July 30, 2009

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SENIOR VICE PRESIDENT, INTELLIGENT MAIL AND ADDRESS QUALITY

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SUBJECT: Audit Report – Address Quality (Report Number IS-AR-09-007)

This report presents the results of our self-initiated audit of Address Quality (Project
Number 09RG004IS000). Our objective was to evaluate Undeliverable As Addressed
(UAA) mail for the purpose of identifying primary contributors and causes. This review
focused on internal contributors and causes of UAA mail associated with the automated
mail processing of letters. This audit addresses operational risk associated with
address quality. See Appendix A for additional information about this audit.

Conclusion

We believe the U.S. Postal Service has an opportunity to improve UAA reporting
metrics and streamline UAA mail workflow. We recognize there are inherent limitations
in the logistics of moving the mail, which results in UAA mail. However, the Postal
Service does not have consistent reporting capabilities that provide a reliable count of
UAA mail. Additionally, there are systemic issues in the Postal Automated Redirection
System (PARS) pertaining to imaged mailpieces as they are processed. Finally,
personnel handling UAA mail were not sufficiently trained; therefore, there are
inconsistencies in the handling of UAA mail. Improved metrics, a streamlined UAA mail
workflow, and sufficient training will result in a reduced volume and handling of UAA
mail, which will improve customer service[1] and lower overall costs.[2] We will report the

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[1] Initiatives aimed at expanding and improving the quality of and access to products and services that serve the entire
spectrum of the Postal Service customer base.
[2] We are not claiming monetary benefits due to the low statistical confidence level and precision rate of the sample
when projected nationwide.

non-monetary impact for improvements in customer service in our *Semiannual Report to Congress.*

Undeliverable As Addressed Reporting Capabilities

The Postal Service does not have a consistent UAA reporting mechanism and, therefore, cannot determine the amount of UAA mail it processes. Best practices[3] suggest it is important to verify and validate data collected for reporting. In addition, accountability requires reporting that is timely, accurate, and complete.[4] The Postal Service relies on data sets generated by PARS to measure the amount of UAA mail processed. However, the multiple reports generated from PARS data sets[5] are inconsistent and are not reconciled; therefore, the data reported is unreliable. As a result, management does not have accurate counts, trends, and cost estimates for UAA mail. See Appendix B for our detailed analysis of this topic.

We recommend the Senior Vice President, Intelligent Mail and Address Quality, collaborate with the Vice President, Engineering, and Vice President, Network Operations, to:

1. Develop a reporting mechanism that will provide consistent, reliable, and measureable counts of automated undeliverable as addressed mail processed by the Postal Automated Redirection System to enhance trend analysis, reconcile the count of undeliverable as addressed mail, and identify cost reduction opportunities.

Management's Comments

Management agreed with our recommendation and took corrective action by reviewing the different reports that measure UAA mail volume. Management concluded that the UAA data reported by Intelligent Mail and Address Quality (IMAQ) is the appropriate representation of UAA mail volume. Management will redefine the term "UAA" as currently described in other reports to reduce the potential for confusion. The IMAQ group will be responsible for providing the official count of UAA mail for trend analysis and cost reduction purposes. Management provided the latest UAA mail volume report. Management believes action on this recommendation is complete and therefore considers the recommendation closed. See Appendix D for management's comments in their entirety.

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[3] *The Performance Based Management Handbook* Volume 1, Establishing and Maintaining a Performance Based Management Program*, Section V, Step 4, Oak Ridge Associated Universities, September 2001.
[4] *The Performance Based Management Handbook* Volume 3, Establishing Accountability for Performance, Section 1.
[5] We used the PARS Combined Input/Output Sub-System label mode reports, PARS Mail Item Retrieval System report, and PARS Redirection Image Controller reports from the first 6 months of FY 2009.

Evaluation of Management's Comments

The U.S Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation. Based on our review of the IMAQ UAA Mail Volumes report, we concur that management's corrective actions will resolve the issues identified in the finding and are sufficient to close the recommendation.

Re-Handling and Re-Processing Mailpieces

We found an excessive amount (approximately 30 percent)[6] of mailpieces that required re-handling and re-processing.[7] This includes mailpieces that require a second pass through PARS,[8] as well as mail requiring manual intervention. For example:

- **Intercepted Mailpieces**. The Postal Service is exceeding the accepted tolerance levels set for the interception of mailpieces without a valid change of address (COA) on record. Our results indicate that approximately 5 percent[9] of intercepted mailpieces did not have a valid COA on record. The PARS statement of work states the total number of intercepted mailpieces without a COA on record should not exceed 1 percent. The higher percentage occurred because PARS intercepts the mailpieces based on a potential match with a COA on record; however, based on the conservative matching logic, the match is inexact and PARS forwards the mailpiece to the carrier for final disposition.

- **Finalization of Mailpieces**. The Postal Service did not ensure the finalization of mailpieces[10] in a timely manner. Postal Service policy[11] states that employees must process[12] UAA mail within 24 hours of receipt. At the time of our audit, the Postal Service had not finalized over 6 percent[13] of the sample mailpieces we reviewed. This occurred because neither PARS nor personnel processing UAA mail were able to determine certain data elements of the mailpiece preventing finalization. For example, the image of a mailpiece may be hard to read, making finalization difficult.

- **No Record on File**. Clerks and carriers were attempting to forward mailpieces without a valid COA on file. The PARS training guide[14] states that clerks/carriers

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[6] All categories combined, 29.64 percent +/-3.38, 95 percent confidence level, projected nationwide.

[7] This includes, but is not limited to mailpieces not finalized, rejected for any reason, or not processed correctly based on existing business rules.

[8] Mail that requires – through normal processing operations – additional processing in PARS for finalization and processing to final destination.

[9] Our results showed 4.89 percent +/- 2.94, 95 percent confidence level, projected nationwide.

[10] There was no result type for the mailpiece in the Remote Performance Diagnostic Server system.

[11] *Postal Operations Manual*, Issue 9, Section 681.6.

[12] Processing means imaged, labeled, and sent forward to destination.

[13] Our results showed 6.31 percent +/-2.04, 95 percent confidence level, projected nationwide.

[14] *Postal Automated Redirection System Delivery Unit Clerk/Carrier Training*, Lesson 6.

must ensure there is an active COA on file for any mail that needs to receive forward processing. However, we found that more than 13 percent[15] of mailpieces returned to the processing and distribution center (P&DC) for forwarding did not have a valid COA on record. This occurred because management has not sufficiently trained clerks and carriers in the proper handling of UAA mail. Consequently, delivery unit clerks and carriers are inconsistent in their handling methods.

In addition, we found that PARS:

- Rejected[16] double-fed or mis-faced[17] mailpieces or required mailpieces to be rescanned.[18]

- Did not process the mailpiece correctly based on the ancillary endorsement on the mailpiece.[19]

- Finalized the mailpiece as a reverse-side scan in an attempt to gain more information. However, all data fields needed for forwarding were complete; therefore, PARS did not need to obtain any more information.

- Did not recognize a valid COA on file and forwarded the mailpiece as addressed.

- Read the sender's address as the receiver's address or vice versa.

The extra handling of mailpieces results in delayed mail processing, which affects customer service and increases costs. See Appendix B for our detailed analysis of this topic.

During the first 6 months of fiscal year (FY) 2009, we estimate the Postal Service incurred imputed costs of $1,985,066 for re-handling and re-processing UAA mail associated with these specific issues.[20] See Appendix C for our cost analysis of UAA mail associated with these specific issues.

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[15] Our results showed 13.28 percent +/-4.66, 95 percent confidence level, projected nationwide.

[16] Generally, PARS rejects mailpieces based on the camera capturing a blank or unreadable image.

[17] Combined Input/Output Sub-System-fed mailpieces resulted in PARS taking an image of the wrong side.

[18] All categories combined, 46.7 percent of the re-handled and re-processed mailpieces were rejects, mis-faced or double-fed.

[19] A mailer's ancillary endorsement instructs the Postal Service regarding a mailpiece's appropriate disposition upon determining that it is UAA.

[20] The total imputed cost for re-handling and re-processing mail includes the costs relating to mailpieces that were incorrectly intercepted, not finalized, or no record on file. In addition, there are other areas reported as mailpieces needing to be re-handled and re-processed; however, we did not impute those costs due to the negligible amounts.

We recommend the Vice President, Engineering:

2. Analyze existing standards to ensure metrics are meeting the current tolerance levels and adjust the matching logic within the Postal Automated Redirection System as deemed necessary.

Management's Comments

Management agreed with our recommendation and stated that they currently have processes in place to continuously analyze and improve system performance. Management also asserts that, as standard practice, they analyze key performance metrics and adjust matching logic to maximize savings. Management does not agree with the report findings contending a 5 percent intercepted mail error rate. Rather, management believes they meet and exceed the system performance criteria for intercepted mailpieces, and states that the OIG sample results exceed their own testing results. Management considers the recommendation closed.

Evaluation of Management's Comments

The OIG considers management's comments partially responsive. While we recognize the Postal Service has practices in place to monitor and analyze system performance, the results of our audit did show an error rate of approximately 5 percent for intercepted mailpieces without a valid COA on record. These results indicate the potential for improved system performance, as well as cost savings. As with any sample, management can expect different samples to yield different results. With anticipated UAA processing expenditures over $1 billion for FY2009, we encourage management to take a fresh look at the existing standards and matching logic to ensure optimum performance.

3. Investigate and correct the Postal Automated Redirection System's systemic issues contributing to undeliverable as addressed mail including, but not limited to:

   - Handling rejects, double-feeds, mis-faced, and rescans.
   - Processing mail with ancillary endorsements.
   - Handling mailpieces needing a reverse-side scan.
   - Recognizing a valid change of address on file.
   - Recognizing the sender's and receiver's addresses correctly.

Management's Comments

Management agreed with our recommendation. Management already has a process in place to continually examine PARS for systemic issues contributing to UAA mail and for implementing changes that improve system performance. Management contends that their current methods for re-processing (rehandling) of mailpieces such as double-

feeds, rescans, and reverse side processing are cost-effective and ensure the highest quality and adherence to service standards. Management considers the recommendation closed.

Evaluation of Management's Comments

The OIG considers management's comments partially responsive. We understand the deployment of PARS has resulted in significant benefits to the Postal Service that include improved customer service and cost savings. We understand the intended design of PARS and respect the complexity of the system. However, our audit identified specific areas where management may further improve service and maximize savings. Therefore, we encourage management to explore additional ways to improve system performance to maximize cost savings.

We recommend the Vice President, Network Operations:

4. Analyze, identify, and correct specific contributors resulting in the non-finalization of mailpieces in a timely manner and produce metrics that show improved timeliness of automated mail processing.

Management's Comments

Management agreed with our recommendation and will ensure all plants with PARS operations receive instructions on timely processing of all PARS mail. Management will also reinforce the correct reporting of PARS mail through the Mail Condition Reporting System (MCRS). Area PARS coordinators will monitor timely PARS processing at their plants through MCRS and intervene at plants with persistent delayed PARS operations. Management reinforced the PARS mail processing policies during the Area PARS Coordinators meeting on July 8, 2009. Management will establish a policy by July 31, 2009 requiring Area PARS Coordinators to monitor the MCRS reports and take action as necessary to ensure proper MCRS reporting and timely processing of PARS mail at all plants.

Evaluation of Management's Comments

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

We recommend the Vice President, Delivery and Post Office Operations, and Vice President, Network Operations:

5. Develop and execute a written plan to ensure clerks and carriers are provided periodic training in the proper handling of undeliverable as addressed mail.

Management's Comments

Management agreed with our recommendation. Delivery and Post Office Operations will update training for clerks and carriers on the proper handling of UAA mail by August 30, 2009. To ensure mail-processing clerks and non-bargaining employees receive periodic training in PARS operations, Network Operations will develop a written plan for both interim and long-term by July 31, 2009. Management has targeted January 31, 2010 for execution of the plan and completion of the training.

Evaluation of Management's Comments

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

The OIG considers recommendation 1 significant. We concur that management's corrective actions to date are sufficient to close the recommendation. Therefore, the Postal Service can close this recommendation in their follow-up tracking system.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Frances E. Cain, Director, Information Technology, or me at (703) 248-2100.

E-Signed by Darrell E. Benjamin, Jr
VERIFY authenticity with ApproveIt

Darrell E. Benjamin Jr.
Deputy Assistant Inspector General
  for Revenue and Systems

cc: Alice M. VanGorder
     James D. Wilson
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     John W. Brown
     David E. Williams
     James W. Kiser
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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

UAA mail consists of forwarded, returned to sender, or waste/dead mail. PARS handles UAA mail by imaging, labeling, and processing it for delivery. The objective of PARS is to identify and redirect UAA mail at the point-of-origin instead of its destination. This provides savings to the Postal Service through a reduction in re-handling and processing time associated with handling redirected mail. There are three mail streams for PARS:

1. Interception – mail the Postal Service confirms as UAA through normal mail processing operations.

2. Carrier Identified Forwarding – mail in which the carrier at the delivery unit has knowledge that the customer has moved and for which there is a valid COA on file. The carrier then sends this mail back to the P&DC for processing and forwarding to the customer's new address.

3. Return to Sender – mail that falls in the category of Attempted Not Known, In Dispute, Insufficient Address, Illegible, No Mail Receptacle, No Such Number, No Such Street, Refused, Temporarily Away, Unclaimed, Unable To Forward, or Vacant.

The Postal Service committed to reducing the 2004 cost of UAA mail by 50 percent by 2010.[21] In FY 2008, the Postal Service processed 3.33 billion pieces[22] of UAA mail costing over $1 billion.[23] In the first 6 months of FY 2009, they processed 1.67 billion pieces of UAA mail. If these trends continue, the Postal Service will spend over $1 billion again for processing UAA mail in FY 2009.[24]

The Postal Service is continually increasing its effort to improve the percentage of deliverable mail and, therefore, has updated the Move Update standard.[25] The Move Update standard ensures mailers[26] have the most up-to-date address information. The Postal Service requires mailers to use the Move Update standard if they wish to claim presorted or automation discount rates for First-Class Mail® or standard mail. If mailers fail to update their address information, the mail stream will contain mailpieces with incorrect or improperly formatted addresses and could result in UAA mail.

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[21] The 2004 cost of UAA mail data was not available for inclusion in this report.

[22] Only includes automated processing of letter mail. Does not include mail processed by the computerized forwarding service center, which processes flats, periodicals, and packages.

[23] We obtained this information from the National Customer Support Center based on their analysis of data from PARS. The information in the reports is not consistent; therefore, we are using the information for informational purposes only.

[24] We base this on our analysis of the National Customer Support Center's metrics.

[25] The Move Update standard is a means of reducing the number of mailpieces in a mailing that require forwarding or return by matching a mailer's address records with Postal Service address records.

[26] Mailers represent a body of customers/businesses who receive discount rates for bulk mailings.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to evaluate UAA mail to identify primary contributors and causes. We focused exclusively on internal contributors and causes of UAA mail and limited our scope to automated UAA mail, excluding mail processed manually by the Computerized Forwarding System centers.

To accomplish our objective, we reviewed documentation and available policies and procedures, interviewed key officials, and examined other material deemed necessary to accomplish our objective. We visited local P&DCs to obtain needed information and then expanded our focus to other areas nationwide. We also obtained documentation and reports for analysis and conclusions. In order to obtain the metrics of UAA mailpieces processed, we analyzed several different reports[27] obtained from PARS data.

We obtained a random sample of 24 P&DCs[28] and captured up to 15 images from the three different categories of UAA mail for each P&DC, giving us a total of 999 images.[29] We used the Remote Performance Diagnostic System to obtain our sample images. Using two-stage attribute sampling, we analyzed 999 images obtained from the 24 P&DCs. Then using the statistical model, we determined the ratios and percentages where our sample contained these specific attributes and the associated precisions and confidence intervals. See Appendix C for additional information.

We conducted this performance audit from November 2008 through July 2009 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 officials on June 3, 2009, and included their comments where appropriate.

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[27] We used the Combined Input/Output Sub-System label mode reports, PARS Mail Item Retrieval System report, and PARS Redirection Image Controller reports from the first 6 months of FY 2009.
[28] Universe included all PARS implemented P&DCs with a Combined Input/Output Sub-System machine.
[29] Categories included Intercept, Carrier Identified Forward, and Return to Sender.

APPENDIX B: DETAILED ANALYSIS

Undeliverable As Addressed Reporting Capabilities

In our attempt to obtain a count of UAA mailpieces processed, we were unable to reconcile data from several different reports generated from data sets within PARS. The PARS data sets measure many different metrics within the system. Address Management and other operations generate reports from these data sets and rely on this information to measure the amount of UAA mail. Each of these reports pull from different data sets and the various measures are inconsistent and unreliable. For example, the total amount of UAA mailpieces on different reports can differ as much as 20 percent. As a result, it is difficult to accurately measure the amount of UAA mail. Since Address Management cannot validate the numbers retrieved from PARS, there is no confidence in the reporting. Reliable and accurate reporting will provide management with better performance results and, therefore, a solid baseline for making informed decisions about actions to take to address this costly issue.

Re-Handling and Re-Processing Mailpieces

Postal Service customers expect timely, reliable, and accurate delivery services. The Postal Service is committed to reducing the cost of processing UAA mail by 50 percent by 2010 while providing excellent customer service. Incorrectly processed, rejected, double-fed, mis-faced or re-scanned mailpieces require costly re-handling or re-processing. If the Advanced Forwarding Reader[30] (AFR) and remote encoding center[31] (REC) cannot determine the data elements of a mailpiece, it will be rejected and output to a "special bin" on the machine, which collects this type of mail. The mailpiece will be re-run through PARS or handled manually for further processing. Almost 30 percent of UAA mail across all categories needed re-handling or re-processing. Of this 30 percent, 47 percent needed re-processing because PARS rejected, or double-fed mailpieces or mailpieces were mis-faced or required a rescan.

> **Intercepted Mailpieces**. PARS incorrectly intercepted approximately 5 percent[32] of mailpieces.[33] When PARS intercepts a mailpiece, it is because PARS, after searching the COA database, determined there was a potential COA on record for that mailpiece. However, based on the conservative matching logic used, the COA is an inexact match and PARS sends the mailpiece to the carrier for delivery as addressed. If the COA is not an exact match, the Postal Service wants to ensure it does not forward the mailpiece incorrectly. For example, the COA on record could be for a "Jane Doe at 123 Main Street," but the mailpiece is addressed to "Jane P.

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[30] The AFR reads address information from mailpieces and their images.

[31] If the system cannot verify the delivery point information, it forwards the imaged mailpiece to the REC where an operator performs a keying function to determine delivery point information. When the REC operator completes the address recognition function, they return the image result to PARS to determine the UAA status of the mailpiece.

[32] Our results showed 4.89 percent +/- 2.94, 95 percent confidence level, projected nationwide.

[33] Mailpieces intercepted through PARS but without a valid COA on record.

Doe at 123 Main Street." Because it is not an exact name match, the Postal Service will send the mail to the address on the mail piece and allow the carrier to return for forwarding, if needed. We found that PARS intercepted almost 5 percent of mailpieces incorrectly, delaying their processing.

Finalization of Mailpieces. After PARS images a mailpiece, the AFR determines the address and additional information necessary to forward the mailpiece to its destination. If the AFR cannot determine some of the information, it will forward the image to personnel at the REC for verification. Once finalized, the mailpiece will be labeled and sent on to its destination. Finalization and labeling can only happen if the AFR or REC can determine the data elements of the mailpiece. Generally, the mailpieces are imaged during one tour and labeled on the following tour, allowing for analysis and finalization of the mailpiece before labeling. Images for non-finalized mailpieces need to be re-processed within 72 hours or the image and data will timeout on the PARS system. If the mailpiece cannot be finalized in a timely manner, it will have to be re-processed or handled manually, further delaying its arrival and adding to the cost. We found that 6 percent of UAA mail did not result in finalization at the time of our analysis and required re-handling and re-processing.

No Record on File. Management did not sufficiently train all personnel in the handling of UAA mail. Our visits to delivery units revealed there are delivery unit inconsistencies among clerks and carriers regarding the handling of Carrier Identified Forward and no record mail. According to policy,[34] the Postal Service automatically generates a Postal Service (PS) Form 3982 label[35] when a customer files a COA. The computerized forwarding system provides the label to the customer's carrier, notifying the carrier that the customer has a COA on record. The carrier returns the mailpieces to the P&DC based on the carrier's knowledge of the customer. Of these, 13 percent did not have a valid COA on record and the carrier should not have sent the mailpiece to the P&DC for forwarding.

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[34] *Postal Automated Redirection System Delivery Unit Clerk/Carrier Training*, Lesson 4
[35] PS Form 3982, Carrier Notification of a Customer Move, is a reference for customer removals from the route so carriers can set aside the mail for these customers for forwarding.

APPENDIX C: SAMPLING METHODOLOGY AND COST ANALYSIS OF UNDELIVERABLE AS ADDRESSED MAIL

Purpose of the Sampling

Our objective was to evaluate UAA mail for identifying primary contributors and causes. In support of this objective, we selected a random sample of 24 P&DCs, collecting imaged mailpieces to analyze and conclude on potential contributors and causes of UAA mail.

Definition of the Audit Universe

The audit universe consisted of 152 P&DC sites containing PARS enabled Combined Input/Output Subsystem machines nationwide as of March 2, 2009. From these sites, we randomly selected 24 P&DCs and obtained 999 sample images: 348 from Intercept; 318 from Carrier Identified Forward; and 333 from Return to Sender categories.

Sample Design and Modifications

Based on the decision to use a 2-stage unrestricted attribute sample, we randomly selected up to 15 images from three categories for 24 P&DC sites. If the site did not contain all 15 of the selected image numbers, we captured as many of the images the site had within our selected image numbers.

Statistical Projections of the Sample Data

To determine the contributors and causes of UAA mail, we analyzed the sample images using questions developed from Postal Service business rules. After analyzing each individual imaged mailpiece, we concluded on potential contributors and causes and used a statistical model to calculate our percentages in these areas. We calculated the cost of affected mailpieces by using a conservative estimate of UAA mailpieces during the first 6 months of 2009.

The following table presents a conservative estimate of the imputed costs the Postal Service incurs for the re-handling and re-processing of the UAA mail. We used an estimate of UAA mailpieces processed and cost per piece for re-handling and re-processing the mail. From October 2008 through March 2009, the Postal Service processed over 1.67 billion pieces of automated UAA mail.[36] The automated cost of processing this mail is $4 per 1000 pieces, which equates to $.004 per piece to re-

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[36] This number was obtained from the PARS Redirection Image Controller Reports from October 2008 through March 2009. The number only includes automated processing of letter mail, not periodicals or packages processed through computerized forwarded system center.

handle and re-process.[37] We are not claiming monetary benefit due to the low statistical confidence level and precision rate of the sample when projected nationwide.

<p align="center">COST ANALYSIS OF UNDELIVERABLE AS ADDRESSED MAIL</p>

Finding	Total Number Of UAA Mailpieces	Percentage of Sample Pieces Affected	Total Number of Affected UAA Mailpieces[38]	Per Piece Cost To Re-handle and Re-process	Total Cost to Re-handle and Re-process UAA Mail[39]
Re-Handling and Re-Processing Mailpieces	1,674,313,192	29.64	496,266,430	0.004	$1,985,066
Incorrectly Intercepted in PARS	1,674,313,192	04.89	81,873,915	0.004	$327,496
Finalization of Mailpieces	1,674,313,192	06.31	105,649,162	0.004	$422,597
No Record On File	1,674,313,192	13.28	222,348,792	0.004	$889,395

The total imputed cost for re-handling and re-processing mail includes the costs relating to mailpieces that were incorrectly intercepted, not finalized, or no record on file. In addition, there are other areas reported as mailpieces needing to be re-handled and re-processed; however, we did not impute costs or include these areas in the above table due to the negligible amounts.

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[37] Numbers taken from the *Postal Service Re-Handling of Mail Pieces Best Practices.*
[38] Total number of UAA mailpieces multiplied by the percentage of sample pieces affected.
[39] Total number of affected UAA mailpieces multiplied by the per piece cost to re-handle and re-process.

APPENDIX D: MANAGEMENT'S COMMENTS

WALTER O'TORMEY
VICE PRESIDENT
ENGINEERING

UNITED STATES
POSTAL SERVICE.

July 15, 2009

LUCINE M. WILLIS
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1735 NORTH LYNN STREET
ARLINGTON, VA 22209-2020

SUBJECT: Draft Audit Report – Address Quality (Report Number IS-AR-09-Draft)

Thank you for the opportunity to review and comment on the subject draft audit report. As discussed previously with the audit team, our understanding is that the report is focused solely on the Postal Automated Redirection System (PARS) and its operation, rather that the entire Undeliverable-as-Addressed (UAA) mail base and systems.

Overall, we share your interests in ensuring that this system operates in the most effective and efficient manner. We do, however, feel that the report fails to recognize the breakthrough advances achieved with PARS and incorrectly portrays it as an error-prone system. Additionally, many of the issues noted as systemic in the report suggest that there may be an inaccurate understanding of how the system was designed to operate.

PARS deployment has resulted in significant benefits to the Postal Service and our customers in both cost savings and service improvements by automating the interception and forwarding of letter mail that is undeliverable as addressed. Since PARS was fully deployed in September 2007, the handling of UAA mail has improved significantly and is estimated to be saving the Postal Service nearly $300 million annually. The number of Computerized Forwarding System (CFS) sites has been reduced by nearly 50 percent, to 93, and mechanized terminals previously used to forward letters have been completely eliminated. Furthermore, the average number of days to forward mail has been reduced from five days to two days. This has resulted in a 45 percent reduction in customer service complaints concerning the time taken to forward mail. Overall the number of customer service complaints related to UAA mail has dropped by more than 60 percent.

Following are the Postal Service's responses to the OIG's recommendations:

Undeliverable as Addressed Reporting Capabilities

Recommendation 1

We recommend the Senior Vice President, Intelligent Mail and Address Quality, collaborate with the Vice President, Engineering, and Vice President, Network Operations, to:

1. Develop a reporting mechanism that will provide consistent reliable and measureable counts of automated undeliverable as addressed mail processed by the Postal Automated Redirection System to enhance trend analysis, reconcile the count of undeliverable as addressed mail and identify cost reduction opportunities.

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703-280-7001

Response

The Postal Service agrees with this recommendation. Representatives of the groups identified have met to review the different reports being produced and confirmed that the UAA data being reported by our Intelligent Mail and Address Quality (IMAQ) group is the appropriate representation of UAA volumes as it measures the specific counts of mail pieces that are either forwarded, returned-to-sender, or treated as waste. Other statistical reporting of mail processed remains appropriate to serve other operational purposes. The term "UAA" as currently described in these other reports will be redefined to reduce the potential for confusion.

The IMAQ group will be responsible for providing the official counts of UAA mail as it relates to the monitoring of UAA volumes for trend analysis and cost reduction purposes. Tabulation of UAA data reported by IMAQ will be limited to the UAA volumes reported by PARS and the Computerized Forwarding System (CFS) facilities. The UAA volumes reported by IMAQ will not include any counts of UAA mail treated as waste at delivery units. A copy of the IMAQ UAA report currently being produced is attached.

As action on this recommendation is complete, we consider it to be closed with the issuance of this report.

Re-Handling and Re-Processing of Mailpieces

Recommendation 2

We recommend the Vice President, Engineering:

2. Analyze existing standards to ensure metrics are meeting the current tolerance levels and adjust the matching logic within the Postal Automated Redirection System as deemed necessary.

Response

The Postal Service agrees with the recommendation and has processes in place that currently accomplish this. The PARS program is based on incentives with the supplier to continuously improve system performance. As standard practice, the Postal Service analyzes key performance metrics and directs the supplier to change the matching logic to maximize the savings. Engineering analyzes every software release and the performance is validated in an actual live mail environment and laboratory.

The Postal Service does not agree with the report findings contending a 5 percent intercepted mail error rate. PARS has met and exceeds the system performance criteria of no more than a 2 percent error rate as specified in the statement of work (SOW) and as validated during acceptance testing. For example, in October 2007, the measured system error rate for the PARS software used during this audit (IMS version 4.0) was 1.6 percent, which is far below the 5 percent stated in this report. Preliminary findings from error rate analysis for the current release (IMS version 5.1) show an even lower error rate.

The specific data element referenced in the report finding – non-UAA mail pieces – are not erroneous or incorrectly handled pieces. Rather, these are correctly handled pieces to ensure that PARS doesn't incorrectly forward the mail piece. This contributes to meeting the high quality standards and directly contributes to service improvements for processing UAA mail.

We consider this recommendation to be closed with the issuance of this report.

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Recommendation 3

We recommend the Vice President, Engineering:

3. Investigate and correct the Postal Automated Redirection Systems systemic issues contributing to undeliverable as addressed mail including but not limited to:
   - Handling rejects, double-feeds, mis-faced and rescans.
   - Processing mail with ancillary endorsements.
   - Handling mail pieces needing reverse side scan.
   - Recognizing a valid change of address on file.
   - Recognizing the senders and receivers addresses correctly.

Response

The Postal Service agrees with this recommendation to investigate and correct PARS systemic issues contributing to UAA mail. However, mail pieces falling into categories such as double-feeds, rescans, reverse side processing, and non-UAA are not considered rejects but are required mail flows to minimize critical errors and reduce the manual handling of UAA mail. The re-processing (rehandling) of these mail pieces within the automation mail stream is cost-effective and ensures the highest quality and adherence to service standards by reducing the time it takes to forward or return mail.

The Postal Service has a process in place to continually examine PARS for systemic issues contributing to UAA mail and implementing changes that improve system performance. The PARS reader and recognition systems are constantly monitored for adherence to performance tolerances and meet or exceed the SOW standards.

As a process is already in place to monitor and correct systemic issues, we consider this recommendation to be closed with the issuance of this report.

Recommendation 4

We recommend the Vice President, Network Operations:

4. Analyze, identify, and correct specific contributors resulting in the non-finalization of mailpieces in a timely manner and produce metrics that show improved timeliness of automated mail processing.

Response

Management agrees with this recommendation. We will ensure that all plants with PARS operations receive reinforcement of instructions on the need for timely processing of all PARS mail, including rehandle categories such as mis-faced, doublefed, rescan, and reverse side scanning. We will also reinforce the requirement for correct reporting of PARS mail in the Mail Condition Reporting System (MCRS). Area PARS Coordinators will be tasked to monitor timely PARS processing at their plants through the MCRS and intervene at PARS plants with persistent delayed PARS operations.

In addition, Management is evaluating the opportunity to consolidate Combined Input/Output Subsystem (CIOSS) operations into fewer plants. Placing responsibility for CIOSS processing into fewer plants will allow better control. These plants would focus staffing resources on management of PARS operations to ensure all PARS volumes are processed in a timely manner.

Target Implementation Date: *Management reinforced the PARS mail processing policies during the Area PARS Coordinators meeting on July 8, 2009. We will establish a policy for Area PARS*

3

Coordinators to monitor the MCRS and take action as necessary to both require proper MCRS reporting and to process PARS mail in a timely manner at all plants by July 31, 2009.

Recommendation 5

We recommend the Vice President, Delivery and Post Office Operations, and Vice President, Network Operations:

5. Develop and execute a written plan to ensure clerks and carriers are provided periodic training in the proper handling of undeliverable as addressed mail.

Response - Delivery and Post Office Operations

Management agrees with this recommendation. The delivery unit training package for proper handling of UAA mail for clerks and carriers will be updated. A written plan for the delivery unit training will include topics for stand-up talks and release dates.

Target Implementation Date: *Delivery Unit Training for Clerks and Carriers – August 30, 2009*

Response – Network Operations

Management agrees with this recommendation. Network Operations will develop and execute a written plan to ensure that Mail Processing clerks and EAS employees receive periodic training in PARS operations.

In the past, we have depended on Area PARS Coordinators to cascade training down to Plant PARS Coordinators who, in turn, deliver training to clerks. We have initiated review of existing PARS Mail Processing training and plan to update this training for clerks to be specifically focused on the work content for the jobs to which they are assigned. We plan to do the same for Supervisors, Distribution Operations (SDOs), and Managers, Distribution Operations (MDOs). The SDO/MDO training will be appropriate for Operations Support Specialists and Industrial Engineers.
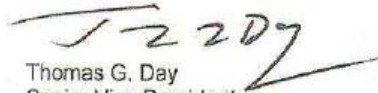
The target for the completion of development of this training is January 31, 2010. This is a substantial undertaking. The current Mail Processing PARS training is a 20 hour course. This course needs to be broken apart and developed into one-to-two hour sections appropriate for craft and EAS employees. The duration will be reduced significantly to become focused on specific tasks that make up PARS operations.

Until the PARS Mail Processing training is revised, we will reinforce with our Area and Plant PARS Coordinators the need to ensure that all craft and management employees involved in PARS operations have a thorough understanding of their role in the PARS process. Furthermore, we will emphasize the tasks they need to execute to ensure that PARS mail is processed correctly and in a timely manner.

Operations is also evaluating the opportunity to consolidate CIOSS operations into fewer plants. This allows us the ability to assign employees full time on PARS operations, and focus training on specific employees to improve PARS mail processing operations.

Target Implementation Date: *A written plan for both the interim and the long-term will be developed by July 31, 2009. Area PARS Coordinators will be directed to convey the direction to Plant PARS Coordinators to reinforce training that has been provided to craft and management employees working in PARS operations. The target date to complete the revision of the PARS Mail Processing training is January 31, 2010.*

4
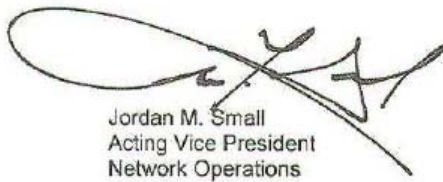
This report and management's response do not contain information that should be exempt from disclosure under the Freedom of Information Act.

Thomas G. Day
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Intelligent Mail and Address Quality

David E. Williams
Acting Vice President
Engineering

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Acting Vice President
Delivery and Post Office Operations

cc: Mr. Galligan
        Ms. Banks

5

FY09YTD OCT 2008 - MAY 2009   Intelligent Mail & Address Quality   6/18/2009

Undeliverable-As-Address Mail Volumes

COMBINED 3925 & PARS RIC REPORTS

CFS/PARS STATS	FIRST	%1ST	%CLASS	PERIODICAL	%PER	%CLASS	STD	%STD	%CLASS	PKG SRVCS	%PKG	%CLASS	TOTAL	%TOT
TOTAL FORWARDS	832,503,125	45.21%	93.12%	45,221,955	35.71%	5.06%	14,932,531	3.57%	1.67%	1,382,676	17.92%	0.00%	894,040,287	37.35%
RETURNED	989,756,095	53.74%	97.31%	201,556	0.16%	0.00%	26,047,445	6.23%	2.56%	1,075,984	13.95%	0.00%	1,017,081,080	42.45%
WASTED	19,326,448	1.05%	4.00%	81,210,923	64.13%	0.00%	376,974,008	90.20%	78.09%	5,255,636	68.13%	0.00%	482,767,015	20.17%
TOTALS	1,841,585,668	100.00%		126,634,434	100.00%		417,953,984	100.00%		7,714,296	100.00%		2,393,888,382	100.00%

3925 REPORTS

CFS STATS	FIRST	%1ST	%CLASS	PERIODICAL	%PER	%CLASS	STD	%STD	%CLASS	PKG SRVCS	%PKG	%CLASS	TOTAL	%TOT
FFT/NMT	60,783,580	70.29%	90.36%				6,483,814	17.62%	9.64%				67,267,394	26.11%
MT	-	0.00%					-	0.00%					-	0.00%
TOTAL FORWARDS	60,783,580	70.29%	53.38%	45,221,955	35.71%	39.71%	6,483,814	17.62%	5.69%	1,382,676	17.92%	0.00%	113,872,025	44.20%
FFT/NMT	25,093,152	29.02%	85.97%				4,094,702	11.13%	14.03%				29,187,854	11.33%
MT	-	0.00%					-	0.00%					-	0.00%
RETURNED	25,093,152	29.02%	82.37%	201,556	0.16%	0.00%	4,094,702	11.13%	13.44%	1,075,984	13.95%	0.00%	30,465,394	11.83%
FFT/NMT	602,028	0.70%	2.25%				26,213,260	71.25%	97.75%				26,815,288	10.41%
MT	-	0.00%					-	0.00%					-	0.00%
WASTED	602,028	0.70%	0.53%	81,210,923	64.13%	0.00%	26,213,260	71.25%	23.14%	5,255,636	68.13%	0.00%	113,281,847	43.97%
TOTALS	86,478,760	100.00%		126,634,434	100.00%		36,791,776	100.00%		7,714,296	100.00%		267,619,266	100.00%

PARS RIC REPORTS

PARS STATS	FIRST	%1ST	%CLASS	PERIODICAL	%PER	%CLASS	STD	%STD	%CLASS	PKG SRVCS	%PKG	%CLASS	TOTAL	%TOT
LOCAL	269,623,556	15.36%	99.07%		0.00%	0.00%	2,522,596	0.66%	0.93%		0.00%	0.00%	272,146,152	12.74%
NON-LOCAL	502,095,989	28.61%	98.83%		0.00%	0.00%	5,926,121	1.55%	1.17%		0.00%	0.00%	508,022,110	23.78%
REVISED UBBM							25,246,929	6.62%					25,246,929	1.18%
TOTAL FORWARDS	771,719,545	43.97%	98.92%		0.00%	0.00%	8,448,717	2.22%	1.08%		0.00%	0.00%	780,168,262	36.52%
RETURNED	964,662,943	54.96%	97.77%		0.00%	0.00%	21,952,743	5.76%	2.23%		0.00%	0.00%	986,615,686	46.18%
WASTED	18,724,420	1.07%	5.07%		0.00%	0.00%	350,760,748	92.02%	94.93%		0.00%	0.00%	369,485,168	17.30%
TOTALS	1,766,106,908	100.00%					381,162,208	100.00%					2,136,269,116	100.00%