



Office of Inspector General | United States Postal Service

## Audit Report

# U.S. Postal Service Mail Recovery Center

Report Number 19-040-R20 | August 17, 2020



# Table of Contents

|   |    |  |
|---|----|--|
| Cover   |    |  |
| Highlights.....   | 1  |  |
| Objective .....   | 1  |  |
| Findings.....   | 1  |  |
| Reccommendations .....  | 2  |  |
| Transmittal Letter .....  | 3  |  |
| Results.....  | 4  |  |
| Introduction/Objective .....  | 4  |  |
| Background.....   | 4  |  |
| Finding #1: Timely Processing of Undeliverable Mail .....                       | 5  |  |
| Incorrectly Sent Items .....  | 5  |  |
| Lack of Accurate Data Regarding Arriving Trucks.....                            | 5  |  |
| Recommendation #1.....  | 6  |  |
| Recommendation #2.....  | 6  |  |
| Finding #2: Undeliverable First-Class Mail.....                                 | 6  |  |
| Recommendation #3.....  | 6  |  |
| Finding #3: Disposal of Batteries and Gift Cards.....                           | 6  |  |
| Recommendation #4.....  | 7  |  |
| Recommendation #5.....  | 7  |  |
| Finding #4: Cash Reconciliation.....  | 7  |  |
| Recommendation #6.....  | 7  |  |
| Finding #5: Inventory Management.....   | 8  |  |
| Recommendation #7.....  | 8  |  |
| Finding #6: Returning Insured Items.....  | 8  |  |
| Recommendation #8.....  | 8  |  |
| Management's Comments.....  | 9  |  |
| Evaluation of Management's Comments .....                                       | 9  |  |
| Appendices .....  | 10 |  |
| Appendix A: Additional Information.....   | 11 |  |
| Scope and Methodology.....  | 11 |  |
| Prior Audit Coverage.....   | 12 |  |
| Appendix B: The Mail Recovery Center Process .....                              | 13 |  |
| Appendix C: The Mail Recovery Center Search & Inventory<br>System Process ..... | 14 |  |
| Appendix D: Management's Comments.....  | 15 |  |
| Contact Information .....   | 19 |  |

# Highlights

## Objective

Our objective was to evaluate the effectiveness of U.S. Postal Service Mail Recovery Center (MRC) operations and identify opportunities for improvement.

The MRC is the Postal Service's "lost and found" department, serving a vital customer service role by processing undeliverable and lost items. The MRC receives items deemed "undeliverable" from Postal Service facilities throughout the country, including post offices, delivery units, and distribution centers. These items may be designated as undeliverable because of incomplete addresses, damaged mailing labels, etc. The MRC received about 67 million items in fiscal year (FY) 2019.

MRC staff conduct preliminary assessments of items arriving at the MRC within a seven-day window and determine how each item will be handled as follows:

- **Returned:** Pieces that are eligible to be returned to the sender or delivered to the intended recipient. This mail could either have been improperly sent to the MRC, or MRC staff were able to find a sender/recipient after opening and examining the item.
- **Inventoried/Stored:** For certain mailings where MRC staff cannot initially determine the sender/recipient but deem the item to have some material value (e.g., parcels of sentimental value or worth \$25 or more), MRC staff inventory and hold these items and await customer inquiries. The MRC can store items from 30 days to indefinitely, depending on the contents, mail class or special services purchased. At the end of these designated hold periods, unclaimed items are sold at auction, donated, recycled or destroyed.
- **Analyzed Further:** Certain items (such as First-Class Mail) are further analyzed via automation and manual verification as they can potentially contain cash, checks, gift cards or money orders.
- **Disposed:** Other items, such as those confirmed as undeliverable or not eligible for return, delivery or inventory (e.g., Marketing Mail) are recycled or destroyed.

We completed our fieldwork before the President of the United States issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect process and/or operational changes that may have occurred as a result of the pandemic.

## Findings

MRC processing operations were not always effective. Specifically, items received at the MRC were not processed in a timely manner, as the MRC did not meet its seven-day acceptance processing goal from December 2017 to September 2019. We found some mail had not been processed for more than two months during our January 2020 observations. These delays occurred because of the following:

- **Incorrectly Sent Items:** MRC staff spent additional time processing items that should not have been sent per Postal Service policy, such as deliverable mail, undeliverable Marketing Mail, and recyclable materials (such as batteries). These items were sent from various Postal Service facilities across the country.
- **Lack of Accurate Data Regarding Arriving Trucks:** MRC staff were unaware of the number of trucks arriving each day because Surface Visibility data was not always accurate. Our analysis of data from December 2019 through February 2020 showed the number of trucks dispatched to the MRC did not match the number of arriving trucks for 90 percent of the days. The data issues occurred because staff at the various originating facilities were not accurately inputting data into Surface Visibility. As a result, MRC managers did not have accurate information to most efficiently allocate staff and resources.

Handling these improper and unplanned workloads drove ineffective acceptance and processing operations at the MRC. These conditions were exacerbated by understaffing at the MRC during FYs 2018, 2019, and 2020. For example, the MRC had 84 clerks while it was authorized 104 as of November 2019.

We also determined MRC staff were not opening and examining all undeliverable First-Class Mail in accordance with Postal Service policy. After reviewing 200

First-Class mailpieces cleared by MRC staff for recycling, we found 16 pieces (8 percent) contained cash, checks, and gift cards totaling \$1,692 —these items should have been originally identified upon examination by MRC staff. MRC management stated they were unaware of this policy.

MRC staff were also not effectively disposing of batteries and gift cards as follows:

- **Batteries:** We found 30 containers of batteries incorrectly stored at the MRC, some for as long as two years. Postal Service policy states that batteries should be promptly recycled, but MRC managers stated that disposal funding was not provided. While \$75,000 was eventually provided during our audit and the MRC disposed of the current battery inventory, uncertain funding mechanisms could result in a future accumulation of batteries that could pose a safety threat to MRC staff.
- **Gift Cards:** We found about 39,000 gift cards not promptly disposed at the MRC. MRC management attributed these delays to a lack of guidance on how they should be disposed (e.g., auctioned, sold, destroyed, etc.).

We also noted a variety of opportunities to strengthen internal controls over cash, inventory of items being stored, and returning insured items:

- **Cash Reconciliation:** MRC clerks were not recording all occurrences of cash when removed from undeliverable mail. The MRC's processes also do not validate the complete record of funds extracted from the mail or allow a final reconciliation between the funds extracted from the mail and those eventually deposited.
- **Inventory:** MRC staff did not maintain an accurate physical inventory of items being stored. During our inventory tests, we noted 20 of 21 (95 percent) high-value watches remained in the inventory but were incorrectly marked as "Disposed." The Postal Service does not have a process to conduct periodic inventories where such discrepancies could be identified and resolved.

- **Returning Insured Items:** MRC staff returned 63 items to customers for which indemnity claims totaling \$6,619 had already been paid in FY 2019. These deficiencies occurred because the MRC did not have a process to verify if an indemnity claim had already been paid on the item (prior to its return).

During our audit, MRC management established a procedure to limit the number of trucks received daily and staffed their operation at full complement. As such, we will not make recommendations related to these issues.

## Recommendations

We recommended management:

- Develop and implement strategies to:
  - Identify and prevent postal facilities from incorrectly sending items to the MRC.
  - Ensure all trucks sent to the MRC are accurately recorded in Surface Visibility.
  - Ensure MRC staff are aware of and complying with Postal Service policy for opening and examining all undeliverable First-Class Mail.
- Develop and implement a mechanism to ensure funding for prompt disposal of batteries at the MRC.
- Develop and formalize guidance on the disposal of gift cards at the MRC.
- Establish and implement an additional process to accurately record cash removed from undeliverable mail and periodically reconcile this amount against the total cash deposited.
- Establish and implement processes to maintain an accurate physical inventory and conduct periodic reviews.
- Develop and implement an additional process to verify whether an indemnity claim has been paid on an item prior to its return.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

August 17, 2020

**MEMORANDUM FOR:** MARK A. GUILFOIL  
VICE PRESIDENT, SUPPLY MANAGEMENT

DR. JOSHUA D. COLIN  
VICE PRESIDENT, DELIVERY OPERATIONS

MIKE L. BARBER  
VICE PRESIDENT, PROCESSING AND MAINTENANCE  
OPERATIONS

ROBERT CINTRON  
VICE PRESIDENT, LOGISTICS

Janet Sorensen 



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

**SUBJECT:** Audit Report – U.S. Postal Service Mail Recovery Center  
(Report Number 19-040-R20)

This report presents the results of our audit of the U.S. Postal Service Mail Recovery Center.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joe Wolski, Director, Sales, Marketing & International, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit Response Management

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service Mail Recovery Center (Project Number 19-040). Our objective was to evaluate effectiveness of the Mail Recovery Center (MRC) operations and identify opportunities for improvement. See [Appendix A](#) for additional information about this audit.

We completed our fieldwork before the President of the United States issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect process and/or operational changes that may have occurred as a result of the pandemic.

## Background

The MRC serves as the Postal Service's official "lost and found" department serving a vital customer service role by processing undeliverable and lost items. Mailpieces can become undeliverable or deemed lost for various reasons, such as a missing shipping label, damage to the outer packaging or an invalid address. The MRC is the only facility that handles "dead mail"<sup>1</sup> or undeliverable mail for the Postal Service and, as such, plays an important role in customer service by matching and returning these lost items to customers.

The MRC receives undeliverable mail from Postal Service facilities throughout the country, including post offices, delivery units, and distribution centers. This mail is consolidated at the ██████████ Processing and Distribution Center (P&DC) and the Network Distribution Center (NDC). These facilities send undeliverable mail to the MRC where clerks unload, sort, and weigh each container.

MRC staff conduct preliminary assessments of items arriving at the MRC within a seven-day window and determine how each item will be handled as follows:

- **Returned:** Pieces that are eligible to be returned to the sender or delivered to the intended recipient. This mail could either have been improperly sent to

the MRC or MRC staff were able to find a sender/recipient after opening and examining the item.

- **Inventoried/Stored:** When MRC staff cannot initially determine the sender/recipient for a mail item but deems that item to have some material value (e.g., parcels of sentimental value or those worth \$25 or more), they log it into the Mail Recovery Center Search and Inventory System (MRCS).<sup>2</sup> The MRC can store items from 30 days to indefinitely, depending on the contents, mail class, or special services purchased. During the holding period, the MRC processes search inquiries and returns matched items to customers. At the end of these designated hold periods, unclaimed items are sold at auction, donated, recycled or destroyed. See [Appendix B](#) for the overall MRC process and [Appendix C](#) for MRCS process.
- **Analyzed Further:** Certain items (such as First-Class Mail) are further analyzed via automation and manual verifications as they can potentially contain cash, checks, gift cards or money orders.
- **Disposed:** Other items, such as those confirmed as undeliverable or not eligible for return, delivery or inventory (e.g., Marketing Mail) are recycled or destroyed.

In fiscal year (FY) 2019, postal facilities sent about 67 million items to the MRC. The MRC processed about 690,000<sup>3</sup> of those for possible returns to customers and returned about 290,000 mailpieces. The MRC donated 250,000 pounds of mail items to charitable organizations and disposed of about 3 million pounds of recycling and 178,000 pounds of perishable items.

---

*“The MRC serves as the Postal Service’s official “lost and found” department serving a vital customer service role by processing undeliverable and lost items.”*

---

<sup>1</sup> Matter deposited in the mailstream that is or becomes undeliverable and cannot be returned to the sender from the last office of address. Postal Operations Manual, (POM) Section 691.1, July 2002.

<sup>2</sup> An online inventory system which matches items in the system with customers' lost mail search requests.

<sup>3</sup> This includes items with a value greater than \$25 and entered into MRCS.

## Finding #1: Timely Processing of Undeliverable Mail

MRC processing operations were not always effective. Specifically, items received at the MRC were not processed in a timely manner, as the MRC did not meet its seven-day acceptance processing goal from December 2017 to September 2019. We found some mail had not been processed for more than

---

***“MRC staff spent additional time processing items that should not have been sent per Postal Service policy, such as deliverable mail, undeliverable Marketing Mail, recyclable materials (such as batteries), and perishable items.”***

---

two months during our January 2020 observations. These delays occurred because MRC staff spent additional time processing items that should not have been sent per Postal Service policy or were unaware of the number of trucks arriving each day because Surface Visibility (SV) data were not always accurate.

These conditions were exacerbated by understaffing at the MRC during FYs 2018, 2019, and 2020. For example, the MRC had 84 clerks while it was authorized for 104 as of November 2019. During our audit,

MRC management staffed their operation at full complement. As such, we will not make a recommendation related to this issue.

### Incorrectly Sent Items

MRC staff spent additional time processing items that should not have been sent per Postal Service policy, such as deliverable mail, undeliverable Marketing Mail, recyclable materials (such as batteries), and perishable items. These items were sent from various Postal Service facilities across the country. During our visit in January 2020, we noted two containers of deliverable mail, a pallet of

undeliverable Marketing Mail, and 30 containers of open or used batteries stored on the workroom floor. Figure 1 shows a picture of the stored batteries.

**Figure 1. Stored Batteries**



Source: U.S. Postal Service Office of Inspector General (OIG) photographs, December 2019.

According to policy, the Postal Service should deliver all mail with a valid address, dispose of undeliverable Marketing Mail, and recycle used batteries locally rather than forwarding them to the MRC.<sup>4</sup> The MRC receives incorrectly sent items when employees at postal facilities do not follow policy and the Postal Service does not have a mechanism to identify which offices these items came from. The Postal Service incurred unnecessary costs to transport these items to the MRC and process them there once received.

### Lack of Accurate Data Regarding Arriving Trucks

MRC staff were unaware of the number of trucks arriving each day because SV data were not always accurate. Our analysis of data from December 2019 through February 2020 showed the number of trucks dispatched to the MRC did not match the number of arriving trucks for 90 percent of the days. While

<sup>4</sup> Postal Service Handbook M-41, *City Delivery Carriers Duties and Responsibilities*, Section 131.35; *Domestic Mail Manual (DMM)*, Section 507.1.9.1(b); and *USPS Environmental Compliance Bulletin – Used Batteries*, March 2019.

this rate improved to 78 percent during March and April 2020, significant discrepancies remained.<sup>5</sup>

The data issues occurred because staff at the various originating facilities were not accurately inputting data into SV. The *Surface Visibility Supervisor Booklet* requires accurate data input for all scheduled and unscheduled trips within the transportation network. As a result of incomplete scanning, MRC managers did not have accurate information to schedule and allocate staff. Accurate SV data will provide MRC management with daily insight into the number of trucks expected to arrive and allow them to better align staff for the timely processing of incoming mail.

During our audit, MRC management established a procedure to limit the number of trucks received daily. As such, we will not make recommendation related to this issue.

### Recommendation #1

We recommend the **Vice President, Processing and Maintenance Operations**, coordinate with the **Vice President, Delivery Operations**, and the **Vice President, Supply Management**, to develop and implement a strategy to identify and prevent postal facilities from incorrectly sending items to the Mail Recovery Center.

### Recommendation #2

We recommend the **Vice President, Logistics**, coordinate with the **Vice President, Supply Management**, to develop and implement a strategy to ensure all trucks sent to the Mail Recovery Center are accurately recorded in Surface Visibility.

## Finding #2: Undeliverable First-Class Mail

The MRC did not open and examine all undeliverable First-Class Mail in accordance with Postal Service policy. During our visit, we selected 200 First-Class mailpieces that were cleared by MRC staff for recycling. We found 16 of the 200 (8 percent) contained \$467 in cash, \$1,020 in checks, and \$205 in

gift cards totaling \$1,692. These items should have been identified upon examination by MRC staff. Postal policy states that MRC employees must open and examine all undeliverable First-Class Mail.<sup>6</sup>

This occurred because MRC management was not aware of the policy to open all undeliverable First-Class Mail. Instead, mail underwent a selection process for potential cash, checks, money orders, gift cards, or other forms of monetary value and customer identification information. Clerks manually reviewed mailpieces to determine if they needed to be opened for further inspection. Unselected mail items were sent for recycling.

MRC management stated that opening all First-Class Mail would require a significant amount of additional work hours. However, by not opening all First-Class Mail, there is an increased risk that items will not be returned to customers, impacting customer service and the Postal Service brand.

### Recommendation #3

We recommend the **Vice President, Supply Management**, develop and implement a strategy to ensure Mail Recovery Center staff are aware of and complying with Postal Service policy for opening and examining all undeliverable First-Class Mail.

## Finding #3: Disposal of Batteries and Gift Cards

MRC staff were not effectively disposing of batteries and gift cards (see [Figure 2](#) for pictures). Regarding batteries, we found 30 containers containing various types of batteries incorrectly stored at the MRC, some for as long as two years. Postal Service policy states that batteries should be recycled within one year, but MRC managers stated that disposal funding was not available. During our audit, \$75,000 was eventually provided and the MRC disposed of the current battery inventory; however, uncertain funding mechanisms could result in a future accumulation of batteries that could pose a safety threat to MRC staff.

In addition, we found about 39,000 gift cards were not promptly disposed at the MRC. MRC management began exploring ways to dispose gift cards in 2017,

<sup>5</sup> OIG analysis of Postal Service data.

<sup>6</sup> POM Issue 9, Section 691.2, Opening and Examination, July 2002, updated through August 30, 2019.

but there was no formal policy for processing these items. MRC management attributed this to lack of guidance from Postal Service Headquarters on how the gift cards should be disposed (e.g., auctioned, sold, destroyed, etc.). During our January visit, we observed the MRC began an informal process to verify the value of gift cards in preparation for auction. However, the informal process to value the gift cards still needs to be formalized to reduce the risk of theft and loss of revenue.

**Figure 2. Batteries and Gift Cards**



Source: OIG photographs, January 2020

**Recommendation #4**

We recommend the **Vice President, Supply Management**, develop and implement a mechanism to ensure funding for the prompt disposal of batteries at the Mail Recovery Center.

**Recommendation #5**

We recommend the **Vice President, Supply Management**, develop and formalize guidance on the disposal of gift cards at the Mail Recovery Center.

**Finding #4: Cash Reconciliation**

MRC clerks did not record all occurrences of cash removed from undeliverable mail. We observed the current process, where MRC staff responsible for opening and inspecting envelopes made annotations on the envelopes — such as their initials, the date, and amount collected — [REDACTED]. However, [REDACTED] without annotation. MRC Finance Procedures state that letter-opening clerks are not [REDACTED].

The MRC's processes do not validate the complete record of the funds extracted from the mail or allow a final reconciliation between the funds extracted from the mail and those eventually deposited. Management stated there was no current policy that required a reconciliation between cash collected and deposited. However, the magnitude of the funds from the mail-opening operation — the Postal Service collected \$1.5 million in FY 2019 — necessitates a process to validate the complete record of the funds extracted from the mail and allow a final reconciliation between the funds extracted from the mail and those eventually deposited.

Guidance from the Government Accountability Office (GAO) states that management should design transaction control activities for operational processes, such as verifications and reconciliations, to address potential risk.<sup>7</sup> Until such a process can be implemented at the MRC, there is an increased risk that cash is at risk of loss or theft.

**Recommendation #6**

We recommend the **Vice President, Supply Management**, establish and implement an additional process to accurately record cash removed from undeliverable mail and periodically reconcile this amount against the total cash deposited.

<sup>7</sup> GAO, *Standards for Internal Control in the Federal Government*, Section 10.10, September 2014.

## Finding #5: Inventory Management

The MRC did not maintain an accurate physical inventory of items being stored or conduct periodic inventory reviews. During our tests of inventory, we noted 20 of 21 items (95 percent) remained in the inventory but were incorrectly marked as “Disposed” in MRCS after exceeding the holding period. Further, for our tests of 20 judgmentally selected high-value watches, we were unable to locate five of 20 (25 percent) in the system and found the remaining 15 in different physical locations than indicated in the system.

GAO guidance states that managers need to know how much inventory there is and where it is located to make effective operating decisions.<sup>8</sup> Additionally, postal policy advocates periodic physical counting of inventories as an important part of good inventory management and supporting customer service levels by ensuring the right items are at the right place at the right time.<sup>9</sup> However, the Postal Service does not have a process to conduct periodic inventory reviews where such discrepancies could be identified and resolved. As a result, there is an increased risk that items will be lost, stolen or not returned to customers, impacting customer service and the Postal Service brand.

MRC management stated they are aware of the need to conduct periodic inventory reviews, and they are working with Information Technology to develop statistical testing methods within MRCS.

### Recommendation #7

We recommend the **Vice President, Supply Management**, establish and implement processes to maintain an accurate physical inventory and conduct periodic reviews.

## Finding #6: Returning Insured Items

MRC staff returned undeliverable items to customers after an insurance claim was paid. We reviewed 5,394 parcels marked as returned in the MRCS and compared them with indemnity claims data from the Account Payable Excellence

---

***“Current MRC procedure requires staff manually check the Customer Inquiries and Claims Response System (CICRS) before logging an insured item into inventory. If an item was paid through an indemnity claim, MRC staff must contact the claims office to determine the appropriate handling of the item.”***

---

system (APEX) for FY 2019. Our analysis showed MRC staff returned 63 items (1.2 percent) to customers for which indemnity claims totaling \$6,619 had already been paid.

Current MRC procedure requires staff manually check the Customer Inquiries and Claims Response System (CICRS)<sup>10</sup> before logging an insured item into inventory. If an item was paid through an indemnity claim, MRC staff must contact the claims office to determine the appropriate handling of the item. However, once an item is in inventory, staff is not required to check the CICRS to verify whether an indemnity claim has been paid on an item prior to its return.

We estimated the Postal Service paid \$6,619 in indemnity claims for items that were returned to customers and consider this amount as unrecoverable questioned costs. MRC management stated they implemented an informal process requiring manual check with the CICRS before returning an item.

### Recommendation #8

We recommend the **Vice President, Supply Management**, develop and implement an additional process to verify if an indemnity claim has been paid on an item, prior to its return.

<sup>8</sup> GAO, *Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property*, March 2002.

<sup>9</sup> Postal Service Handbook AS-701, *Asset Management*, Section 4-6.2, Physical Inventory Procedures.

<sup>10</sup> CICRS is used to receive, process, and pay or deny indemnity claims.

## Management's Comments

Management agreed with our findings and all of the recommendations except recommendation 3. Management agreed with the monetary impact.

Regarding recommendation 1, management agreed and intends to implement new processes to better educate those responsible at postal facilities to reduce the volume of mail sent to the MRC incorrectly. The target implementation date is January 29, 2021.

Regarding recommendation 2, management agreed and will have Surface Operations coordinate and provide formal communications with Capital Metro Area and ██████ management to ensure that accurate schedules are reflected in the Vitals system so that MRC trips are accurately recorded in SV. The target implementation date is August 31, 2020.

Regarding recommendation 3, management disagreed and stated that opening and examining all undeliverable First-Class Mail is not feasible considering the high mail volume. Management stated they have mitigated the risk associated with disposal of First-Class Mail and proposed an alternate action to revise current policy to align with MRC procedures. The target implementation date is June 30, 2021.

Regarding recommendation 4, management agreed and will include funding for the disposal of batteries at the MRC in the annual budget starting in FY 2021. The target implementation date is January 29, 2021.

Regarding recommendation 5, management agreed and intends to formalize their current pilot program for gift card disposal at the MRC. The target implementation date is October 30, 2020.

Regarding recommendation 6, management agreed and will establish and implement an additional process to record and reconcile cash removed from undeliverable mail against total deposit. The target implementation date is June 30, 2021.

Regarding recommendation 7, management agreed and will establish and implement processes to maintain an accurate inventory and conduct reviews. The target implementation date is April 30, 2021.

Regarding recommendation 8, management agreed and intends to update existing processes to verify whether or not an indemnity claim has been paid on an item prior to its return. The target implementation date is January 29, 2021.

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

## Evaluation of Management's Comments

The OIG agrees with the alternate action proposed for recommendation 3 and considers management's comments responsive to all of the recommendations.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Additionally, recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

# Appendices

Click on the appendix title below to navigate to the section content.

|   |    |
|---|----|
| Appendix A: Additional Information .....  | 11 |
| Scope and Methodology .....   | 11 |
| Prior Audit Coverage .....  | 12 |
| Appendix B: The Mail Recovery Center Process .....                              | 13 |
| Appendix C: The Mail Recovery Center Search & Inventory<br>System Process ..... | 14 |
| Appendix D: Management’s Comments.....  | 15 |
| Contact Information .....   | 19 |

# Appendix A: Additional Information

## Scope and Methodology

Our objective was to evaluate the effectiveness of MRC operations and identify opportunities for improvement. To accomplish our objective, we:

- Reviewed Postal Service policies, procedures, responsibilities, and communications related to MRC operations, including acceptance, examination, inventory, storage, and disposal.
- Observed and analyzed MRC operations in December 2019 and January, February, and March 2020.
- Judgmentally selected and examined 200 First-Class mailpieces designated to be disposed of via recycling to see if they contained cash or other items with monetary value.
- Judgmentally selected 21 high-value watches held on the workroom floor and 20 high-value watches from the MRCS to validate inventory accuracy.
- Analyzed key MRC operational and performance data, including pieces, weights, workhours, trailers/trucks, deposits, and performance goals.
- Queried MRCS to determine the number of parcels returned in FY 2019 and obtained indemnity claims payment data from Account Payable Excellence system (APEX). By joining both datasets we were able to determine the number of parcels that were returned after an indemnity claim was paid.
- Collected and analyzed data from the Surface Visibility (SVWeb) system and Field Staffing and Support system (FSS).

- Examined records from CICRS.
- Analyzed building security information from the Facilities Management System (eFMS) and video footage from Enterprise Surveillance Manager (ESM).
- Interviewed Postal Service officials from the MRC, the U.S. Postal Inspection Service, the Office of Sustainability, and the ██████ P&DC.
- Interviewed U.S. Occupational Safety and Health Administration personnel, public sector transportation employees, and courier organizations.
- Reviewed past OIG work and GAO guidance on cash and inventory controls.

We conducted this performance audit from November 2019 through August 2020 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on June 26, 2020 and included their comments where appropriate.

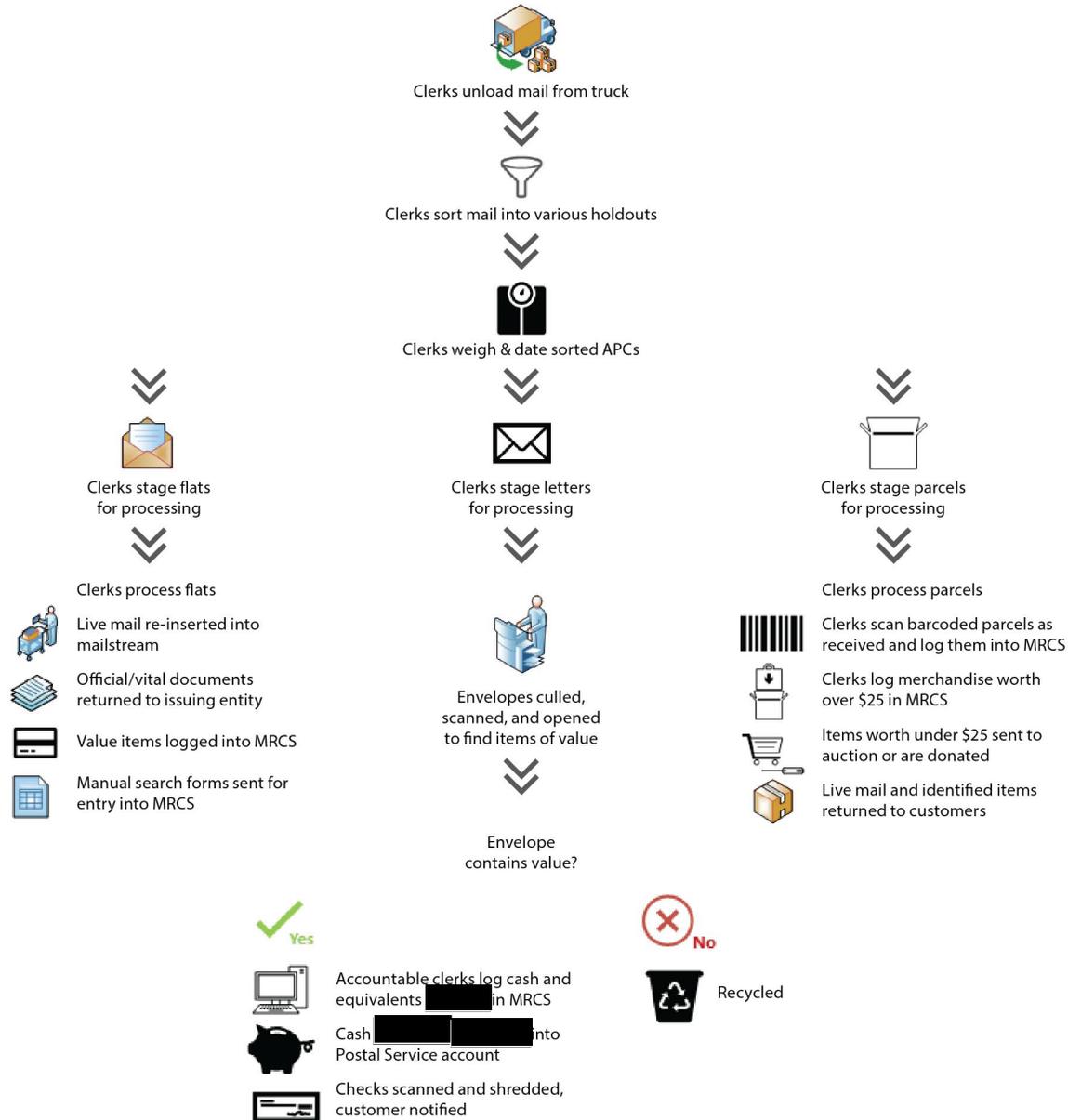
We assessed the reliability of MRCS, APEX, SVWeb, and FSS data by reconciling data within those systems with other system and management reports, testing completeness, observing operations, and through discussions with Postal Service officials. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

| Report Title                                    | Objective   | Report Number | Final Report Date | Monetary Impact |
|---|---|---------------|-------------------|-----------------|
| <i>U.S. Postal Service Mail Recovery Center</i> | Assess the MRC's effectiveness at handling customer inquiries and managing items it receives. | MS-AR-16-001  | 12/1/2015         | None            |
| <i>Mail Recovery Center – Management Alert</i>  | [REDACTED]  | MS-MA-15-007  | 6/3/2015          | [REDACTED]      |

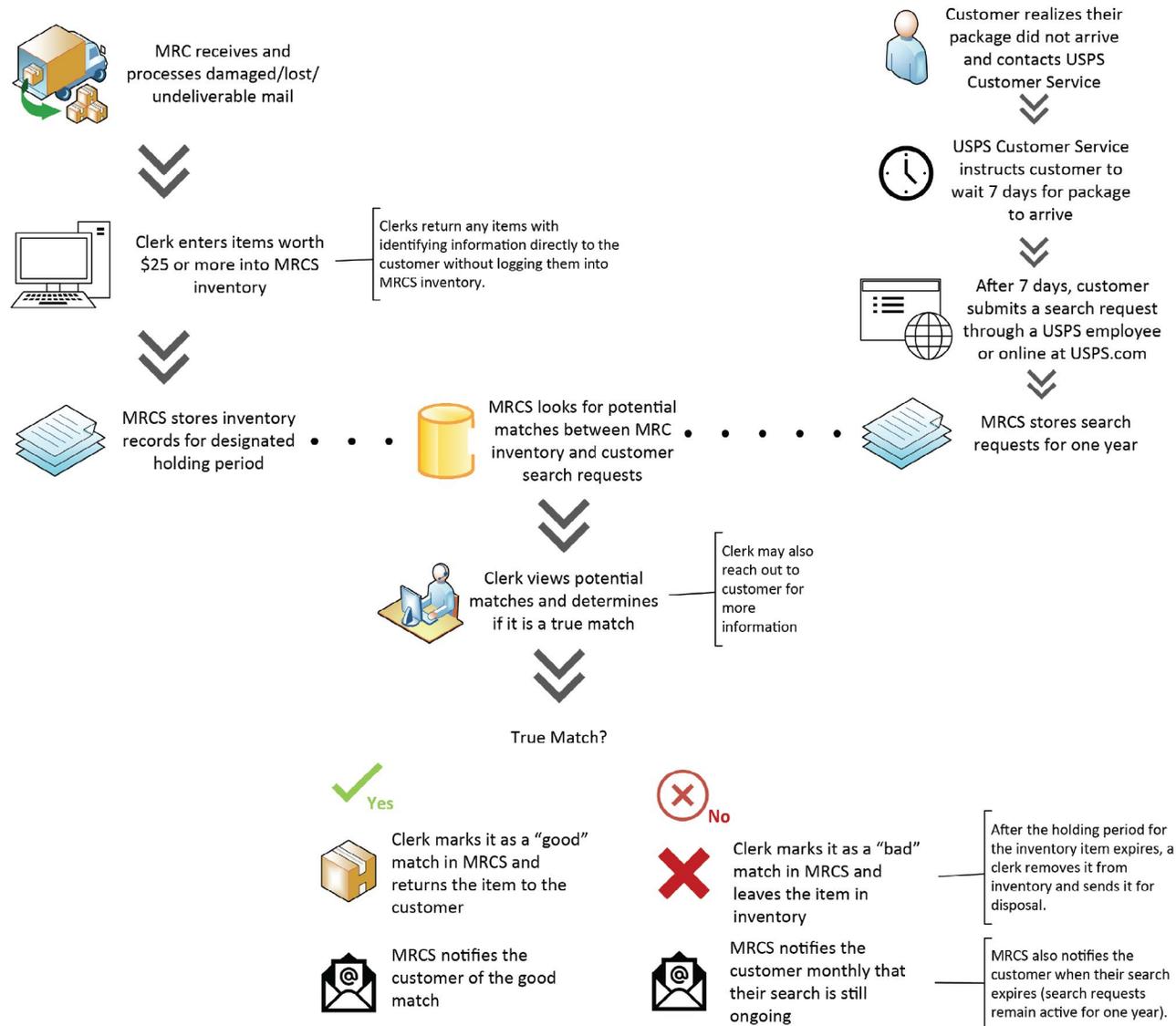
# Appendix B: The Mail Recovery Center Process

This is a high-level overview of how the MRC receives and processes items received.



# Appendix C: The Mail Recovery Center Search & Inventory System Process

This is a high-level overview of how the MRC uses the MRCSI to record, match, and return items to customers.



# Appendix D: Management's Comments



August 6, 2020

LAZERICK POLAND  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: U.S. Postal Service Mail Recovery Center  
(Project Number 19-040-DRAFT)

Thank you for providing the United States Postal Service (Postal Service) with the opportunity to review and comment on the subject draft audit report, "U.S. Postal Service Mail Recovery Center" dated June 29, 2020. Management agrees in general with the findings and the monetary impact. Management also agrees with Recommendations 1, 2, 4 - 8, but we disagree with Recommendation 3 to which we have provided an alternative solution to address the findings.

Concerning Recommendation 3, in the report, the OIG states that by "not opening all First-Class Mail, there is an increased risk that items will not be returned to customers, impacting customer service and the Postal Service brand." The Postal Service processed and delivered 142.6 billion mail pieces in FY2019. The OIG notes in the report that the MRC received 67 million items during that same period; roughly 5/100 of 1% (.000470). The mail received at the MRC is screened to identify which mail pieces may contain items of value for manual opening. Even with the application of the most current technologies, which has been deployed at the MRC, the opening of "all" mail pieces is not feasible. Given the significant volume of mail, management suggests that the conclusion of the OIG that "not opening all First-Class Mail" could negatively impact the Postal Service brand is overstated.

We appreciate the OIG's continued efforts in evaluating the effectiveness of the Mail Recovery Center's (MRC) operations and identifying opportunities for improvement to ensure the center operates efficiently. Management continues to be proactive in improving our processes and finding solutions to increase productivity. Meeting the needs of the customer and fulfilling missing mail requests are our main priority.

#### **OIG Recommendations:**

We recommend the Vice President, Processing and Maintenance Operations, coordinate with the Vice President, Delivery and Retail Operations, and the Vice President, Supply Management:

**Recommendation 1:** Develop and implement a strategy to identify and prevent postal facilities from incorrectly sending items to the Mail Recovery Center.

475 L'ENFANT PLAZA SW  
WASHINGTON, DC 20260-6200  
WWW.USPS.COM

**Management Response/Action Plan:** Management agrees with this recommendation. While Postal management already has implemented and deployed a variety of tools that support employees in the proper handling of items to be sent to the Mail Recovery Center (MRC), it will implement new processes to better educate those responsible at postal facilities so as to reduce the volume and attribute the source of mail pieces where possible being sent to the MRC incorrectly.

**Target Implementation Date:** January 2021

**Responsible Official:** Manager, Processing and Distribution Center Operations and Manager, Retail Operations and Strategy.

We recommend the Vice President, Logistics, coordinate with the Vice President, Supply Management:

**Recommendation 2:** Develop and implement a strategy to ensure all trucks sent to the Mail Recovery Center are accurately recorded in Surface Visibility.

**Management Response/Action Plan:** Management agrees with this recommendation. Surface Operations will coordinate and provide for formal communications with the Cap Metro Area and Management to ensure that accurate schedules are reflected in the Vitals system so that the MRC trips are accurately recorded in SV.

**Target Implementation Date:** August 2020

**Responsible Official:** Director, Surface Transportation

We recommend the Vice President, Supply Management:

**Recommendation 3:** Develop and implement a strategy to ensure Mail Recovery Center staff are aware of and complying with Postal Service policy for opening and examining all undeliverable First-Class Mail.

**Management Response/Action Plan:** Management disagrees with this recommendation as written. The MRC works with its technology partner on an ongoing basis when it comes to identifying items of value contained in undeliverable First-Class Mail (FCM) received at the MRC. Quality checks and maintenance are conducted on the machines periodically to ensure the equipment is working efficiently. Due to the volume of mail received at the MRC, the opening and examining of "all" undeliverable FCM is not feasible. The Postal Service has already mitigated the pervasive risk associated with disposal of First-Class Mail. As an alternative response/action, management will update current policy to align with MRC handling of undeliverable First-Class Mail.

**Target Implementation Date:** June 2021

**Responsible Official:** Manager, Asset Performance and Accountability

**Recommendation 4:** Develop and implement a mechanism to ensure funding for the prompt disposal of batteries at the Mail Recovery Center.

**Management Response/Action Plan:** Management agrees with this recommendation. Management will ensure funding for the prompt disposal of batteries at the Mail Recovery Center is included in the budget annually beginning with FY 21, during the annual administrative budget process.

**Target Implementation Date:** January 2021

**Responsible Official:** Manager, Asset Performance and Accountability

**Recommendation 5:** Develop and formalize guidance on the disposal of gift cards at the Mail Recovery Center.

**Management Response/Action Plan:** Management agrees with this recommendation. Management has already established a pilot program supported by a draft gift card disposal process at the Mail Recovery Center. Management will formalize this process.

**Target Implementation Date:** October 2020

**Responsible Official:** Manager, Asset Performance and Accountability

**Recommendation 6:** Establish and implement an additional process to accurately record cash removed from undeliverable mail and periodically reconcile this amount against the total cash deposited.

**Management Response/Action Plan:** Management agrees with this recommendation. Management will establish and implement an additional process step to accurately record cash removed from undeliverable mail (consistent with established minimum values) and reconcile this amount against the total cash deposited.

**Target Implementation Date:** June 2021

**Responsible Official:** Manager, Asset Performance and Accountability

**Recommendation 7:** Establish and implement processes to maintain an accurate physical inventory and conduct periodic reviews.

**Management Response/Action Plan:** Management agrees with this recommendation. Management will establish and implement processes to maintain an accurate physical inventory and conduct periodic reviews.

**Target Implementation Date:** April 2021

**Responsible Official:** Manager, Asset Performance and Accountability

**Recommendation 8:** Develop and implement an additional process to verify if an indemnity claim has been paid on an item, prior to its return.

**Management Response/Action Plan:** Management agrees with this recommendation. Management will assess and update existing processes to verify if an indemnity claim has been paid on an item, prior to its return.

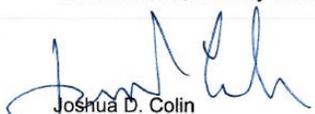
**Target Implementation Date:** January 2021

**Responsible Official:** Manager, Asset Performance and Accountability

E-SIGNED by MARK GUILFOIL  
on 2020-08-06 15:15:05 CDT

Mark A. Guilfoil  
Vice President, Supply Management

  
Kevin L. McAdams  
Vice President, Delivery and Retail Operations

  
Joshua D. Colin  
Vice President, Processing and Maintenance Operations

  
Robert Cintron  
Vice President, Logistics

cc: CARM

OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

Contact us via our [Hotline](#) and [FOIA](#) forms.  
Follow us on social networks.  
Stay informed.

1735 North Lynn Street  
Arlington, VA 22209-2020  
(703) 248-2100

For media inquiries, contact Agapi Doulaveris  
Telephone: 703-248-2286  
[adoulaveris@uspsig.gov](mailto:adoulaveris@uspsig.gov)