



January 28, 2016

MEMORANDUM FOR: CHARLES F. CONTI
PLANT MANAGER, JOHN F. KENNEDY INTERNATIONAL
AIRPORT, INTERNATIONAL SERVICE CENTER

ISIDORE D. SZCZEPANIAK
PLANT MANAGER, SAN FRANCISCO INTERNATIONAL
AIRPORT, INTERNATIONAL SERVICE CENTER

E-Signed by Janet Sorensen 
VERIFY authenticity with eSign Desktop


FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Revenue and Resources

SUBJECT: Management Alert – International Inbound Mail Verification
(Report Number MR-MT-16-001)

This management alert presents our concerns regarding the international inbound mail verification process at select U.S. Postal Service international service centers (Project Number 16RG006MR000). These concerns came to our attention during our *Extraterritorial Offices of Exchange* review (Project Number 15RG034MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lisa M. Nieman, director, Marketing and International, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Introduction

The purpose of this management alert is to highlight significant international inbound mail verification weaknesses at the U.S. Postal Service's international service centers (ISC) at the John F. Kennedy International Airport (JFK) and San Francisco International Airport (SFO) locations that require your immediate attention. We observed these weaknesses during site visits we made to these ISCs from August to October 2015 as part of our *Extraterritorial Offices of Exchange* (ETOE)¹ review.

Inbound international mail (or dispatch mail) is mail that originates in foreign countries for delivery in the U.S. The Postal Service recorded international mail volume of about 940 million mailpieces in fiscal year 2015. This mail typically arrives at one of the five Postal Service ISCs via air carriers and their related operations. Once mail is delivered, Postal Service policy requires employees to verify each mailing receptacle² through the Receipt Verification System (RVS).

The RVS process begins³ when the employee scans the identification label (i.e., CN-35 tag) that was affixed to each mail receptacle in the country of origin. This label includes information such as the origin country and city, destination country and city, type of mail, dispatch date and number, and receptacle weight and number in the dispatch. The Postal Service then decides to accept the mailing or return it to the air carrier based on the scan results. Mailings are returned to air carriers for multiple reasons, such as those incorrectly routed to the ISC or if the RVS scan indicated the mailing was from an ETOE.

It is critical that the Postal Service follow its RVS-related guidance and procedures to mitigate the following risks associated with international inbound mailings:

- *Financial Risk* – risks to Postal Service revenue, including the potential of incurring undue costs for handling mailings that do not meet Postal Service mail acceptance requirements or have insufficient postage.
- *Operational Risk* – risks that unacceptable mailings are passed through the network.
- *Safety and Security Risk* – risks that Postal Service employees, operations, customers, and the general public are not safe from unauthorized international mailings.

¹ ETOEs are businesses operated by, or in connection with, a postal operator outside of its national territory within the borders of another country. ETOEs consolidate mailings or shipments from within the country where they are located and transport this mail to a destination country for delivery. We will provide a separate report with the results of our evaluation of ETOEs.

² For the purposes of this alert, we refer to bags that contain multiple mailpieces as receptacles.

³ All inbound international mail is subject to Customs and Border Patrol (CBP) inspection. The Postal Service must make all mail available to CBP and must present all inbound international mail that CBP requests based on countries of origin and types of mail.

During the course of our ETOE review, we observed international inbound mail acceptance and verification procedures at four of the five Postal Service ISCs⁴ (New York, Miami, Los Angeles, and San Francisco), interviewed ISC managers and clerks at each location, and reviewed applicable Postal Service policies and procedures.

Conclusion

The Postal Service is not consistently complying with its verification processes for inbound mail, as we found instances of improper scanning and handling of these mailings at the JFK and SFO ISCs. First, we observed employees removing inbound mailing identification tags from receptacles without first scanning them for verification, thus allowing mail into the Postal Service's processing network prior to verification. Second, we learned that a Postal Service clerk at the JFK ISC was improperly allowing certain international inbound items into the network even after warning prompts from the scan that the mailings should not be accepted. Postal Service staff attributed these issues to lack of time to meet processing standards and lack of awareness of processes for handling certain international mailings. Continuing to allow unverified and unauthorized international mailings into the Postal Service network may subject the Postal Service, its employees, and its customers to financial, operational, and safety risks.

International Inbound Mail Verification

The Postal Service was incorrectly accepting international mailings, as clerks were allowing unverified and unauthorized mailings to enter the Postal Service network. First, we observed inbound mailing identification tags being incorrectly removed from receptacles without being scanned for verification. Figures 1 and 2 show examples of a tray of tags that were removed prior to scanning and verification. The receiving clerk confirmed to the team that the pictured tray of tags had not been scanned into RVS and the contents of the receptacles had already proceeded to the next stage in the Postal Service's processing network. Postal Service staff attributed these issues to lack of time to meet processing standards.

⁴ We did not visit the Postal Service's Chicago ISC.

Figure 1. Tray of Unscanned CN-35 Tags

Source: U.S. Postal Service Office of Inspector General (OIG) photograph taken September 9, 2015.

Figure 2. Closer Images of Unscanned CN-35 Tags

Source: OIG photographs taken September 9, 2015.

Postal Service guidance⁵ stipulates that international mailings should not be entered into the network until the receptacle tag is scanned and the mailing is approved for acceptance. Although some tags may have been subsequently scanned, by that point the items would have already entered the Postal Service's processing stream. In future instances where a subsequent scan indicates that a mailing did not pass verification, the Postal Service would incur additional costs associated with a clerk having to go back and remove the mailing receptacle.

Second, we found a clerk at the JFK ISC allowing unauthorized mailings — specifically, ETOE mailings that showed a warning prompt after being scanned — to enter the network. [Figure 3](#) shows an example of such a warning prompt.

⁵ The Postal Service's *RVS Processing* guidance instructs clerks that mail receptacles may flow to their respective processing areas after a scan has been performed.

Figure 3. Prompt When an ETOE Item is Identified

Source: Postal Service.

Postal Service policy⁶ stipulates that international mailings that do not pass RVS verification (such as the mailing in Figure 3) should not enter the network. The Postal Service clerk attributed these issues to a lack of awareness of processes for handling ETOE mail.

In both of these instances, international mailings were improperly entered into the ISC network. We reached out to the plant manager at each facility and the manager at the JFK ISC stated that he thought the issue at his plant had been occurring since February 2015. He subsequently implemented corrective action, including holding regular meetings with clerks to improve awareness and monitoring of these operations. The manager at the SFO ISC was on detail at another facility during the time of the team's site visit, and he was not fully aware of process weaknesses at the facility. Effective immediately, the manager agreed to resolve the issues by initiating service talks with all clerks to increase awareness and ensure transactions are scanned into the system before further processing.

Developing a remediation plan to ensure compliance with, and raise employee awareness of, applicable processes in this area could enhance these corrective actions and help further mitigate potential financial, operational, and safety risks that come from accepting and inducting unverified and unauthorized international mailings.

⁶ ETOE Standard Operating Procedure – Handling of Import Shipments Belonging to Extra Territorial Offices of Exchange states that clerks are not to "ignore the [Global Business Systems] receipt system message when it identifies a shipment as an ETOE." Furthermore, "each receptacle identified as ETOE must have a 'Return to Origin - Refused by USPS' sticker on each sack tag" and should be immediately returned to the carrier representative.

Recommendation

We recommend plant managers at the John F. Kennedy International Airport and San Francisco International Airport International Service Centers:

1. Develop a remediation plan to ensure compliance with and raise employee awareness of Postal Service inbound mail verification processes.

Management's Comments

Management agreed with our observations and recommendation.

Regarding our observations, management stated that sharp volume increases for particular international products (ePackets from China) at times resulted in processing delays. Management also stated that the SFO ISC used the methods described in the report to minimize the adverse impact of facility/yard space constraints.

Management also described actions to enhance its receipt procedures, including a pilot project at the JFK ISC to ensure that the Postal Service obtains a receptacle scan for inbound mailings, as well as having JFK ISC management reissue instructions outlining the proper receipt procedures and noting that it is unacceptable for labels to be removed/pulled prior to RVS scanning. Local management should also reinforce awareness, monitor compliance, and take corrective actions as needed.

Regarding our recommendation, management stated that as part of the action plan, procedures and service talks on the importance of compliance were reviewed and reissued. Management also stated that compliance monitoring, education, and awareness will continue. Management stated that implementation has already occurred at the JFK ISC, and provided a targeted implementation date of April 4, 2016, for the SFO ISC.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation, and management's corrective actions should resolve the issues identified in the report.

This recommendation 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 recommendation can be closed.

Appendix A: Management's Comments



January 19, 2016

Laurie Dillard
DIRECTOR, AUDIT OPERATIONS

SUBJECT: International Inbound Mail Verification (Report Number 16RG006MR000)

Management agrees with identified observations – however, this product is processed in this manner at the JFK and SFO International Service Centers (ISCs) since there is minimal risk that ePackets are being sent as ETOE volume. The majority of the ePacket volume is received from China and the USPS has seen double-digit growth over the past few years. In FY 2014, the USPS received approximately 21,579,415 items as compared to 32,515,603 items (based on PREDES data) which is an increase of 51%. The sharp increase in daily volume has at times resulted in some delayed processing of USPS premium products and has also impacted the timely processing by Customs. The SFO ISC also has facility/yard space constraints which at times can adversely affect all products and has used this modified method to minimize the impact. However, the site should be receiving the CN35s for this product within one hour of removing/pulling the tags.

The USPS also launched a pilot prior to PEAK at the JFK ISC whereas a Terminal Handling Supplier (THS) receives this product and segregates receptacles that Customs have placed a "hold" for additional security screening (inbound receptacles). To date, the pilot has been very successful and International Operations are evaluating the feasibility of replicating this process at other ISCs to address the increase in ePacket volume and ensure the USPS obtains a receptacle scan for inbound volume.

Although employees had been previously been instructed on the proper receipt procedures, in October 2015, JFK ISC management re-issued instructions outlining the proper procedure and noting it is unacceptable for labels be removed/pulled prior to RVS scanning. Local management (Supervisors, Managers, In-Plant Support, and Plant Manager) is monitoring for compliance on a daily basis and corrective action will be taken as needed. Local management regularly uses daily tour turnover meetings as a form of re-enforcement and ongoing awareness. The focus and awareness will continue moving forward and all supervisors and managers are responsible for ensuring full compliance.

Financial Risk – Postal revenue for processing foreign inbound mail volume is via terminal dues not postage applied at origin. Postage is revenue for origin post volume and terminal dues is managed by international accounting.

Operational Risk – There is no risk to operations that would be identified by scanning the CN35 receptacle label; if foreign posts are not compliant with size or content it would be identified when it is opened by operations and can be addressed accordingly.

Safety and Security Risk – Scanning of a CN 35 receptacle label will not identify potential safety or security issues; Customs and Border Protection screening processes and airline screening are designed to do random and targeted screening.

Recommendation:

Recommend plant managers at the JFK International Service Center and SFO International Service Center: Develop a remediation plan to ensure compliance with and raise employee awareness of Postal Service inbound mail verification processes.

Management Response/Action Plan:

Management agrees with recommendation and as part of the action plan, the procedures and service talks were reissued on multiple occasions and numerous discussions have occurred on the importance of compliance. Management will continue to monitor compliance and ensure ongoing communications and education continues for all employees at the daily tour turnover meetings. Managers and Supervisors were mandated to review the approved process and ensure all employees associated with this process know and understand the procedures. The focus and awareness will continue moving forward. All Managers, Supervisors are responsible for compliance.

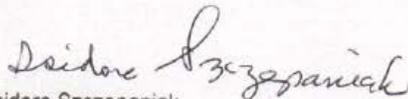
Target Implementation Date:

Implementation has occurred at JFK ISC and will be completed NLT April 4, 2016 at the SFO ISC.

Responsible Officials:



Charlie Conti
Plant Manager, JFK ISC



Isidore Szczepaniak,
Plant Manager, SFO ISC

- cc Deborah Essler, Manager, Operations Support, Northeast Area
- Greg Graves, Manager, Operations Support, Pacific Area
- Freemont Rigel, A/Executive International Network Operations
- Manager, Corporate Audit Response Management