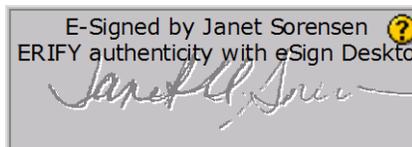




September 21, 2016

MEMORANDUM FOR: ROBERT CINTRON
VICE PRESIDENT, NETWORK OPERATIONS

████████████████████
MANAGER, ██████████ DISTRICT



FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Retail, Delivery and Marketing

SUBJECT: Management Alert – Inbound International Mail Operations –
██████████ International Service Center
(Report Number MS-MT-16-003)

This management alert presents the results of our review of Inbound International Mail Operations – ██████████ International Service Center (Project Number 16RG016MS001). We are issuing this alert because some inbound international mail ██████████ ██████████ for inspection as required by U.S. Customs and Border Protection at this facility. This could present public safety and security concerns, which could reflect poorly on the U.S. Postal Service's brand or image.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joe Wolski, director, Retail, 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 [REDACTED] [REDACTED] at the U.S. Postal Service's [REDACTED] ([REDACTED]) International Service Center (ISC) that require your immediate attention (Project Number 16RG016MS001). We observed [REDACTED] to the ISC in June and July 2016 as part of our *Illegal and Unauthorized Inbound International Mailings* review. We met with ISC managers and clerks, and reviewed scan data and applicable Postal Service policies and procedures related to the specific issues in this alert.

ISCs receive inbound international mail from foreign countries and distribute and dispatch international mail received from a designated service area to specific foreign countries or to gateway exchange offices.¹ The Postal Service operates ISCs in New York, Chicago, Los Angeles, San Francisco, and Miami.² All inbound international mail is subject to inspection by U.S. Customs and Border Protection (CBP).³ The Postal Service must coordinate with, and make all mail available to, CBP, and [REDACTED] [REDACTED] that CBP requests.⁴

CBP inspects mail in a designated area inside the [REDACTED] ISC using radiation screening, X-ray screening, or visual and physical inspection. In fiscal year (FY) 2015, about 219 million pieces of international mail⁵ entered the U.S. from foreign countries. The [REDACTED] ISC received about 47 million pieces, or about 21 percent of these mailings.

Conclusion

We found the Postal Service [REDACTED] [REDACTED] [REDACTED] Specifically, we observed [REDACTED] [REDACTED] as required. Postal Service employees and CBP officials corroborated that [REDACTED]. This occurred because Postal Service and CBP management did not always effectively work together to clarify and communicate CBP expectations. There also was no written document,

¹ International gateway exchange offices distribute and dispatch international mail received from a designated service area in addition to low-volume mail received from other international Postal Service facilities.

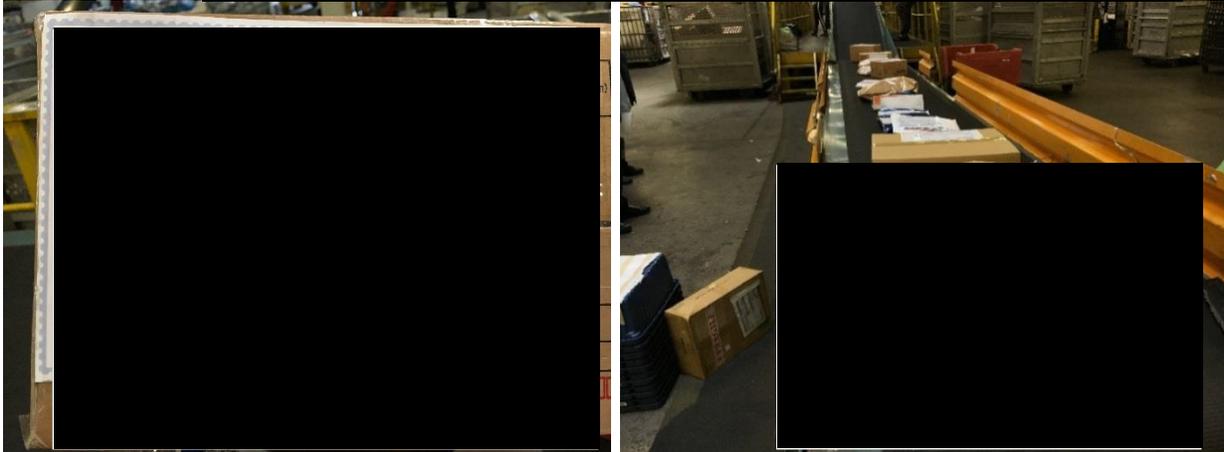
² Each ISC processes different categories of mail for different regions of the world.

³ Code of Federal Regulations, Title 19, Customs Duties, April 1978, Section 145.2 (Mail Subject to Customs Examination). *International Mail Manual*, October 2013, Section 711.1 (What Is Subject to Examination); Handbook T-5, *International Mail Operations*, May 2015, Section 381 (Mail Requiring Customs Treatment).

⁴ The terms [REDACTED]

⁵ For the purposes of this report, we focused on international mailings such as [REDACTED] [REDACTED] that are inspected by CBP, and refer to them as "mailings" or "mail" throughout the report. We excluded [REDACTED], of which, 49 million were received by the [REDACTED] ISC in FY 2015.

Figure 1. [REDACTED]



Source: U.S. Postal Service Office of Inspector General (OIG) photographs taken at the [REDACTED] ISC June 15 and 28, 2016.

Postal Service and CBP employees both acknowledged mail [REDACTED]. A CBP supervisor at the facility stated that there was a [REDACTED]

[REDACTED]. Prior to May 2015, CBP routinely screened an average of about [REDACTED] parcels each month. As of May 2016, CBP was screening an average of about [REDACTED] 0 parcels each month. [REDACTED]

[REDACTED] Inbound international volume at the [REDACTED] ISC grew from 33.7 million in FY 2014 to 47 million in FY 2015, nearly a 40 percent increase.

In June 2016, a CBP official at the [REDACTED] raised concerns about these presentation issues via email to the Postal Service. The email stated that [REDACTED]

[REDACTED] However, during our review, we noted this email was addressed to the senior plant manager, rather than the acting plant manager, who had been filling the role since November 2015.

These collective mail presentation issues occurred because:

- Postal Service and CBP management did not always effectively work together to clarify and communicate CBP expectations. Postal Service managers stated that they had always been in compliance with CBP's expectation that they [REDACTED] [REDACTED] for inspection. However, CBP officials stated their expectation has always been that [REDACTED].
- There was no written document, such as a memorandum of understanding, between the Postal Service and CBP clearly stating CBP's requirements for [REDACTED] [REDACTED] at the [REDACTED] ISC. Such a memorandum would help document CBP's expectations and the Postal Service's understanding.

CBP has expressed its concern regarding safety risks that arise when inbound international mail ██████, stating “significant risk exists to the U.S. through mail importation of illicit goods, narcotics and the possibility of radioactive materials that could pose a threat to national security.” ██████

████████████████████; affect employees, public safety, and security; and reflect poorly on the Postal Service’s brand or public image.

Postal Service and CBP management have initiated corrective actions at the ██████ ISC. Officials met on June 28, 2016, and agreed the Postal Service would begin ██████ at the ██████ ISC to ensure ██████ to CBP. On July 27, 2016, we observed that the Postal Service was making ██████, including ██████

Scanning of Inbound International Mailings

We also found errors related to the scanning of inbound international mailings during our initial site visits and in subsequent analysis. We initially observed Postal Service employees ██████, even though that mail had ██████ by CBP. We subsequently reviewed 1,951 inbound international ██████ tracking records from the dates of our site visits and found that 1,223 of the mailpieces (63 percent) were missing at least ██████ (see Table 1).

Table 1. Scanning Issues, June 15, 2016 ██████ and June 28, 2016 ██████

Country	Mailings	██████████	██████████	██████████	Subtotal
██████	1,567	54	897	0	951
██████	384	6	249	17	272
Total	1,951	60	1,146	17	1,223

Source: OIG analysis of Enterprise Data Warehouse scan data using the Product Tracking System.

Generally, when inbound international mail arrives at the ██████ ISC, Postal Service employees first scan the mailing into the Receipt Verification System. After acceptance and any required internal routing, a Postal Service employee scans the mailing as into CBP to indicate the mailing was presented to CBP for review. When CBP has finished its review and has subsequently routed the mailing back to the Postal Service, a Postal Service employee scans the received item as out of CBP to indicate the mailing was received from CBP and is ready for the next Postal Service processing operations.

These scanning issues occurred because communication and oversight of proper scanning procedures were inadequate. Scanning performance should be complete and accurate to provide reliable information to the Postal Service, its customers, and CBP. Scanning items in or out of CBP, ██████

Recommendations

We recommend the vice president, Network Operations, in coordination with the manager, [REDACTED] district:

1. Coordinate with U.S. Customs and Border Protection (CBP) to establish a memorandum of understanding stating CBP's mail presentation requirements.

We recommend the manager, [REDACTED] district:

2. Communicate proper procedures for accurately scanning inbound international mailings and provide adequate oversight to ensure compliance.

Management's Comments

Management agreed with our findings and recommendations.

Regarding recommendation 1, management stated the [REDACTED] ISC has taken corrective actions on the recommendation regarding [REDACTED] in the absence of a memorandum of understanding. Management also stated Headquarters International Operations, in collaboration with Network Operations Management and Global Trade Compliance, will develop a memorandum of understanding for all ISCs that will detail the work methods and processing procedures for [REDACTED]. Management's target implementation date for the memorandum of understanding is February 28, 2017.

Regarding recommendation 2, management reviewed and revised the Standard Operating Procedure (SOP) to reflect scanning procedures for each class of inbound international mail. Management also indicated a supervisor will provide adequate oversight and guidance when CBPs operation is open. Management stated this action was completed on September 10, 2016, and provided a copy of the updated SOP.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations.

Regarding recommendation 1, the corrective actions should resolve the issues identified in the report. The recommendation still 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.

Regarding recommendation 2, we consider the revised SOP and corresponding additional supervisory oversight sufficient for closure. This recommendation will be closed with the issuance of this report.

Appendix A. Management's Comments



September 16, 2016

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Management Alert – Inbound International Mail Operations -
International Service Center (Report Number MS-MT-16-
DRAFT)

The management agrees with the findings and recommendations stated in the draft Management Alert.

Recommendation (1):

We recommend the vice president, Network Operations, in coordination with the manager, District coordinate with U.S. Customs and Border Protection (CBP) to establish a memorandum of understanding stating CBP's mail presentation requirements.

Management Response / Action Plan:

Management at International / has taken corrective actions on the recommendation regarding to CBP in absence of the memorandum of understanding. Specifically, the Express Mail breakup area (Red Mail) has been merged with the Customs operation, and daily communication for inspection has been established with the CBP supervisors. USPS supervisors on each tour will advise CBP supervisor on On-Hand volume for both and SPRs and allow CBP supervisor to determine the best method for inspecting the mail,

The USPS Headquarters International Operations in collaboration with Network Operations Management and Global Trade Compliance will develop the Memorandum of Understanding for all ISCs, detailing the work methods and processing procedures for . The established / published Memorandum of Understanding will be adopted verbatim at

- 2 -

Target Implementation Date:

February 2017

Responsible Official:

Freemont Rigel, Director, International [REDACTED] Transportation & Network Operations Management

Recommendation (2):

We recommend the manager, [REDACTED] District, communicate proper procedures for accurately scanning inbound International mailings and provide adequate oversight to ensure compliance.

Management Response/Action Plan:

[REDACTED] management will review and revise the Standard Operating Procedure (SOP) for Customs unit to reflect scanning procedures for each class of inbound mail including Express Mail, Prime Express, Small Parcel Rolls / Irregulars (SPRs) ([REDACTED], etc.), and [REDACTED]. In addition, there will be a qualified supervisor or acting supervisor (204B) to provide adequate oversight and guidance when Customs operation is open. [REDACTED]

Target Implementation Date:

September 10, 2016

Responsible Official:

[REDACTED] Plant Manager, [REDACTED]



Robert Cintron
Vice President
Network Operations

[REDACTED]
District Manager
[REDACTED] District

Attachment

cc: Office of the Inspector General Audit Management
Corporate Audit and Response Management