailers, this occurred because the Postal Service did not accurately estimate the financial and operational impact these programs would have on the mailing industry. The Postal Service must ensure that its processes, systems, and data can be accessed by employees to efficiently process and deliver mail and by customers to gain greater visibility into the mailstream. If the Postal Service cannot create a favorable intelligent mail system, mailers will be reluctant to participate in the Full-Service IMb program in 2014.

We surveyed the mailing industry to obtain feedback on various business mail initiatives.¹⁹ We received 22 replies from our surveys and included notable responses in the following sections.

Incentives/Discounts Do Not Offset Mailer Costs

For several years the mailing industry²⁰ has voiced its concerns related to the financial impact it will incur in order to become Full-Service IMb compliant. Mailers have stated the current financial incentives offered through postage discounts do not cover the investment costs needed to implement Full-Service IMb. In addition, mailers have contended that the Postal Service does not fully understand the costs of implementing such a program. Mailers who use Full-Service IMb receive an additional postage discount of \$.003 for each First-Class mailpiece and \$.001 for each Standard mailpiece or Periodicals. Although the Postal Service also provides a free address correction service, a waiver of annual permit mailing fees and end-to-end mailing visibility to its customers who use Full-Service IMb, mailers do not feel that current incentives are sufficient.

The following are examples of responses from mailers related to the cost of implementing the Full-Service IMb program:

- Full-Service IMb is costly and complicated to certify and the incentives do not begin to cover the costs of system upgrades and the training needed to become certified.
- Mailers feel the return on their investment will take years to be realized.
- Mailers are concerned the proposed 2014 requirement to implement Full-Service IMb for automation discounts will force them to make costly software upgrades during a time of financial hardship.
- Mailers expect to absorb all unexpected postage costs that, in some cases, are currently incurred by clients.

¹⁹ We provided our surveys to mail association presidents via email, who, in turn, forwarded the surveys to various association members. We also reviewed similar feedback obtained from MTAC workgroup meetings and the April 20, 2012 *Federal Register*.

²⁰ The mailing industry includes businesses, organizations, and other parties that send and receive mail for themselves as well as for others.

- Full-Service IMb seems to be a benefit to the Postal Service only, yet the costs are solely absorbed by its customers.
- This effort will be very costly if each plant needs to update its systems and computers and provide training. Smaller companies will not be able to allocate enough resources to participate in the program.

Training

Although the Postal Service provided individual field, district, and area staff with various web-based, video, job aids, and classroom training, mailers feel that acceptance employees do not always interpret the rules for accepting and verifying mail consistently or understand the procedures enough to address customer concerns. Mailers provided the following responses related to business mail acceptance personnel:

- They feel it is often difficult to find Postal Service employees who are knowledgeable about new procedures and programs.
- Mailing requirements staff often advise mailers in advance that a mailing could be sent at a particular rate, only to have an acceptance clerk overrule the decision when the mail is presented based on a different interpretation of policy and procedure. When a decision is reversed or changed unexpectedly, additional postage costs may be incurred.
- They feel Full-Service IMb initiatives will be costly, confusing, disruptive, and provide very little additional benefit to their clients. Mailers expect to spend many hours trying to determine how to adapt their operations to meet program requirements. Mailers also believe Postal Service business mail clerks do not fully understand the program and the *PostalOne!* help desk will be overwhelmed with technical calls.²¹
- They feel management does not understand the challenges the industry faces when dealing with acceptance clerks. Inconsistent interpretations of the rules are more the norm than the exception.

Postage Adjustment (Reconciliation) Process

Under Full-Service IMb, mailers feel they will not have appropriate recourse to challenge postage adjustments²² made after the mail has already entered the mailstream. However, according to Postal Service officials, eVS mailers can appeal additional postage due resulting from adjustment factors made to commercial packages on a monthly basis.²³ The Postal Service plans to develop a similar reconciliation process for Full-Service IMb adjustments.

²¹ Employees will still be involved in the automated process to assist mailers with system, policy, and procedural issues.

²² These are potential adjustments made to mailings (such as additional postage due) after the mail has entered the mailstream.

²³ *eVS Business and Technical Guide*, Section 4.3.11, June 24, 2012.

Mailers provided the following responses related to postage adjustments:

- Mailers question whether they will lose all automation discounts if mailings have errors and are concerned that errors may be generated by the Postal Service and not by them.
- Mailers are concerned about managing disputes related to mailpiece design, barcodes, and preparation after the mail has left their facilities. Mailers stated they would not know where the problem originated or have the opportunity to correct the condition.
- Mailers feel the seamless acceptance concept sounds good on paper; however, possible penalties may prevent many mailers from using it for the majority of their customers. Once the mail is inducted into the mailstream, mailers no longer have the ability to make corrections or resolve issues that they could have resolved in the PVDS environment.
- Mail service providers fear that once the mail is inducted into the system, it may take weeks to know the postage and/or penalties assessed. By that time, service providers may be responsible for paying the additional costs instead of their customers.

Mailer Participation

Feedback from the mailing industry is indicative of mailers' reluctance to participate in the Full-Service program, as well as the need to fully educate mailers regarding the various mail entry and acceptance initiatives.

The Postal Service is proposing requiring mailers to use Full-Service IMb by January 2014 to receive full automation discounts. Table 1 shows the percentage by which Full-Service IMb mail volume has increased since FY 2010. However, Full-Service IMb mail represented only 48 percent of the total commercial mail volume as of FY 2012, Quarter 3.

Table 1: Full-Service IMb Mail Volume

Fiscal Year	Total Commercial Volume (Mailpieces)	Full-Service Volume (Mailpieces)	Full-Service Volume Percentage
2010	140,864,583,795	32,452,656,958	23%
2011	140,198,376,041	58,656,224,858	42%
2012 through Quarter 3	101,163,693,301	48,333,178,493	48%

Source: Application System Reporting system on the Enterprise Data Warehouse.

The goal is 100 percent participation by FY 2014 and without sufficient numbers of customers participating in Full-Service IMb, the Postal Service may not realize all the intended long-term benefits of discontinuing its existing, manual acceptance and verification process. Similarly, the Postal Service's ability to improve customer service by providing tracking information on individual mailpieces will be limited.²⁴

Recommendations

We recommend the vice president, Mail Entry and Payment Technologies:

1. Closely monitor and identify for senior management any performance, financial, or operational risks that develop during the implementation of the decision analysis report to ensure commercial mail acceptance transformation projects do not exceed approved funding levels and meet planned expectations.

We recommend the vice president, Pricing, in coordination with the vice president, Mail Entry and Payment Technologies, and the vice president, Product Information:

2. Identify and promote additional incentives to increase mailer participation in the Full-Service program.

We recommend the vice president, Mail Entry and Payment Technologies:

3. Develop a plan to identify and address training concerns mailers have with commercial mail transformation initiative requirements.
4. Develop a process that will allow Full-Service intelligent mail barcode mailers the opportunity to challenge potential postage adjustments made to mailings after they have entered the mailstream.

We recommend the vice president, Information Technology, in coordination with the vice president, Mail Entry and Payment Technologies:

5. Develop an action plan to address and correct *PostalOne!* operational problems affecting the integrity, reliability, and functionality of the system; and conduct thorough testing before releasing and implementing system upgrades.

²⁴ U.S. Postal Service: *Intelligent Mail Benefits May Not Be Achieved If Key Risks Are Not Addressed* (Report Number GAO-09-599, dated May 6, 2009).

Management's Comments

Management concurred with our findings and recommendations 1 through 4 and agreed in part with recommendation 5.

Regarding recommendation 1, management stated they will continue to assess operational and performance risks that may develop during the lifecycle of the DAR. The Postal Service provided an implementation date of July 2012, but in subsequent correspondences, clarified that this is an ongoing effort that will continue throughout the lifecycle of the DAR, which runs through FY 2019.

Regarding recommendation 2, management plans to develop an incentive program by October 2013 to increase IMb adoption and Full-Service participation.

Regarding recommendation 3, management will provide additional training both internally and externally to support ongoing business mail initiatives by June 2014.

Regarding recommendation 4, management will continue to work with the applicable MTAC workgroup to develop procedures related to postage adjustments. Management provided an implementation date of January 2014.

Management agreed in part with recommendation 5. Management agreed to develop an action plan to address and correct *PostalOne!* operational problems. They also agreed to conduct pre- and post-software release assessments to ensure continuous improvement in testing cycles. Management said they will develop an action plan by March 31, 2013 and the plan will include a list of high-priority items. Management also plans to correct high priority items by September 30, 2013. To clarify this, the OIG conducted follow-up discussions and was informed that business and information teams classify system items as either high, medium, and low priority. Therefore, management will need to perform a series of reviews to identify an item's priority level and determine what actions are needed.

Management, however, did not agree to the part of recommendation 5 requiring thorough testing before releasing or implementing system upgrades. Management believes this recommendation is misleading because they already conduct detailed system and customer acceptance testing for all new releases. However, Release 29 was an exception because it had an unusually large number of system enhancement requests, which strained the organization's resources and disrupted the normal testing process. 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. While management disagreed with a portion of recommendation 5, they stated they will continue to perform detailed system and customer acceptance testing, which is responsive to the

recommendation. The OIG considers recommendation 5 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

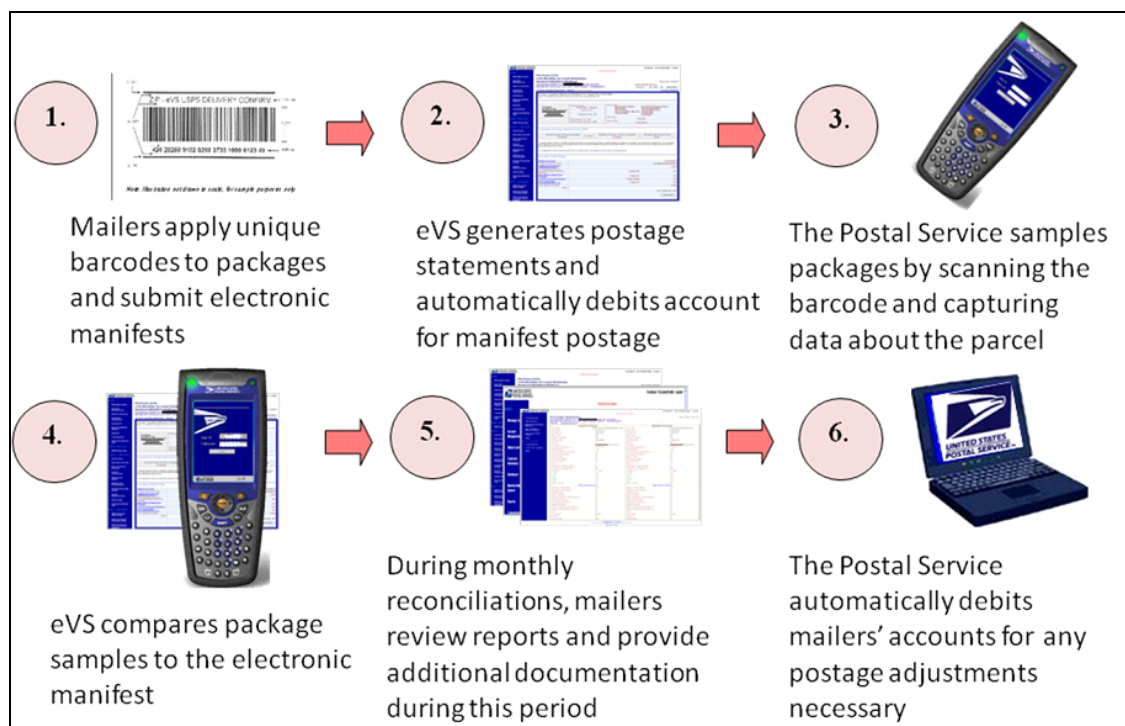
Appendix A: Additional Information

Background

The Mail Entry and Payment Technologies group is developing and implementing a streamlined mail entry project, which includes various initiatives to improve the business mail entry, acceptance, and verification processes. The initiatives include eVS, eInduction, and seamless acceptance. The goal of the streamlined mail entry project is to leverage Full-Service IMb to streamline and automate mail preparation, verification and entry, payment, and account management. The Postal Service believes the projects will reduce workhours, improve customer experience, increase revenue assurance and Sarbanes-Oxley (SOX)²⁵ compliance, and promote 100 percent mail visibility.

eVS: eVS is an existing system that interfaces with *PostalOne!*. The system electronically verifies commercial packages to the mailer's manifest to ensure accuracy. Personnel sample and scan mailpieces that are later reconciled to all manifests received from the mailer on a monthly basis. eVS improves the quality of mail by producing reports that allow mailers and the Postal Service to monitor the quality of mailings. Figure 1 illustrates the eVS process.

Figure 1: eVS Overview Process



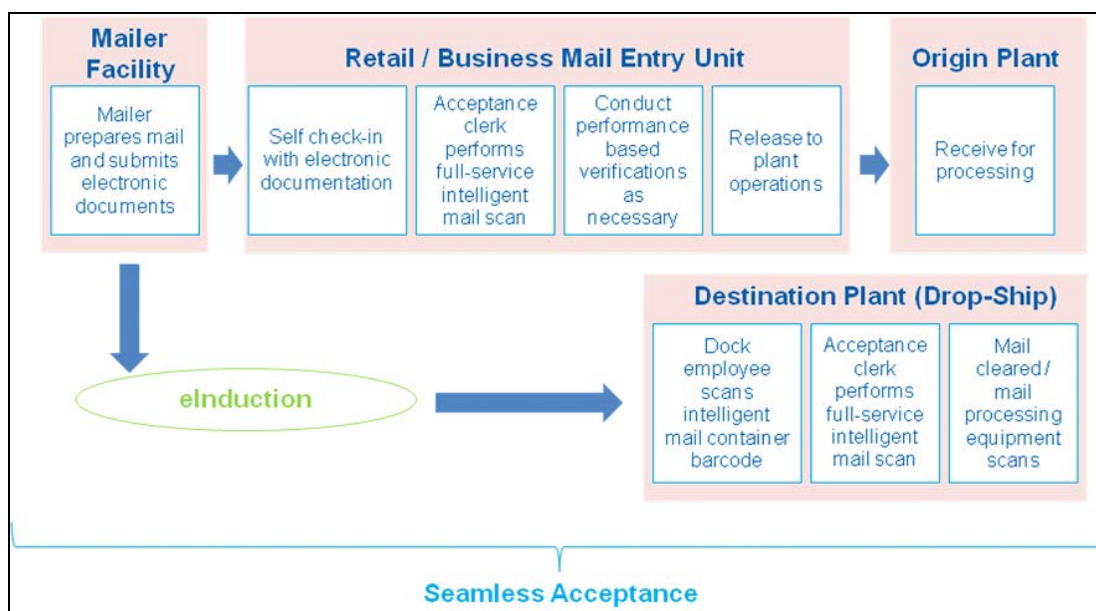
Source: SOX Management Control and Integration.

²⁵ SOX aims to improve corporate governance and to enhance the accuracy of financial reporting (SOX Act of 2002, Public Law 107-204, 11 Stat 745).

eInduction: eInduction will leverage existing electronic documentation, IMbs, and handheld scanner technologies to verify payment of PVDS mail at a container level and ensure the containers are presented at the correct destination facility.

Seamless Acceptance: Under seamless acceptance, mailers apply unique IMbs on mailpieces, trays, sacks, tubs, pallets, and other containers to automate the business mail entry verification processes. Figure 2 depicts the future workflow of eInduction and seamless acceptance processes.

Figure 2: Future eInduction and Seamless Acceptance Processes



Source: Mail Entry and Payment Technologies.

IMb: Intelligent mail is an integral component of the overall mail acceptance and entry process. Intelligent mail is a comprehensive term that describes the integration of electronic mailing documentation with IMb on all mail and containers. There are two options for intelligent mail: Basic and Full-Service. Under the Basic option, mailpieces may contain an IMb but uniqueness is not required. This option qualifies mailings for automation discounts and enables access to the address correction and mail stream tracking services.

Under the Full-Service option, mailers are required to apply a unique IMb on their letter and flat mailpieces, trays and sacks, and other containers and must submit postage statements and mailing documentation electronically. Mailers who use Full-Service IMb receive an additional postage discount for each mailpiece.²⁶

²⁶ In exchange, Full-Service IMb participants receive end-to-end visibility of their mailings, free address change information, and a waiver of the annual permit mailing fee when all postage statements contain 90 percent or more Full-Service mailpieces.

Objective, Scope, and Methodology

Our objective was to determine the status of various commercial mail entry and acceptance initiatives and to identify issues facing the Postal Service as it moves forward with them. To accomplish our objective, we reviewed roadmaps, strategic visions, DARs, and existing policies and procedures related to mail entry and acceptance. We interviewed and obtained documentation from key personnel within the mail entry and payment technologies, mail industry, finance, product information, network integration, SOX management control and integration, and engineering groups. We attended Postal Service and MTAC²⁷ work group sessions on eInduction and seamless acceptance to learn about problems and resolutions identified by the parties. The team developed and distributed questionnaires related to business mail entry and acceptance initiatives to mailer association presidents. The presidents, in turn, distributed the questionnaire to their association members. We also visited the Chicago, IL NDC to observe the eInduction pilot effort. Although we did not use data from existing systems, we discussed changes and impacts to the *PostalOne!* and eVS systems with Postal Service managers.

We conducted this performance audit from October 2011 through September 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 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 August 1, 2012, and included their comments where appropriate.

²⁷ MTAC is a venue for the Postal Service to share technical information with mailers and to receive advice and recommendations from mailers on matters concerning mail-related products and services in order to enhance customer value and expand the use of these products and services for mutual benefit.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Mail Verification Procedures at Detached Mail Units</i>	MS-AR-12-002	1/12/2012	\$10,310,906	Postal Service mail verification procedures were not always adequate to ensure that business mailings contained sufficient postage or met Postal Service specifications. We also identified two detached mail units where Postal Service employees overrode Mail Evaluation Readability Lookup Instrument results without verifying whether the mail deficiencies were valid. Management concurred with the recommendations and monetary impact.
<i>Strategic Approaches to Revenue Protection</i>	MS-AR-11-007	9/30/2011	None	Preparation for fully automating the business mail entry process will depend on broadened collaboration with processing officials and adoption of Full-Service IMb on mailpieces and containers. Basic IMb and non-automated mail will continue to require costly manual revenue protection procedures until additional automated technologies are developed. Management agreed with our recommendation overall and provided planned actions and a planned completion date.
<i>Service Performance Measurement Data — Commercial Mail</i>	CRR-AR-11-003	9/6/2011	\$19,193,730	The process used to obtain service performance scores for commercial mail is not effective. The Postal Service has experienced significant data quantity, accuracy, and reliability issues resulting in approximately 88 percent of Full-Service IMb mail being excluded from service performance measurement. Management agreed with our findings and recommendations.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Intelligent Mail: Realizing Revenue Assurance Benefits</i>	DA-AR-11-010	8/30/2011	None	The Postal Service postponed implementing an automated revenue assurance for the intelligent mail program to focus on implementing other aspects of the program. Our analysis of Full-Service IMb scan rates indicates that some mailings that met business mail acceptance requirements exhibited low scan rates when processed on mail processing equipment. Management partially agreed with the recommendations and planned to complete a proof-of-concept by January 2013.
<i>Effects of Compliance Rules on Mailers</i>	MS-AR-11-006	8/24/2011	None	The Postal Service has not always fully considered how changes to mail compliance rules impact mailers. Management concurred with the findings and recommendations and stated that, where practicable, it will include mailers costs in its cost-benefit analysis of new initiatives.
<i>Full-Service Intelligent Mail Program Customer Satisfaction</i>	DA-MA-11-001 (R)	11/23/2010	None	Surveys of Full-Service IMb participants disclosed mixed results for program usefulness. The primary reasons mail owners did not participate in the Full-Service program were high start-up costs and limited program benefits. Mail service providers expressed concerns with assistance at the business mail entry units and <i>PostalOne!</i> Help Desk. Management generally agreed with the findings and recommendations and stated that they have effective and ongoing efforts in place to address the issues raised in the report.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Fiscal Year 2010 PostalOne! Outage</i>	FF-AR-10-205	8/5/2010	\$355,107	The February 2010 <i>PostalOne!</i> outage impacted mail acceptance operations and revenue collection efforts nationwide. Although the Postal Service implemented a contingency plan during this period, the Postal Service was not adequately prepared to manually support operations during such an extended outage. In addition, employees did not record revenue for mailings received during this period until the system returned to full operation. Further, the Postal Service's reliance on a system that has frequent interruptions in availability could impact successful remediation of an existing significant deficiency related to business mail acceptance. Management agreed with one of two recommendations.
<i>U.S. Postal Service: Intelligent Mail Benefits May Not Be Achieved if Key Risks Are Not Addressed</i>	GAO-09-599	5/6/2009	None	Overall, at the program level, key risks include the uncertainty about whether mailers will find the incentives offered by the Postal Service appealing enough to participate in the program, resource limitations, and schedule delays. The Postal Service agreed with two of three recommendations.

Appendix B: Management's Comments



September 5, 2012

Lucine Willis
Director, Audit Operations
1735 North Lynn Street
Arlington VA 22209-2020

SUBJECT: Commercial Mail Entry and Acceptance Initiatives (Report No. EN-AR-12-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report.

Management has reviewed the findings outlined in this draft and are in agreement. The following is a collaboration of responses-to-the recommendations in the order assigned.

We recommend the vice president, Mail Entry and Payment Technologies:

1. Closely monitor and identify for senior management any performance, financial, or operational risks that develop during the implementation of the decision analysis report to ensure commercial mail acceptance transformation projects do not exceed approved funding levels and meet planned expectations.

Management Response Action/Plan

Management is in agreement with this recommendation and will continue to use pilots to assess the operational and performance risks that may develop throughout the lifecycle of the DAR. Management will continue to utilize the Program Management Office to provide oversight on financial compliance.

Target Implementation Date: July 2012

Responsible Official: Marty McGuire, Manager, Mail Entry

We recommend the vice president, Pricing, in coordination with the vice president, Mail Entry and Payment Technologies, and the vice president, Product Information:

2. Identify and promote additional incentives to increase mailer participation in the Full-Service program.

Management's Response/Action Plan

Management agrees with this recommendation and is considering an incentive program to promote the adoption of Intelligent Mail® barcodes and Full Service participation.

Target Implementation Date: October 2013

Responsible Official: Pritha Mehra, VP (ME&PT)/Jeffrey Williamson, VP (Pricing)

Commercial Mail Entry and Acceptance Initiatives

Audit Report No. EN-AR-12-DRAFT

We recommend the vice president, Mail Entry and Payment Technologies:

3. Develop a plan to identify and address training concerns mailers have with commercial mail transformation initiative requirements.

Management's Response/Action Plan

Management agrees and has already implemented multiple training actions. These actions include but are not limited to webinar series on; Transitioning from POSTNET™ to the Intelligent Mail® Barcode (IMB®); Building the IMB; Mailer Identifications (MIDs) and Customer Registration Identifications (CRIDs), the Business Customer Gateway (BCG) and Reaping the Benefits of Intelligent Mail. This series of webinars was conducted for internal employees in June 2012 for external customers in June, July and August 2012. Additional documentation has been developed and posted on the RIBBS (Rapid Information Bulletin Board System) for external mailers. This documentation includes; Intelligent Mail Fact Sheet, Beginners Overview to Intelligent Mail – Basic Service, Mail Service Provider's (MSP) Guide to Intelligent, and MID/CRID Acquisition Quick Step. We will continue to deliver training webinars and other materials both internally and externally to support the conversion to Intelligent Mail Barcodes and adoption of Full-Service.

Target Implementation Date: June 2014

Responsible Official: Marty McGuire, Manager, Mail Entry

4. Develop a process that will allow Full-Service intelligent mail barcode mailers the opportunity to challenge potential postage adjustments made to mailings after they have entered the mailstream.

Management's Response/Action Plan

Management agrees and will continue to work through MTAC workgroup 143 to define and develop the procedures associated with the Streamline Acceptance process to include a process for mailers to reconcile discrepancies in postage adjustments.

Target Implementation Date: January 2014

Responsible Official: Marty McGuire, Manager, Mail Entry

We recommend the vice president, Information Technology, in coordination with the vice president, Mail Entry and Payment Technologies:

5. Develop an action plan to address and correct PostalOne! operational problems affecting the integrity, reliability, and functionality of the system. In addition, conduct thorough testing before releasing and implementing system upgrades.

Management's Response/Action Plan:

Management is in agreement to develop an action plan to address and correct PostalOne! operational problems. Management disagrees with the recommendation that the business and technology teams "conduct thorough testing before releasing and implementing system upgrades" is misleading. Thorough testing is conducted, and in addition to normal unit testing also includes separate teams performing detailed system integration testing and customer acceptance testing. Moreover, testing is performed by mapping all requirements to testable scenarios, and also requires the need for regression testing. Management does agree to a pre and post release assessment of PostalOne! testing processes to ensure continuous improvement in our testing cycles.

Target Implementation Date: Action plan development March 31, 2013; High Priority item(s) correction September 30, 2013

Responsible Official: Mark Mittelman, Manager, Solutions Development & Support

Commercial Mail Entry and Acceptance Initiatives

Audit Report No. EN-AR-12-DRAFT

The subject report and our response(s) does not contain any information related to potential security vulnerabilities that, if released, could be exploited and cause substantial harm to the U.S. Postal Service.

We do not believe that this report contains any proprietary or business information prohibiting disclosure pursuant to the Freedom of Information Act.


If you have any questions or comments regarding the response to this report please feel free to contact Deborah Cumbo, Mail Entry at (202) 268.6393.



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Mail Entry and Payment Technologies



James Cochrane
Product Information



John Edgar
Information Technology



Jeffrey Williamson
Pricing

cc: Joseph Corbett
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Mark A. Mittelman
CARM