



HIGHLIGHTS

May 7, 2012

Every Door Direct Mail-Retail

Report Number MS-AR-12-004

IMPACT ON:

Policies and procedures for transitioning and implementing Every Door Direct Mail-Retail® (EDDM-R) as a permanent market-dominant product. EDDM-R was designed to reduce the complexity and expense of direct mail for small and medium-sized businesses by simplifying mail entry. The EDDM-R product is a Standard Mail® flat weighing less than 3.3 ounces that requires mailers to use simplified addressing.

WHY THE OIG DID THE AUDIT:

Our objective was to evaluate the status of the planned transition of EDDM-R from an experimental product to a permanent market-dominant product.

WHAT THE OIG FOUND:

The EDDM-R product is rapidly approaching the annual revenue cap imposed by law for experimental products. Consequently, the U.S. Postal Service must act quickly to transition the product from experimental to permanent status to avoid disrupting marketing momentum. In transitioning the product to permanent status, the Postal Service could improve its methodology for measuring product success, strengthen controls over acceptance and verification, and better monitor product costs.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Domestic Products, provide a timely request to the Postal Regulatory Commission to add EDDM-R as a permanent product; develop better sources and methodologies to measure how well the product is meeting goals; evaluate, monitor, and test controls; continue efforts to strengthen controls and streamline acceptance procedures; and monitor and evaluate product costs.

WHAT MANAGEMENT SAID:

Management agreed with the findings and recommendations and has established target dates for implementation beginning no later than August 2012. Management did not agree with the other impact of \$150 million.

AUDITORS' COMMENTS:

Management's comments are responsive and corrective actions should resolve the issues identified in the report. We believe that in light of control weaknesses and the rapid growth of EDDM-R, \$150 million of Other Impact conservatively reflects the amount of revenue at risk.