



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Strategies for Reducing Undeliverable as Addressed Mail

Management Advisory Report

Report Number
MS-MA-15-006

May 1, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

UAA mail is costly, since it must be forwarded, returned, or treated as waste. The Postal Service spent nearly \$1.5 billion handling UAA mail in FY 2014, and the mailing industry incurs about \$20 billion in UAA costs annually.

Background

The U.S. Postal Service processed more than 155 billion mailpieces in fiscal year (FY) 2014, 6.6 billion (4.3 percent) of which were undeliverable as addressed (UAA). UAA mail is costly, since it must be forwarded, returned, or treated as waste. The Postal Service spent nearly \$1.5 billion handling UAA mail in FY 2014, and the mailing industry incurs about \$20 billion in UAA costs annually.

According to a 2006 study conducted jointly by mailers and the Postal Service, about 40 percent of UAA mail is caused by the public, primarily because customers do not notify the Postal Service of address changes. Thirty-five percent is attributed to business mailers for reasons including, not updating address lists and having to mail to incorrect addresses to meet other legislative or regulatory requirements. The Postal Service itself is responsible for about 23 percent due to sorting errors or failed deliveries. The origin of the remaining 2 percent of UAA mail is unknown.

Various factors hinder efforts to accurately match addresses with recipients and ultimately reduce UAA mail. For example, companies in the financial and insurance industries are legally required to send mail to the last known address even if Postal Service systems indicate a change of address has been submitted.

As an incentive to reduce UAA mail, mailers must certify that they periodically compare and update address lists against customer-filed change of address orders to receive workshare discounts. Even then, address list accuracy is not guaranteed. The Postal Service has recently proposed eliminating the certification requirement, but mailers have concerns about how that change might impact them.

The Postal Service manually tests 3 percent of business mail for address accuracy prior to entry into the mailstream. A 30 percent per mailing error tolerance is permitted. This threshold is intended to exclude the portion of UAA mail that is beyond the mailer's control. But this process is changing with the implementation of Seamless Acceptance, which electronically tests all business mail for address accuracy, quantifies UAA mail, and identifies the sender.

Our objective was to evaluate the Postal Service's strategies for reducing UAA mail. This is the first of two reports. In our next report, we will evaluate the Postal Inspection Service's enforcement efforts over the Revenue Investigations Program.

What The OIG Found

The Postal Service's UAA mail reduction strategies have not been effective, as evidenced by a 2.1 percent increase in UAA mail from FY 2011 to FY 2014. This ineffectiveness is due to the

complexity of the address verification process and conflicting laws and regulations. The Postal Service is working to reduce UAA mail volume that results from the public and the Postal Service. For example, it has made it easier for recipients to change their addresses by providing for online entry. It has also implemented processes to use address changes noted by letter carriers during deliveries.

But many of the Postal Service's UAA reduction efforts address business mail entering the mailstream and implementation of Seamless Acceptance. Seamless Acceptance won't eliminate all UAA mail but will offer greater visibility into data associated with each mailpiece. This newly available data will enable the Postal Service to associate UAA mail with the sender and provide opportunities to craft entirely new solutions to ensure address standards are met.

In addition, the combination of Seamless Acceptance and secure destruction brings opportunities for mailers and the Postal Service to share information electronically and eliminate the need to return mailpieces. The Postal Service and stakeholders could reduce costs if they focus on using this new data to develop solutions to the UAA mail problem.

What The OIG Recommended

We recommended the Postal Service work with mailers to leverage new technologies to promote compliance with address standards and more accurately attribute actual UAA mail costs.

Transmittal Letter




OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 1, 2015

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

CYNTHIA SANCHEZ-HERNANDEZ
VICE PRESIDENT, PRICING

FROM:

E-Signed by Janet Sorensen
VERIFY authenticity with eSign Desktop


Janet M. Sorensen
Deputy Assistant Inspector General
for Revenue and Performance

SUBJECT: Management Advisory Report – Strategies for Reducing
Undeliverable as Addressed Mail
(Report Number MS-MA-15-006)

This advisory report presents the results of our review of the U.S. Postal Service's Strategies for Reducing Undeliverable as Addressed Mail (Project Number 15RG002MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joseph Wolski, director, Retail, Sales and International, or me at 703-248-2391.

Attachment

cc: Corporate Audit and Response Management

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Finding

The Postal Service's UAA mail-reduction strategies have not been effective in reducing UAA mail. The complex nature of the address verification process and conflicting laws and regulations on addressing have made the process challenging and difficult for mailers to comply with.

Introduction

This report presents the results of our review of the U.S. Postal Service's Strategies for Reducing Undeliverable as Addressed (UAA) Mail (Project Number 15RG002MS000). Our objective was to evaluate the effectiveness of these strategies. See [Appendix A](#) for additional information about this report.

The Postal Service processed more than 155 billion mailpieces in fiscal year (FY) 2014. Of those, it identified 6.6 billion pieces (4.3 percent) as UAA mail. UAA mail is mail that cannot be delivered because the address is illegible, incomplete or incorrect. UAA mail is costly, since it must be forwarded, returned or treated as waste. In FY 2014, the Postal Service incurred \$1.5 billion in costs¹ processing UAA mail while the cost to the entire mailing industry was \$20 billion.²

In 2006, the Postal Service and mailers collaborated on a UAA mail study, which identified the various sources of UAA mail. Delivering mail to customers at the correct address depends, in part, on customers notifying the Postal Service when they move. The Postal Service attributes about 2.6 billion pieces of UAA mail (40 percent) to public error each year. This includes mail sent to customers who move but do not notify the Postal Service of their new address.

Much of the 35 percent of UAA mail attributed to business mailer error has to do with insufficient addressing. Also, certain laws and regulations complicate UAA mail reduction efforts. For example, companies in the financial and insurance industries are required to send mail to a customer's last known address even if Postal Service systems indicate a change of address (COA) has been submitted for that customer.

Another 23 percent of UAA mail can be attributed to errors made by the Postal Service. For example, analysis revealed that much of this UAA mail was due to sorting errors or failed deliveries.

The origin of the remaining 2 percent of UAA mail is unknown.

Conclusion

The Postal Service's UAA mail-reduction strategies have not been effective as evidenced by the 2.1 percent increase in UAA mail over the past 4 fiscal years (see [Figure 1](#)). The complex nature of the address verification process and conflicting laws and regulations on addressing have made the program challenging and difficult to comply with. The Postal Service is working to address UAA mail volume resulting from errors made by the public and the Postal Service. For example, the Postal Service has made it easier for customers to submit COA information by providing for online entry. Additionally, the Postal Service has implemented processes to make address changes letter carriers identify on their delivery routes.

A significant portion of the Postal Service's UAA mail mitigation efforts focuses on business mail entered into the mailstream. Although it will not eliminate all UAA mail, implementation of Seamless Acceptance (SA) will provide greater visibility into information associated with each mailpiece. The Postal Service can use this newly available data to associate UAA mail with those responsible for it and provide opportunities for crafting entirely new solutions to ensure mailers comply with address standards. In addition, the combination of SA and secure destruction³ should create new opportunities for mailers and the Postal Service

¹ National Customer Service Center (NCSC) data, FY 2014.

² The Association for Postal Commerce, March 2014.

³ One of the USPS® BlueEarth sustainability initiatives. The service securely shreds and recycles letter-size pieces of UAA First-Class Mail with personal protected information that would otherwise be Return to Sender (RTS).

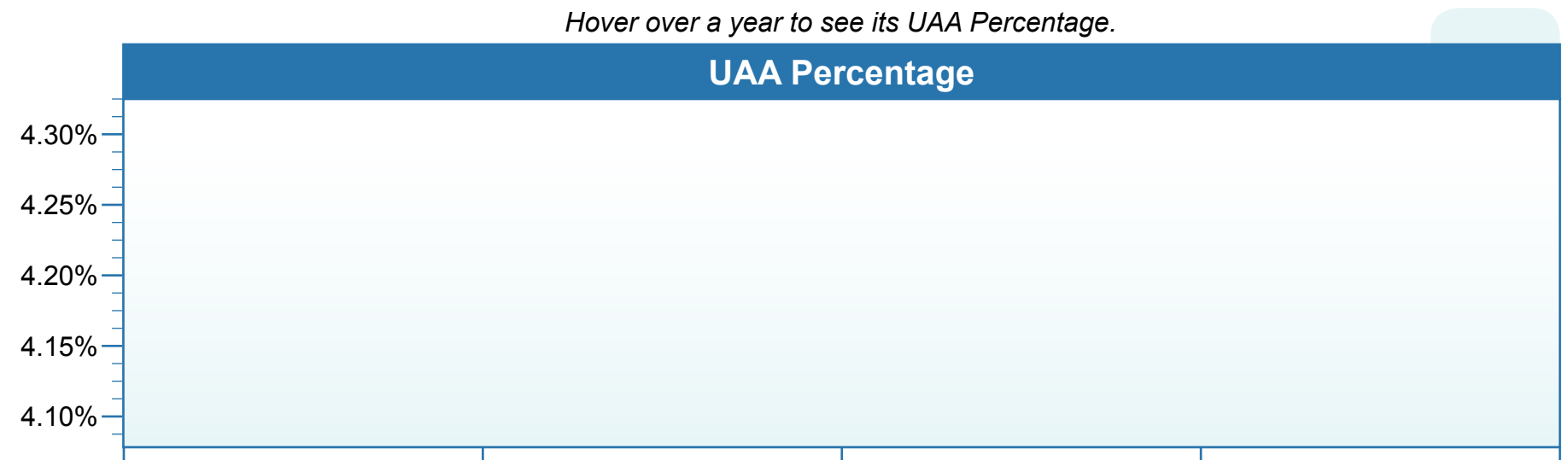
A significant portion of the Postal Service’s UAA mail mitigation efforts focuses on business mail entered into the mailstream. Although it will not eliminate all UAA mail, implementation of Seamless Acceptance (SA) will provide greater visibility into information associated with each mailpiece.

to share information electronically and eliminate the cost of returning mailpieces to mailers. A deliberate focus on using data to develop innovative solutions to the UAA mail problem should reduce costs for the Postal Service and its mailing stakeholders.

Undeliverable as Addressed Mail

The Postal Service’s UAA mail reduction strategies have not been effective in reducing UAA mail. The complex nature of the address verification process and conflicting laws and regulations on addressing have made the process challenging and difficult for mailers to comply with. As a result, UAA mail has increased 2.1 percent during the past 4 fiscal years (see Figure 1).

Figure 1: UAA Mail Performance



Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

The Postal Service is working to reduce UAA mail volume resulting from public and Postal Service errors, but a significant portion of its efforts focus on business mailers entering mail into the mailstream.

Mail discounts involve a two-step process. First, mailers must certify that they periodically update addresses on their mailing lists by comparing their address records against the Postal Service’s list of customer COA orders. The Postal Inspection Service⁴ enforces compliance with this requirement. Second, the Postal Service uses a risk-based methodology to validate address accuracy at acceptance for business mail. The Postal Service tests 3 percent of all business mail for accuracy and allows an error threshold of 30 percent.

The Postal Service could more effectively reduce UAA mail by abandoning its current requirements. It could then leverage the data it collects about UAA mail and craft new solutions to ensure compliance with address standards and attribute costs directly to those who incur them.

⁴ This is the first of two reports. In our next report, we will evaluate the Postal Inspection Service’s enforcement efforts over the Revenue Investigations Program.

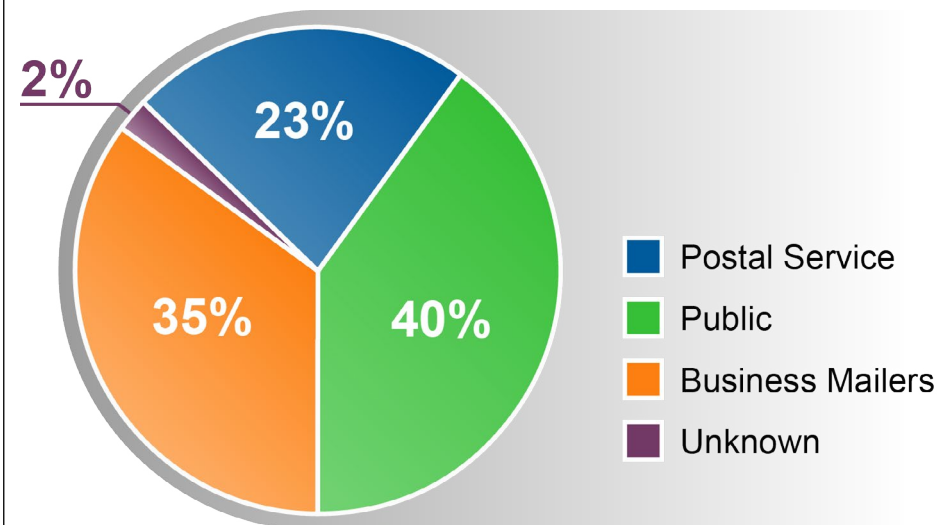
Factors Contributing to Undeliverable as Addressed Mail

Complex issues hamper the Postal Service's efforts to accurately match addresses with recipients and reduce UAA mail. In 2006, the Major Mailers Association (MMA) conducted a UAA study⁵ in collaboration with the Postal Service. This effort assigned responsibility for UAA mail to three groups: the public (40 percent), business mailers (35 percent), and the Postal Service (23 percent). The source of the remaining 2 percent is unknown (see Figure 2). We will defer evaluation of the Postal Service's 23 percent responsibility for future OIG evaluation.

The most common reasons for UAA mail are:

- Postal Service – Mail that has a good address but is not delivered
- Business Mailers – Insufficient address
- Public – Failure to submit COA notification to the Postal Service

Figure 2: Sources of UAA Mail



Source: MMA Undeliverable as Addressed Mail Study, 2006.

UAA mail is also caused by laws and regulations that require mailers to send mail to the customer's last known address even if Postal Service systems indicate a COA has been submitted.⁶

⁵ MMA's *Undeliverable as Addressed Mail Study*, November 1, 2006.

⁶ Examples of these laws and regulations include the Credit Card Accountability, Responsibility, and Disclosure Act; Truth in Lending Act, Regulation Z; and the Health Insurance Portability and Accountability Act.

The Postal Service and the mailing industry also worked collaboratively on a new mail program called secure destruction that would allow mailers to have mail that would otherwise be RTS disposed of in a secure manner. This program would reduce mailer costs associated with receiving, handling, and destroying mail with privacy protected information.

Undeliverable as Addressed Mail Reduction Efforts

The Postal Service collaborates with mailers on an ongoing basis through the Mailers' Technical Advisory Committee. This group has taken a number of steps to address the UAA mail issue, including:

- The MMA Study (2006)
- User Group 5: Addressing: Technology and Business Strategy (currently active)

The Postal Service and the mailing industry also worked collaboratively on a new mail program called secure destruction that would allow mailers to have mail that would otherwise be RTS disposed of in a secure manner. This program would reduce mailer costs associated with receiving, handling, and destroying mail with privacy protected information. The Postal Service would also see savings through reduced RTS mail, which needs to be processed, transported, and delivered to mailers.

Outdated addresses resulting from failure to complete COA orders is a key source of UAA mail attributed to the public. The Postal Service has several ways of addressing this issue:

- Allowing customers to submit electronic COA forms, which is convenient and improves the accuracy of the COA operation.
- Proposing to ensure mailers are not charged an Address Quality Assessment fee for mailpieces sent to an address associated with the "moved left no address" or "box closed – no order" categories of UAA mail.
- Implementing recommendations⁷ to reduce UAA mail attributed to the Postal Service, including training employees who maintain the Address Management System (AMS),⁸ monitoring carrier-submitted updates, and monitoring and reviewing the supervisor street review process.

About 23 percent of UAA mail can be attributed to the Postal Service for reasons such as sorting errors and failed deliveries. The Postal Service continues to improve its processes, which include:

- Address Element Correction II (AEC II) – an enhancement that identifies and corrects nonmatching addresses using the computer program Delivery Force Knowledge. The addresses are submitted, via AEC II, to delivery units to resolve address elements or determine the existence of the addresses.
- The Delivery Sortation Management Automation Research Tool, which provides a consolidated analysis of 11-digit barcodes received through delivery point sequencing compared against the AMS database delivery point file. It can identify potential missing addresses and potential vacant delivery addresses, based on the lack of volume going to those addresses.

⁷ Address Management System Data (Report Number DR-AR-14-003, dated February 28, 2014).

⁸ The Postal Service database of every delivery address and its associated ZIP Code, ZIP+4, and city/state name that serves as the foundation of data for all address correction tools.

The Postal Service has a unique opportunity to improve the UAA mail process. SA generates new data the Postal Service can use to identify UAA mail by sender and provides opportunities for crafting entirely different ways to ensure compliance with addressing standards.

Compliance

Mailers must comply with Move Update standards and make the necessary updates before presenting their mailing to the Postal Service. Compliance with Move Update standards reduces the number of mailpieces that must be forwarded or returned to the sender. If the Postal Inspection Service investigates a mailing and finds it noncompliant,⁹ the mailer is fined an amount equal to 100 percent of the discounts associated with that mailing.

The Postal Service proposed to eliminate this requirement in the December 23, 2014, *Federal Register*. It is proposing to remove the requirement that qualifying mailings demonstrate or document other Postal Service-approved Move Update methods being used to update their address list. Although we see this as a move forward, more changes are needed.

Risk-Based Sampling and Thresholds

Currently, the Postal Service uses a risk-based methodology to validate address accuracy for business mail. This involves using PostalOne¹⁰ and a Performance-Based Verification approach to determine how often each mail preparer's mail will be verified and the sample size of each verification. The sample size and frequency of verification are based on the preparer's previous performance and the size of the mailing. This approach is intended to focus verifications on mail preparers that submit inadequately prepared mail, while reducing the number of verifications performed on mail preparers that consistently prepare mailings correctly. Under this method, verifications are performed on about 3 percent of business mail.

When a mailing is selected for testing, a 30 percent error threshold is allowed for address accuracy. This threshold is intended to give latitude for errors outside of the mailer's control, such as customers who move and do not notify the Postal Service. Errors over the threshold may be subject to an assessment.

Technological Advances

Recent advances in electronic verifications, specifically SA, have streamlined mail acceptance. SA enables the Postal Service to test 100 percent of the mail and evaluate mail accuracy over time, instead of for an individual mailing. Errors are aggregated over a calendar month and measured against an established threshold. The threshold is based on all mailers' historical address accuracy performance.

This technology should produce more comprehensive results that more accurately reflect address quality than the sampling process now employed. SA should also give mailers flexibility to meet the addressing standards in ways that best align with the needs of their businesses.

The Postal Service has a unique opportunity to improve the UAA mail process. SA generates new data the Postal Service can use to identify UAA mail by sender and provides opportunities for crafting entirely different ways to ensure compliance with addressing standards. Additionally, SA allows the Postal Service to share information about customers electronically and, in conjunction with secure destruction, can give mailers the option of having mailpieces destroyed rather than returned.

⁹ The Postal Inspection Service investigates postage and revenue fraud to help prevent revenue loss to the Postal Service. It investigates mailers suspected of not complying with the Move Update standards that require them to periodically update addresses on a mailing list by comparing the address records on their mailing list against customer-filed COA orders.

¹⁰ An integrated electronic system that records mailing transactions, receives payments, and simplifies recordkeeping and retrieval of mailing data.

Recommendation

We recommend management work with mailers to leverage new technologies to promote compliance with address standards and more accurately attribute actual undeliverable as addressed mail costs.

We recommend the vice president, Mail Entry and Payment Technology, in collaboration with the vice president, Pricing:

1. Work with mailers to leverage new technologies to promote compliance with address standards and more accurately attribute actual undeliverable as addressed mail costs.

Management's Comments

Management agreed with the finding and recommendation and agrees that there are opportunities to enhance the identification of UAA mail using new technology. To that end, management is implementing a program to transition Full-Service mailers from the MERLIN Move Update Verification process to an automated process.

Regarding the recommendation, management stated that the Postal Service published a draft proposal in the December 2014 *Federal Register* regarding the address quality measurement alternative which would transition mailers qualifying 75 percent or more of their mailpieces as Full-Service to this new automated data collection process. This process will replace the manual process (MERLIN Performance-Based Verification) the Postal Service currently uses. Further, management will assess mailers a fee based on the number of COA errors that occur in a calendar month compared to the Postal Service's error threshold. Management stated that they will reconcile data collected from the mailstream to electronic documentation.

Management will continue to provide mailers with a scorecard and corresponding detailed report they can use to improve their address quality before the fee is implemented. In addition, the Mail Entry & Payment Technology group is working closely with Pricing to establish the price for the fee before the program is implemented. The implementation date for this effort is December 31, 2016.

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

Evaluation of Management's Comments

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

We agree that the Postal Service has opportunities to enhance the identification of UAA mail using new technology. We also continue to believe that management should engage and collaborate with mailers to leverage new technology. The Postal Service and stakeholders could reduce costs if they focus on using new data to develop solutions to the UAA mail problem.

The OIG considers the recommendation 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 recommendation can be closed.

Appendices

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to the right to navigate to
the section content.*

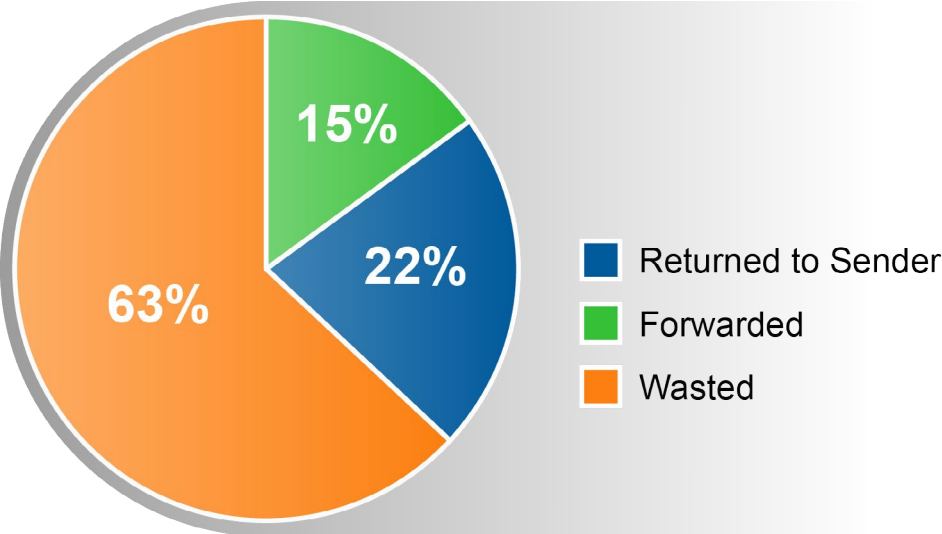
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Background

The Postal Service processed more than 155 billion mailpieces in FY 2014, 6.6 billion of which (4.3 percent) it identified as UAA mail. UAA mail is mail that could not be delivered due to illegible, incomplete, or incorrect addresses. UAA is costly, since it must be forwarded, returned, or treated as waste, depending on the mail type. The Postal Service spent nearly \$1.5 billion handling UAA in FY 2014, whereas the mailing industry incurs about \$20 billion annually in UAA costs. Causes of UAA mail vary from individuals or businesses moving to illegible addresses and deceased addressees.

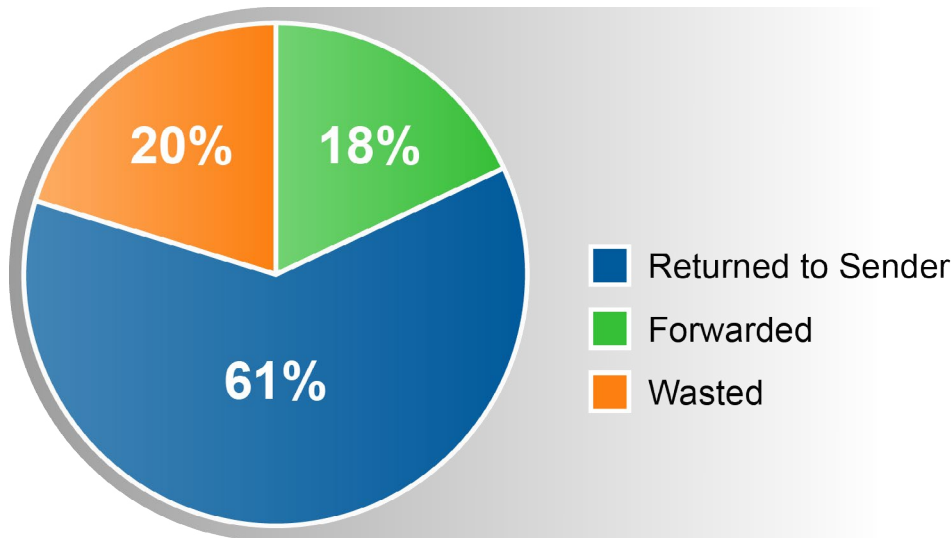
RTS and Standard Mail combined make up 82 percent of UAA mail volume and costs: RTS mail is 22 percent of the volume and 61 percent of the cost, while Standard Mail treated as waste is 63 percent of the volume and 20 percent of the cost (see Figures 3 and 4).

Figure 3: Volume of RTS, Wasted, and Forwarded UAA Mail FY 2014



Source: Postal Service NCSC.

Figure 4: Costs of RTS, Wasted, and Forwarded UAA Mail FY 2014



Source: Postal Service NCSC.

A joint study between mailers and the Postal Service estimated 2.6 billion pieces of UAA mail (40 percent) is attributed to the public each year. This includes mail sent to customers who move but do not notify the Postal Service of their change of address. The study also found other parties responsible for UAA mail are business mailers (35 percent), the Postal Service (23 percent), and unknown (2 percent).

Table 1: UAA Mail Attributable Errors

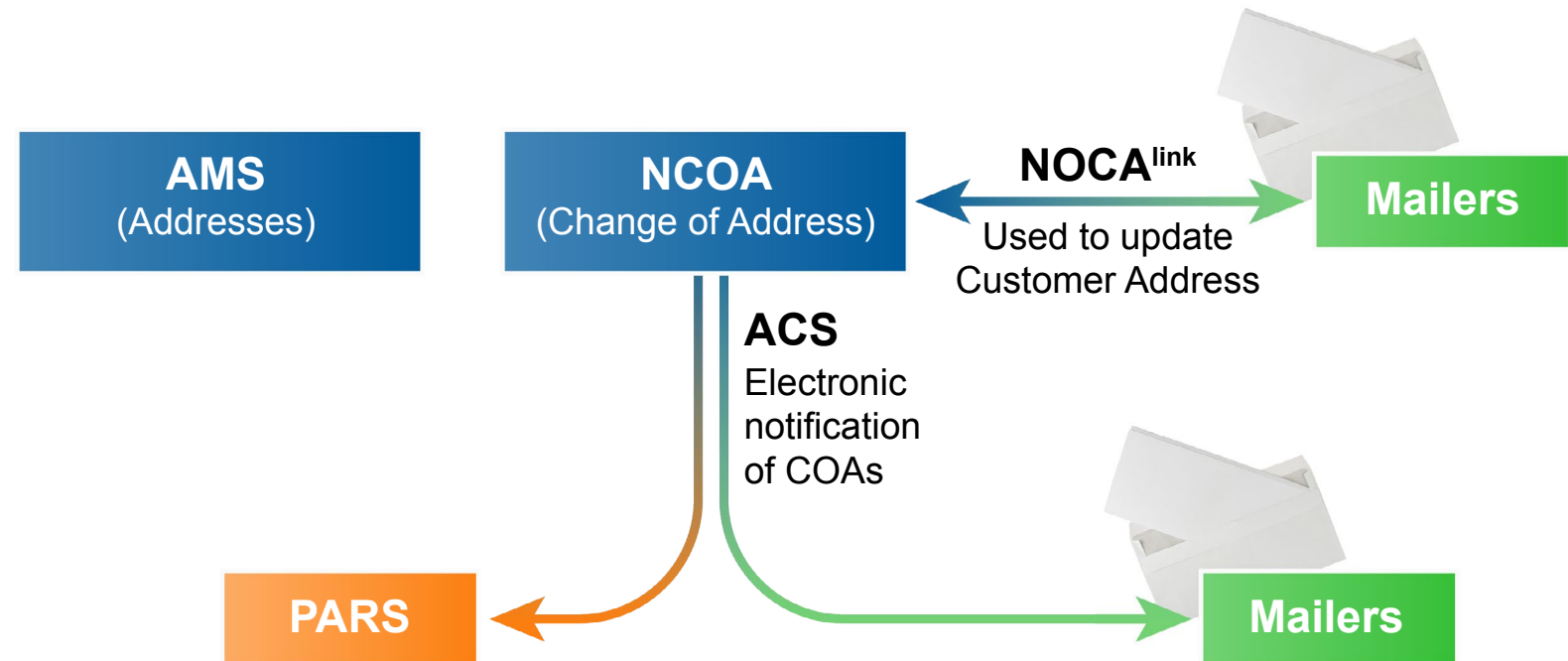
| | |
|--|--------------|
| Public | 39.5% |
| No Forward on File | 26.3%* |
| Moved Left No Address | 43.8%* |
| No Mail Receptacle | 5.1% |
| Box Closed | 5.7%* |
| Requires In-Care-Of Box/Add Info | 5.1% |
| Customer Refused | 4.1% |
| COA Incorrectly Filed | 6.3% |
| Deceased | 2.4% |
| Snowbird - Temporary Move | 1.2% |
| * Customer moved without filing a COA with the Postal Service. | |
| Mailer | 35.4% |
| Insufficient Address - Spelling | 26.9% |
| Insufficient Address - Directional | 20.9% |
| Forward Time Expired | 15.8% |
| Not Processed Timely | 12.8% |
| No Such Number | 12.0% |
| No Such Street | 5.6% |
| All Other | 6.0% |
| USPS | 23.3% |
| Good as Addressed | 83.3% |
| Good Forward on File | 12.3% |
| No Clear Reason for Returned Mail | 2.4% |
| No Reason Marked | 1.0% |
| Other Company Mail | 0.7% |
| USPS Forward Label for Different Customer | 0.3% |

Source: 2006 MMA study.

Addressing System Complexity

The Postal Service implemented several technologies and processes over the years that work together to reduce UAA mail or its costs. These systems are AMS, National Change-of-Address (NCOA), NCOA^{link}, the Postal Automated Redirection System (PARS), and the Address Correction Service (ACS). These five systems help reduce UAA volume.¹¹ NCOA^{link}, ACS, and PARS all use AMS and customer NCOA information (see Figure 5).

Figure 5: Overview of UAA Mail-Related Postal Service Systems



Source: OIG analysis.

As shown in Figure 5, mailers use NCOA^{link} to verify addresses on their mailpieces. The NCOA system uses address information from both AMS and NCOA and directs mail through PARS, which determines whether mailpieces need to be forwarded. At the same time, ACS notifies mailers electronically of any address for which a COA has been filed.

AMS

The Postal Service maintains over 127 million addresses in AMS. In a previous report¹² the OIG determined that AMS has a 0.3 percent error rate and relies on carrier and supervisor action and a manual process for updates.

¹¹ The Postal Service plans to implement PARS Phase 5 and PARS for flats in FY 2015 to further reduce UAA mail.

¹² *Address Management System Data* (Report Number DR-AR-14-003, dated February 28, 2014).

Table 2: Percent of U.S. Addresses in Error

| Fiscal Year | Actual Number of AMS Database Errors | Percentage of U.S. Addresses |
|-------------|--------------------------------------|------------------------------|
| 2011 | 267,478 | .21% |
| 2012 | 322,530 | .25% |
| 2013 | 430,843 | .33% |

Source: OIG report.¹³

NCOA

The Postal Service receives 65 percent of NCOA forms in hard copy format. There is potential for error when employees input this information into Postal Service systems. As many as 40 percent of people who move do not inform the Postal Service. Security issues also put data at risk as reported in a previous OIG report (*National Change of Address Program*, Report Number IT-AR-14-010, dated September 24, 2014).

PARS

A system that can intercept mail identified as UAA mail during processing on an Advanced Facer Canceler System (AFCS), Delivery Bar Code Sorter (DBCS) Input/Output Subsystem, or Delivery Bar Code Sorter (DBCS) by matching a COA record in the national database with the name and address on the mailpiece. After labels with new addresses are applied to mailpieces, they are sent to the appropriate operation for sortation. PARS also automates the processing of customer-filed COA forms, creates hard copy or electronic address correction notifications, and automates RTS mail processed at plants and Computerized Forwarding System units.

NCOA^{link}

A secure dataset containing millions of permanent COA records consisting of the names and addresses of individuals, families, and businesses who have filed COAs. The product enables mailers who have purchased a license to process mailing lists and update them with the new addresses before using the lists. The official product name is NCOA^{link}.

ACS

When a mailer receives electronic notification of a customer-filed COA, an automated address correction process provides participating mailers a data file containing the COA and UAA mail information. The Postal Service uses ACS in conjunction with Ancillary Service Endorsements Change Service Requested and Address Service Requested. Three ACS products are available:

- Traditional ACS, where the mailer modifies the address block to include an ACS Participant Code (#B) and optional keyline;
- OneCode ACS, where the mailer requests ACS using the Intelligent Mail barcode; and

¹³ *Address Management System Data* (Report Number DR-AR-14-003, dated February 28, 2014).

- Full-Service ACS, where the mailer uses the Intelligent Mail barcode and also presents mail that qualifies for Full-Service discounts. Fees charged for ACS vary by mail class, shape, and product.

Legal and Regulatory Issues

The Postal Service is bound by regulations and laws that prevent or limit it from obtaining and sharing information with its customers. For example, Title 39 of the United States Code, Section 412, states that “no officer or employee of the Postal Service shall make available to the public by any means or for any purposes any mailing or list of names or addresses (past or present) of postal patrons or other persons.”

Further, Postal Service regulations¹⁴ state that “mail that is UAA is forwarded, returned to sender, or treated as dead mail, as authorized for the particular class of addressed mail is endorsed by the Postal Service with the reason for nondelivery. The Postal Service returns all nominal mailpieces to the sender.”

Also, Mailer Compliance and Appeals of Classification Decision 607, 1.1, states that “a mailer must comply with all applicable postal standards. Despite any statement in this document or by any Postal Service employee, the burden rests with the mailer to comply with the laws and standards governing domestic mail. For mailings that require a postage statement, the mailer certifies compliance with all applicable postal standards when signing the corresponding postage statement.”

Objective, Scope, and Methodology

Our objective was to evaluate the Postal Service’s strategies for reducing UAA mail. To accomplish our objective we reviewed data and documentation to identify and evaluate UAA mail-related processes and procedures and interviewed Postal Service officials and mailer representatives. We also reviewed special studies and collaborative efforts between the Postal Service and mailers related to UAA mail. Our report scope covered FY 2014.

To accomplish our objective, we:

- Reviewed information from past OIG reports or other mechanisms used to maintain customer addresses.
- Conducted interviews with Postal Service officials responsible for maintaining accurate address information.
- Held interviews relating to systems the Postal Service used to maintain accurate address information, such as AMS, COA, PARS, NCOA^{link}, and ACS.
- Conducted a site visit of the Postal Service’s NCSC in Memphis, TN.
- Met with Postal Service Headquarters management to discuss strategies, measures, and activities related to reducing UAA mail.
- Met with stakeholders, including representatives from major mailers.

¹⁴ *Domestic Mail Manual*.

- Met with representatives from the Postal Regulatory Commission.
- Met with members of the OIG Risk Analysis and Research Center.

We conducted this performance review from October 2014 through May 2015, in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on March 26, 2015, and included their comments where appropriate.

We analyzed data from the NCSC. We assessed the reliability of data by reviewing them and interviewing personnel knowledgeable about them and UAA mail performance. We determined the data were sufficiently reliable for the purpose of this report.

Prior Audit Coverage

| Report Title | Report Number | Final Report Date | Monetary Impact (in millions) |
|---|------------------------------|-------------------|----------------------------------|
| <i>National Change of Address Program</i> | IT-AR-14-010 | 9/24/2014 | None |
| Report Results: Our report determined that security controls over the COA manual processes and NCOA ^{link} data are not sufficient to protect the confidentiality and integrity of customer information. We visited one of the 22 Computerized Forwarding System sites and found personnel did not adhere to controls related to processing and retaining hard copy COA orders. As a result, there is a risk that unauthorized users could access COA data and NCOA ^{link} data could be breached, which could lead to fines and a negative impact on the Postal Service brand. We estimated 13,554,542 NCOA ^{link} customer records with a potential value of \$228 million are at risk. Management partially agreed with the recommendations and disagreed with the other impact. | | | |
| <i>Undeliverable as Addressed Mail</i> | MS-AR-14-006 | 7/14/2014 | \$33,278,616 |
| Report Results: Our report determined that the Postal Service has taken action to reduce and recover UAA mail costs by testing whether business mailers update their mailing lists regularly and assessing surcharges when mailings fail to meet an address accuracy threshold. The Postal Service, however, does not effectively or equitably determine surcharge amounts and does not always assess them. The Postal Service also automatically tests only 3 percent of mail for address accuracy and does not track UAA mail volume by mailer. The Postal Service could reduce and recover UAA mail costs by updating the amount and assessment of surcharges, increasing the address accuracy threshold, expanding mail verification, and tracking UAA volume by mailer. Management partially agreed with two of our recommendations but did not provide an official response for three recommendations. | | | |
| <i>Address Management System Data</i> | DR-AR-14-003 | 2/28/2014 | \$30,233,901 |
| Report Results: Our report determined that the Postal Service's efforts to reduce address database errors were ineffective. The reported found that address errors increased from 267,478 in FY 2011, to 430,843 in FY 2013, primarily because carriers did not update edit books consistently and management did not conduct necessary street reviews. The Postal Service reduced its emphasis on ensuring address accuracy by initially reducing the number of address management specialists by nearly 40 percent and then reclassifying the specialist position from non-bargaining to bargaining. Management agreed in principle with the recommendations and agreed with the monetary impact. | | | |

Appendix B: Management's Comments



April 16, 2015

Lori Lau Dillard
Director, Audit Operations

SUBJECT: Strategies for Reducing Undeliverable as Addressed Mail
(Report Number MS-MA-15-DRAFT)

Management agrees that there are opportunities to enhance the identification of UAA mail using new technology. Management is implementing a program to transition full-service mailers from the MERLIN Move Update verification process to an automated process.

Recommendation 1:

Work with mailers to leverage new technologies to promote compliance with address standards and more accurately attribute actual undeliverable as addressed mail costs.

Management Response:

The Postal Service published a draft Federal Register Notice in December, 2014, "Address Quality Measurement Alternative" to transition all mailers qualifying 75% or more of their mailpieces as full-service to an automated address quality assessment process. This new process will replace the MERLIN/PBV assessments used today.

The assessment will be determined by the number of COA errors, in a calendar month, divided by the total number of pieces mailed that were subject to analysis. The resulting percentage is compared to an error threshold established by USPS. COA errors are those pieces that fail to include the new address for a customer with a COA order on file for more than 95 days and less than 18 months old, as specified below.

Data collected from the mail stream will be reconciled to eDoc documentation. Mailers will be able to review errors in the Mailer Scorecard and corresponding detailed reports. The Postal Service is sharing the scorecard now so that mailers will have an opportunity to improve their address quality before the Address Quality Assessment Fee is implemented.

ME&PT is working closely with Pricing to develop the price for the Address Quality Assessment Fee before the program is implemented.

Target Implementation Date:

The Postal Service plans to implement the Address Quality Assessment Fee by 2017, after appropriate regulatory approvals.

Responsible Management Official:
Manager, Mail Entry

Pritha Mehra
Vice President, Mail Entry & Payment Technology

Cynthia Sanchez-Hernandez
Vice President, Pricing

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