



January 13, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Audit Resolution - Management Alert - Key Issues with Channel Partners, Audit Number 22-069-1-R23 (Recommendations, 2, 3, 4)

Representatives of the Office of the Inspector General (OIG) and USPS management met on December 13, 2022, to discuss management's disagreement with Recommendations 2, 3, and 4 as stated in the September 29, 2022, management response in the subject audit report.

As a result of the meeting an agreement was reached pertaining to Recommendations 2, 3, and 4, which reads as follows from the October 13, 2022, final audit report:

Recommendation 2:

We recommend the **Vice President, Business Development**, enhance and implement internal controls that provide the Postal Service with visibility into merchant activity on Channel Partner meters.

Recommendation 3:

We recommend the **Vice President, Business Development**, develop mechanisms to directly identify the end shipper for each package and enforce non-compliance.

Recommendation 4:

We recommend the **Vice President, Business Development**, in coordination with the Senior Vice President, Finance and Strategy: (1) develop and formalize a technical process, which includes the detailed calculation of all chargeback opportunities for Channel Partners and a quality assurance process, and (2) consider retroactively calculating and invoicing Resellers for the correct chargeback amounts for previous periods.

The status of this recommendation will be changed to "Agreed" in both the OIG's and management's tracking systems.

To close these recommendations management agrees to take the following actions:

The VP of Business Development developed contracts specifically designed for platforms (including marketplaces) that provide end-shippers access to USPS products and services. The contract language requires platforms to identify themselves and provide end-shipper data. Visibility requirements are specific to, and dependent on, the channel used. For platforms that use a PC Postage channel, the platform is identified via meters and end-shipper data is [REDACTED]. For platforms who do not use a PC Postage channel, the platform is identified via permits or other USPS payment IDs, and the end-shipper data is [REDACTED].

In the case of non-compliance, the NSA Pricing and Strategy department within Business Development officially notifies the offending platform with a formal notification letter. USPS works with the platform to resolve the non-compliance per the specified terms of the contract. USPS may resort to chargebacks or contract termination, if necessary, in accordance with contractual language. In the case of chargebacks, for volume determined to lack required visibility, USPS calculates the difference between published prices and contract prices and sends the platform an invoice for the calculated amount.

The Business Development department holds Quarterly Business Reviews with platform contract holders and end-shipper visibility is part of the review. Additionally, the Finance and Strategy department assesses compliance by pulling data from appropriate internal systems.

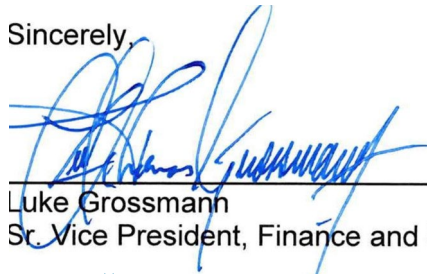
[REDACTED]

[REDACTED] At the end of the current fiscal year, the USPS will evaluate progress and determine whether the compliance review process needs to be improved.

Target Implementation Date: 09/30/2023

Responsible Official: Sr. VP of Finance and Strategy and VP of Business Development

Sincerely,



Luke Grossmann
Sr. Vice President, Finance and Strategy

E-SIGNED by Shibani.S Gambhir
on 2023-01-13 11:19:13 CST

Shibani Gambhir
Vice President, Business Development

cc: Corporate Audit & Response Management