



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

**Service Performance Measurement
Data – Commercial Mail**

Audit Report

September 6, 2011

Report Number CRR-AR-11-003



HIGHLIGHTS

IMPACT ON:

Service Performance Measurement data for commercial mail currently comes only from certified Full-Service mailers. For Quarter (Q)3 of fiscal year (FY) 2011, only 12 percent of Full-Service Intelligent Mail® Barcode (IMb™) mail was included in service performance measurement. The U.S. Postal Service anticipates increased data yield as a result of process improvements in Q4, FY 2011. Despite their planned efforts, problems remain which could delay or deter successful IMb-based service performance measurement.

WHY THE OIG DID THE AUDIT:

Our objective was to determine whether the process to obtain service performance measurement scores for commercial mail is operating effectively. This audit addresses strategic, operational, and financial risk.

WHAT THE OIG FOUND:

Based on our interim audit work, we determined the process used to obtain scores for commercial mail is ineffective. Specifically, the Postal Service did not meet its initial milestones for implementing this process because management underestimated the complexity of obtaining reliable data. Excessive electronic documentation errors and data exclusions reduced the amount of information available for

service performance measurement. Management is taking action to address these issues. The Postal Service simplified Start-the-Clock business rules, is generating compliance reports to identify the type and magnitude of data exclusion errors, used data from certified Full-Service mailers through Q3 of FY 2011 to examine and reduce electronic Document (eDoc) and other errors, and implemented enhancements to data systems to improve data accuracy. In addition, the Postal Service delayed Full-Service eDoc postage corrections for Full-Service IMb mailpieces that did not qualify for the discounts they received.

WHAT THE OIG RECOMMENDED:

We recommended the Postal Service establish milestones for implementing recovery of discounts provided to mailers when Full-Service mailings do not meet the specific requirements for discounts received.

WHAT MANAGEMENT SAID:

Management agreed with our findings and recommendation.

AUDITORS' COMMENTS:

We consider management's comments responsive.

[Link to review the entire report](#)



September 6, 2011

MEMORANDUM FOR: ELLIS A. BURGOYNE
CHIEF INFORMATION OFFICER AND
EXECUTIVE VICE PRESIDENT

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

JAMES P. COCHRANE
VICE PRESIDENT, PRODUCT INFORMATION

E-Signed by Darrell E. Benjamin, Jr. 
VERIFY authenticity with e-Sign

FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Revenue & Systems

SUBJECT: Audit Report – Service Performance Measurement Data –
Commercial Mail
(Report Number CRR-AR-11-003)

This report presents the interim results of our audit of Service Performance Measurement Data – Commercial Mail (Project Number 11RG008CRR001).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Paul Kuennen, director, Cost, Revenue, and Rates, or me at 703-248-2100.

Attachments

cc: John T. Edgar
Corporate Audit and Response Management

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Introduction

This report presents interim results of our audit of Service Performance Measurement Data – Commercial Mail (Project Number 11RG008CRR001). The U.S. Postal Service requested this audit. Our audit objective is to determine whether the process to obtain Service Performance Measurement scores for commercial mail is effective. This audit addresses strategic, operational, and financial risk. See [Appendix A](#) for additional information about this audit. Our audit work is ongoing and this interim report addresses issues identified thus far in our audit. We will report our final results at the conclusion of our audit.

The Postal Accountability and Enhancement Act requires the Postal Service to measure service performance for market-dominant products and report to the Postal Regulatory Commission (PRC). The Postal Service requested — and the PRC approved — allowing commercial mail to be measured using the Intelligent Mail[®] barcode (IMb[™]).¹ The Full-Service IMb program² creates the infrastructure and processes needed to gather scanned mail data, combine it with data from mailers, and produce actionable information, including service performance measurement, for both customers and the Postal Service. The PRC reviews this data to ensure service standards are met, assess customer satisfaction, and ensure delivery performance does not deteriorate under the current rate-setting process.

The Postal Service spent approximately \$185 million dollars³ to implement the Seamless Acceptance Service Performance (SASP) system and the Intelligent Mail Accuracy and Performance System (iMAPS) to report service performance measurement. However, the systems depend on mailer participation in Full-Service IMb and the accuracy and reliability of reported data. Mailer participation in Full-Service IMb from October 2010 through May 2011 totaled 33.6 billion mailpieces as summarized in Table 1 below:

¹ The Postal Service described the vision for Intelligent Mail in the 2003 Intelligent Mail Corporate Plan: “place an information-rich code on all mail, aggregates of mail, and business forms, enabling end-to-end visibility into the mail stream.”

² Under the Full-Service option, Full-Service mailings require a unique IMb on each mailpiece. Full-Service mailers also submit postage statements and mailing documentation electronically.

³ The Postal Service spent \$116 million dollars on SASP through November 2009 and has spent or obligated \$69 million for iMAPS through FY 2014.

**Table 1: Mailer Participation in IMb Summary
October 2010 through May 2011**

Mail Class	Mailpiece Volume (in thousands)		Percentage IMb Full-Service
	IMb Full-Service	Total Commercial	
First-Class™	14,562,776	30,520,450	47.71
Standard	16,678,586	54,305,188	30.71
Periodicals	2,353,108	4,773,811	49.29
Totals	33,594,470	89,599,449	37.49

Source: Intelligent Mail Update – May 2011; data provided by Postal Service Headquarters, manager, Mailing Information Systems.

Currently, there are significant issues regarding data accuracy and reliability resulting in unreliable service performance scores. Between October 1, 2010, and February 3, 2011, the Postal Service submitted three requests to the PRC for temporary waivers from periodic reporting for service performance measurement. These requests related to quarterly reporting of various mail types. On June 16, 2011, the PRC responded to the Postal Service and either denied or accepted the requests. The following classes of mail were included:

- Standard Mail: denied with a requirement for a measurement plan by August 1, 2011. While this issue is being resolved, the Postal Service shall report Standard Mail® service performance.
- Periodicals: denied with a directive to report all Periodicals data regardless of whether or not it meets the Postal Service’s self-imposed data sufficiency thresholds beginning with Q4, fiscal year (FY) 2011.
- Presort First-Class Mail: accepted until Q4, FY 2011, when all data shall be reported regardless of whether or not it meets the Postal Service’s self-imposed data sufficiency thresholds.

Conclusion

Based on our interim audit work, we have determined the process used to obtain service performance scores for commercial mail is not effective. The Postal Service has experienced significant data quantity, accuracy, and reliability issues resulting in approximately 88 percent of Full-Service IMb mail being excluded from service performance measurement. Specifically, there are high volumes of:

- Electronic Document (eDoc) errors
- SASP data exclusions

These issues contributed to a reduction in the volume of usable IMb commercial mail which is needed to determine scores. This occurred because the Postal Service

underestimated the complexity of the various requirements needed to fully implement service performance measurement. The Postal Service is currently taking corrective action to address these issues.

Finally, mail determined to be ineligible for the full-service IMb discounts due to errors is currently being given the discount. Currently, there is no planned date for actual disallowance of the discount for this mail. As errors continue to exist in these mailings, data will continue to be excluded from service measurement.

We will continue our evaluation of measurement methodologies and corrective actions in-progress to determine whether they will result in an effective process to obtain service performance scores for commercial mail.

eDoc Errors

The Postal Service has identified 19 reasons that can exclude data from service performance measurement, several of which relate to errors in eDocs submitted by mailers.

The Postal Service uses a census approach to ensure that each container, handling unit, and mailpiece meets Full-Service IMb preparation requirements. During Quarters 2 and 3, FY 2011, approximately 656.5 million eDoc verification errors occurred because mailers did not prepare the mailing or the eDoc in accordance with requirements. Errors in the Unique Barcode⁴ and the By/For⁵ data fields comprised 91 percent of the eDoc verification errors, as shown in Table 2.

⁴ Errors occur when a submitted eDoc contains Intelligent Mail Container Barcodes, Intelligent Mail Tray Barcodes (for trays/sacks), or IMbs (for pieces) that are not unique within the mailing and/or across mailings within the configurable limit (currently 45 days).

⁵ Error occurs when the “submitted mail owner” or “mail preparer” data field is missing or when the mail owner or mail preparer identifiers in the form of Customer Registration Identifications, Mailer Identifications and/or Permits are invalid for pieces from a mailer within a job.

**Table 2: eDoc Verification Error Summary
Qs 2 and 3, 2011**

Type of Verification Error	Number of Errors	Percentage of Total Errors
Unique Barcode	317,768,337	48.40%
By/For	281,821,995	42.93%
Delivery Point	20,810,044	3.17%
Customer/Supplier Agreement	12,838,676	1.96%
Mailer ID	12,718,508	1.94%
Service Type Identifier	6,929,324	1.06%
Appointment	2,592,232	0.39%
Default Tray Barcode	1,017,389	0.15%
Entry Facility	7,607	0.00
Totals	656,504,112	100.00%

Source: MicroStrategy Mail Data Quality, Error Verification Report

If eDoc errors are identified in any containers or handling units, the mailpieces are excluded from service performance measurement and disqualified from receiving Full-Service discounts.⁶

SASP Data Exclusions

In addition to eDoc errors, other things can occur during mail processing that can result in exclusions from service performance measurement. For example, the SASP system identifies data exclusions at three levels: logical and physical container level, logical and physical handling unit level, and piece level. For Q3, FY 2011, 89 percent of data exclusions at the physical container level occurred during mail processing because:

- Containers had an Intelligent Mail Container Barcode that was not unique (43 percent).
- One or more mailpieces in a container entered the system at an invalid entry facility for that discount type (16 percent).
- One or more mailpieces in a container did not have a corresponding record in the FAST Mail Direction Table (16 percent).
- The appointment details on the container scan record did not match the appointment details on the container (14 percent).

⁶ A Guide to Intelligent Mail for Letters and Flats, Version 7.3.4, page 107; and Start-the-Clock, Version 5, pages 7-8.

In addition, SASP processes mailpiece data when a valid Start-the-Clock has been calculated. However, there were several issues with the way Start-the-Clock business rules were affecting service measurement. These issues occurred because the Postal Service underestimated the complexity of the process and, therefore, has had to make numerous changes to the Full-Service IMb Start-the-Clock business rules to simplify the process.

Some improvements have been recently realized in service measurements. For example, as of March 4, 2011, only 3 percent of Full-Service IMb mail was included in service performance measurements but that percentage improved to approximately 12 percent by March 31, 2011. While this change signifies improvement in this area, eDoc errors and SASP data exclusions continue to significantly impact service performance measurement.

Postal Service Corrective Actions

Management is aware that the process they use to obtain service performance measurement scores for commercial mail is not effective. They are taking action to address the various issues and increase the volume of Full-Service IMb mail included in the measurement of service performance.

Specifically, the Postal Service:

- Simplified Start-the-Clock business rules in June 2011.
- Will generate compliance reports for the field and mailers to increase awareness of the type and magnitude of data exclusion errors.
- Implemented a new Full-Service Mailer Certification process in November 2010 to reduce mail preparation and eDoc errors. However, the Postal Service notified the PRC that they suspended the mailer certification process on May 27, 2011, because they are working toward implementing national Critical Acceptance Times and Critical Entry Times.
- Implemented a number of SASP enhancements and system modifications in June 2011 to improve data accuracy. Specifically, Release 6 for SASP includes 13 system modifications designed to increase the amount of usable data (yield) and the accuracy of service measurement data. This includes modifications to implement certain business rules for Start-the-Clock calculations and acceptance times.
- Has deployed, on a limited basis, hand-held Intelligent Mail Devices (IMDs), or scanners, with cellular capability to address issues at DMUs without a dedicated data line, enabling verification of Full-Service mailings⁷ at these locations.

⁷ Verification of Full-Service mailings identifies errors prior to induction of mailpieces into the system. This affords an opportunity for mailers to correct errors prior to acceptance, which increases the number of qualified mailpieces, in turn increasing the yield of data available for service performance measurement.

Ongoing Audit Work

We consider these planned and ongoing efforts to be proper steps for increasing the effectiveness of the service performance measurement process. However, additional audit work will be necessary to evaluate the success of these measures. For example, we will:

- Evaluate the effectiveness of simplified Start-the-Clock business rules.
- Evaluate the impact of the decision to terminate the Full-Service Mailer certification process.
- Examine any remaining barriers to effective Full-Service IMb service measurement reporting.

We plan to issue our final audit report assessing service performance measurement after evaluating the effects of corrective actions implemented during June 2011. See [Appendix A](#) for additional information about this audit.

Discounts Provided for Unqualified Full-Service IMb Mail

Unqualified Full-Service IMb mailings submitted by mailers continue to contribute to data exclusions, limiting the amount of data available for service measurement. After mail acceptance, data is sent to SASP to verify whether the mailing complies with Full-Service IMb requirements. Mailpieces found to have one or more errors are excluded from service measurement and reported in Mail Data Quality reports that identify the dollar value of Full-Service eDoc postage corrections⁸ which the Postal Service should reclaim.

However, the Postal Service has delayed Full-Service eDoc postage corrections to allow more time for mailers to implement corrections to eDoc⁹ errors. Management stated that software issues continue to be an ongoing problem and they are working with mailers to address these issues. Management also stated they want to improve the quality of mailings and promote the value proposition of Full-Service IMb rather than mandate compliance. In addition, management stated they are currently not granting discounts for mailings which do not have proper container or tray barcodes because, in these cases, these critical errors cause the entire mailing to be rejected and returned to the mailer.

⁸ Mailpieces prepared in accordance with Full-Service IMb requirements are eligible for discounts of \$0.003 for each First-Class mailpiece and \$0.001 for each Standard Mail, Periodicals, and Bound Printed Matter mailpiece. Discounts are applied to the postage statement at the time of mailing.

⁹ *PostalOne! Full-Service Error Report* – allows eDoc submitters to review the quality of submissions, identify jobs with errors, and calculate the correct postage. This report also allows the eDoc submitter to request reconciliation of identified errors. *Domestic Mail Manual (DMM) Advisory*, December 17, 2010.

However, they have not established an alternate date to begin deployment of postage corrections for unqualified mailpieces. Without this milestone, the Postal Service eliminates the incentive for mailers to reduce the number of errors in their mailings since the discount is allowed for both qualified and unqualified mailpieces. As errors continue to exist in mailings, data will continue to be excluded from service measurement. See [Appendix A](#) for additional information.

Revenue loss for unqualified mail for the period November 2010 through June 2011 is approximately \$7.4 million. In addition, we estimate that the Postal Service could incur additional revenue loss of \$11.8 million for the 2-year period going forward. See [Appendix B](#) for additional details on monetary impacts totaling nearly \$19.2 million.

Recommendation

We recommend the chief information officer and executive vice president direct the vice president, Mail Entry and Payment Technology, to:

1. Establish milestones for implementing recovery of Full-Service Intelligent Mail Barcode discounts provided to mailers when Full-Service mailings do not meet the specific requirements for the discounts received.

Management's Comments

Management agreed with our finding and recommendation. Management stated they are working cooperatively with mailers participating in the full-service program to increase their compliance with program requirements. Business Mailer Support and the Help Desk identify mailers who are non-compliant with key full-service criteria impacting service measurement. The mailer monitoring and intervention process began in February for certified mailers and was expanded in July to include all full-service mailers. Mailers contacted through this process are working through non-compliance issues to make improvements that will increase the percentage of their mail included in service measurement. Mailers who are unable to correct their documentation or process to comply with full-service preparation requirements in the agreed timeline will be denied access to the full-service discount.

In correspondence received subsequent to their management comments, management disagreed with the OIG's 2-year projection for the additional revenue loss. Management also stated that during the period of November 2010 to June 2011, the business rules associated with Start-the-Clock and the associated requirements in eDOC were very complex and difficult for mailers and the Postal Service to follow. To mitigate this issue, they simplified these rules on June 26, 2011, to reduce the frequency of unqualified mailpieces. According to management, the impact of that change is not yet known since they implemented the changes only 2 months ago; therefore any projections of revenue loss at this time would be premature based on the fact that the baseline data is no longer valid. See [Appendix C](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report. The OIG considers recommendation 1 significant and, therefore, requires OIG concurrence before closure. We believe our projection of potential additional revenue loss is reasonable; however, we will continue to monitor unqualified discounts during our on-going audit. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Additional Information

Background

SASP System

Seamless acceptance is the Postal Service's program to streamline all aspects of mail acceptance, verification, payment, and induction. SASP is used to process data from IMb scans. SASP associates mailer manifest data (such as eDocs) with operational data (such as barcode scans) and reference data (such as Customer Registration Identification, Mailer Identification, facility, and delivery point data). SASP automates several mail acceptance activities as part of its integration with *PostalOne!* and provides the capability to produce internal service performance diagnostic information as well as in-depth mail profile information, such as where the mail was dropped and processed and the volume of the mailing. This information is provided in reports to assist product planners, pricing personnel, and other Postal Service departments in analyzing and assessing how efficiently and effectively they are processing mail. The scan data is also sent to iMAPS daily. The Postal Service spent approximately \$116 million to support the SASP infrastructure for the Full-Service IMb program.

iMAPS

iMAPS incorporates the Postal Service's hybrid service performance measurement strategy, combining the capabilities of the Intelligent Mail initiative with external reporters used to measure the performance of market-dominant products. The Postal Service contracted with an independent external contractor to develop iMAPS to measure and report service scores for the market-dominant mail classes of Presort First-Class Mail, Standard Mail, and Periodicals based on the mailpieces and scans received from SASP, independent reporters in the field,¹⁰ and other Postal Service data sources. iMAPS randomly samples from the population of mailpieces that contain sufficient information to measure service performance using Full-Service IMb provided by SASP.

A pilot system testing the Full-Service IMb process served as the iMAPS data source for FY 2009 and the first three quarters of FY 2010. The pilot system used a limited number of mailers using simplified business rules for Start-the-Clock events. The Postal Service began to use Full-Service IMb scans in Q4, FY 2010 to report service performance measurement data; however, analysis of samples from the data identified significant data errors which affected service measurement. The errors occurred both as a result of inaccurate mailer provided information as well as inaccurate system business rules developed by the Postal Service.

¹⁰ iMAPS maintains a panel of thousands of residential and business customers who have agreed to report the receipt dates of IMb items they receive by using scanners. Members of the panel are referred to as "reporters."

iMAPS is designed to accommodate large-scale sampling of full-service IMb mailings, both in terms of volume of mailpieces; and distribution of entry locations, destinations, mail types, and representation of other characteristics. In Q1, 2011, only 13 First-Class mailers met the criteria for Full-Service IMb certification. Therefore, the data in the service performance measurement reports was limited to those mailers who mailed Pre-Sort First-Class Mail from only 12 of 74 origin districts.

During Q2, FY 2011, a total of 100 Presort First-Class Mailers were certified, resulting in usable data from 65 origin districts. The Postal Service did not report service scores for Standard Mail because these mailers were not certified until late in Q 2. Because of the limited volume of measurable mail, during Qs1 and 2, iMAPS did not exercise the full capability of its sampling algorithms in the calculations and the results were not representative of mail flow throughout the entire network.

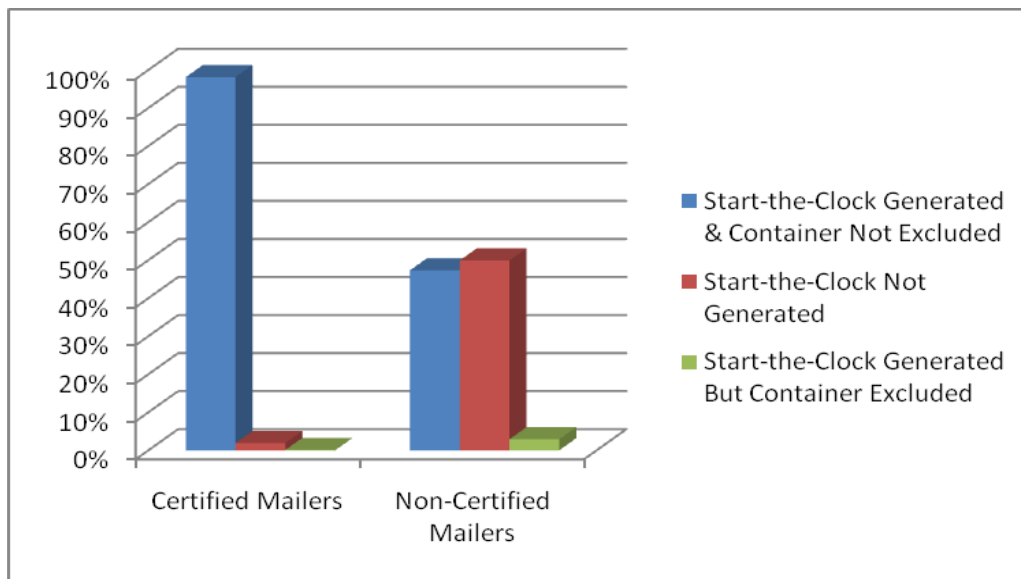
Full-Service IMb Certification Process

The quality assurance process the Postal Service established in November 2010 increased the number of certified mailers using Full-Service IMb while also improving mailer electronic documentation (eDoc) accuracy. The revised certification process involved two components:

- The acceptance clerk must physically sample mail contents to ensure it is prepared per the requirements of Full-Service. The clerk must inspect mailpieces, handling units, and containers to ensure they have been prepared using the IMb and ensure the mailer has submitted eDocs with their Full-Service IMb mailings. Barcodes must be confirmed by handheld device sampling and associated to the electronic Postage Statement.
- The Postal Service must verify eDoc information for Full-Service IMb compliance and compare it to Customer/Supplier Agreement (C/SA) information, where applicable, to verify the accuracy of Start-The-Clock elements.

The mailer certification program has reduced unqualified mailpieces. Specifically, the container yield for certified mailers was twice that of non-certified mailers at 98.1 percent compared to 47.3 percent, as shown in Table 3.

Table 3: Container Yields



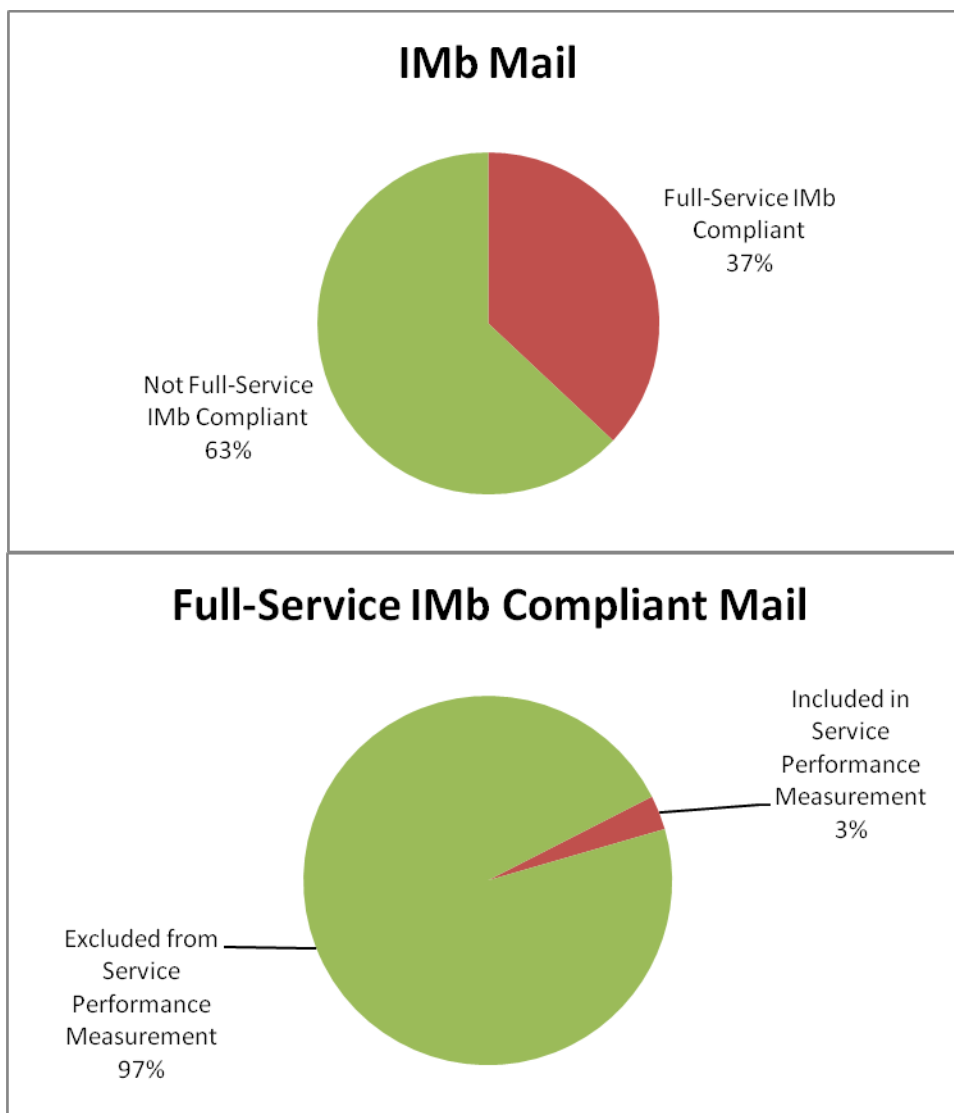
Source: Mailers Technical Advisory Committee (MTAC) Presentation, Postal Service vice president Product Information. SASP Data Exclusion Reports (these containers had mailing dates between January 22–28, 2011).

The Postal Service focused on certifying the largest mailers first in order to obtain a significant volume of measurable Full-Service IMb mailings for reporting as quickly as possible. Only data from certified mailers is included in the measurement of service performance for commercial mail.

To improve the percentage of usable data, in Q1, FY 2011, the Postal Service began certifying customers’ eDocs to ensure compliance with Full-Service IMb data requirements. As of March 4, 2011, 37 percent of IMb mail was Full-Service IMb compliant¹¹, there were 113 certified mailers, and only 3 percent of Full-Service IMb mail was included in service performance measurements, as shown in Table 4.

¹¹ IMb mail can be classified as either “Basic IMb compliant” or “Full-Service IMb compliant.”

Table 4: Full-Service IMb Compliant Mailings



Source: PRC's *FY 2010 Annual Compliance Determination Report*, pages 47-49. The first chart includes all IMb mail and the second chart includes the Full-Service IMb Compliant Mail (37 percent) from the first chart. Therefore, of the 37 percent of Full-Service IMb compliant mail, only 3 percent is included in service performance measurement.

Full-Service IMb certification was to continue until an adequate volume of mail was identified as a valid representative sample for service performance measurement. However, on May 27, 2011, the Postal Service notified the PRC that they suspended the mailer certification process because they are working towards implementing national Critical Acceptance Times and Critical Entry Times.

IMDs

Handheld IMD scanners run the “Acceptance and Verification” application and are operated by Business Mail Entry (BME) clerks accepting and verifying Full-Service IMb

mailings. This application provides BME clerks the functionality to verify Full-Service IMb mailings. BME clerks use the IMD handheld scanners running this application to collect verification samples on Full-Service mailings to validate barcodes for Intelligent Mail.

Although the Postal Service has worked to improve the scanning process using IMDs, improvements are still needed. For example, we observed that the scanning procedures of five mailings and issues regarding matching verification scan data to the mailer's postage statements existed in four of the five mailings. This occurred because the postage statement (or Job Identification) was not available in the scanner during initial verification scans. Although this issue pertains to the verification process, it does not directly impact the measurement of service performance.

The Postal Service has established a plan of action to address this and other IMD issues in the near future. For example, the Postal Service is deploying, on a limited basis, IMDs with cellular capability to address connectivity issues at DMUs. Due to funding constraints, additional IMD purchases are not planned until FY 2012.

Objective, Scope, and Methodology

Our overall audit objective is to determine whether the process for service performance measurement for commercial mail is effective.

To assess the SASP and iMAPS systems, we analyzed systems documentation, interviewed program personnel, and evaluated business rules for Start-the-Clock events, mailer certification processes, and data exclusions. We also evaluated whether internal controls were in place over iMAPS.

To observe controls over the IMD scanning process, we visited five sites and interviewed mail acceptance personnel and determined whether management updated Customer/Supplier Agreements at these locations. We also interviewed mailer representatives at selected locations to determine their level of confidence in the process and to identify any problems with the process that Postal Service personnel has not already identified.

To determine the effectiveness of the mailer certification process, we analyzed eDoc errors for mailers who completed the certification process to determine whether the quality assurance process led to a reduction in data exclusions.

To determine whether Full-Service IMb mailings are a valid representation of the Presort First-Class and Standard Mail universe, we interviewed Postal Service personnel from Customer Knowledge Management who work closely with the external independent contractor and used our expert's opinion.

We conducted this interim performance audit from November 2010 through September 2011 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 objectives. We believe that 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 officials on June 28, 2011, and included their comments where appropriate.

We assessed the reliability of computer generated data by performing analytical and comparative tests on the automated data we received. We also verified the accuracy of the data by confirming our analysis and results with management and other data sources. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Report Results
<i>U.S. Postal Service Needs to Strengthen System Acquisition and Management Capabilities to Improve Its Intelligent Mail® Full Service Program</i>	GAO-10-145	October 2009	The GAO ¹² recommended the Postal Service improve management of the program, including developing a comprehensive cost estimate and sound acquisition and development policies. There were seven specific recommendations and the Postal Service disagreed with the following three: (1) develop a comprehensive cost estimate; (2) complete an overall program plan for the entire Full-Service program; and (3) define the core set of requirements and use them as a basis for developing a reliable cost estimate. The Postal Service did not comment on the recommendation to complete program plans, develop specific requirements to establish a robust risk management process, and develop a system integration plan.

¹² Government Accountability Office (GAO).

<p><i>Intelligent Mail Benefits May Not Be Achieved if Key Risks Are Not Addressed</i></p>	<p>GAO-09-599</p>	<p>May 2009</p>	<p>The GAO recommended the Postal Service (1) develop a comprehensive Intelligent Mail strategy, (2) develop attributable cost and savings information, and (3) develop a plan that addresses how the Postal Service will mitigate risks, including the implications of the impact of lower-than-anticipated customer adoption of Intelligent Mail. The Postal Service agreed to recommendations 1 and 3 and has begun implementing them, but stated that it already has cost and savings information.</p>
<p><i>Business Rules for Modern Service Standards</i></p>	<p>EN-AR-09-002</p>	<p>3/12/2009</p>	<p>Operational Risk: The Postal Service developed the new service standards based on operational capability rather than actual service performance. Strategic Risk: Stakeholders (congress, PRC, MTAC, major mailers, etc.) may have concerns that service standards are not aligned with stakeholders' expectations. The Postal Service agreed with these conclusions.</p>
<p><i>Intelligent Mail Barcode Project Planning and Application Development Life Cycle</i></p>	<p>IS-AR-09-006</p>	<p>3/31/2009</p>	<p>There were three recommendations and the Postal Service agreed to two and partially agreed to one by stating the following: “we will ensure the Certification and Accreditation process is completed and all residual risks identified. However, depending on the nature of the residual risks, we will determine if the application will deploy to production, under the condition that the program remediate any remaining risks within an acceptable timeframe.”</p>

<p><i>Intelligent Mail/ Seamless Acceptance Project Management</i></p>	<p>MS-AR-09-006</p>	<p>3/31/2009</p>	<p>There were six recommendations and the Postal Service agreed to four and partially agreed to two, stating the following: “(1) due to the range of activities underway to improve address quality, there is no means to determine which portion of the improvement can be attributed to this application. With such limitations there is no reason to try to quantify strategic benefits to the Postal Service and mailers; (2) the requirement to develop potential cost savings estimates to establish baseline for comparison with realized savings for future project releases is inappropriate for both Releases 1 and 2.” If Release 3 is developed and the Decision Analysis Report identifies specific cost reductions, management will pursue this action.</p>
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Appendix B: Monetary Impacts

Finding	Impact Category	Amount
1	Revenue Loss ¹³ – November 2010 – June 2011	\$7,397,375
1	Revenue Loss – July 2011 – June 2013	11,796,355
	Total	\$19,193,730

The Postal Service’s decision not to collect additional postage for unqualified Full-Service IMb mailpieces could have a monetary impact of as much as \$19,193,730 for the period November 2010 through June 2013, if no changes are made to the current policy.

Revenue loss totaling approximately \$7.4 million is based on discounts allowed for unqualified Full-Service IMb mail for the period November 2010 through June 2011 and is summarized in Table 5.

Table 5: Additional Postage

Month	Number of Full-Service Mailpieces	Number of Affected Mailpieces	Percentage Affected	Additional Postage	Percentage Change
November 2010	3,726,857,637	329,573,982	8.84	\$ 881,623.41	
December 2010	3,176,664,747	403,648,965	12.71	1,075,270.70	21.96
January 2011	3,725,408,761	463,324,186	12.44	1,123,945.28	4.53
February 2011	3,400,726,632	306,050,770	9.00	804,001.05	-28.47
March 2011	4,087,884,412	291,025,347	7.12	737,154.25	-8.31
April 2011	4,130,487,053	338,339,044	8.19	850,323.30	15.35
May 2011	3,907,569,690	483,041,028	12.36	1,249,195.20	46.91
June 2011	4,029,968,074	294,689,434	7.31	675,861.42	-45.90
Totals	30,185,567,006	2,909,692,756	9.64	\$7,397,374.61	

Source: MicroStrategy Mail Data Quality, Full-Service eDoc Verification Invoice Report.

The potential revenue loss for future mailings over a 2-year period, July 2011 through June 2013, was projected to be approximately \$11.8 million.¹⁴

¹³ Amount Postal Service is (or was) entitled to receive but was underpaid or not realized because policies, procedures, agreements, requirements, or good business practices were lacking or not followed. May be recoverable or unrecoverable. May apply to historical events or a future period (in the sense perceived future losses may be prevented by the implementation of a recommendation).

¹⁴ We calculated the 2-year projection by using a trend analysis. To be conservative, we omitted the implementation month of November 2010 to calculate our average decline. We calculated the percentage of the declining average for the additional postage between December 2010 and June 2011 as follows: December-January = 4.53 percent; January-February = -28.47 percent; February-March = -8.31 percent; March-April = 15.35 percent; April-May = 46.91 percent; May-June = -45.90 percent; for an average decline of -2.65 percent. Therefore, we calculated the 2-year projection from July 2011 through June 2013 to be \$11,796,354.88.

Appendix C: Management's Comments

PRITHA MEHRA
VICE PRESIDENT
MAIL ENTRY & PAYMENT TECHNOLOGY



August 18, 2011

Shirian Holland
Acting Director, Audit Operations
1735 North Lynn Street
Arlington, VA 22209-202

SUBJECT: Draft Audit Report Service Performance Measurement Data –
Commercial (CRR-AR-11-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report. We are in agreement with recommendation no. 1 of the report and attached is our response.

The subject report and this response does not contain any information related to potential security vulnerabilities that, if released, could be exploited and cause substantial harm to the U.S. Postal Service.

We do not believe that this report contains any proprietary or business information prohibiting disclosure pursuant to the Freedom of Information Act.

If you have any questions or comments regarding this response please contact Deborah Cumbo, Mail Entry at (202) 268-6393.

A handwritten signature in black ink, appearing to read "Pritha Mehra".

Pritha Mehra

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Service Performance Measurement Data – Commercial Mail
Report No. CRR-AR-11-DRAFT

We recommend the Executive Vice President, Chief Information Officer direct the Vice President, Mail Entry and Payment Technologies to:

1. Establish milestones for implementing recovery of Full-Service Intelligent Mail Barcode discounts provided to mailers when Full-service mailings do not meet the specific requirements for the discounts received.

Management Response

The USPS is working cooperatively with mailers participating in the full-service program to increase their compliance with the program requirements. Business Mailer Support and the Help Desk identify mailers who are non-compliant with key full-service criteria impacting service measurement. They work with each mailer to identify the reason for non-compliance, determine the appropriate correction to the electronic documentation or mailing process, and establish a timeline for fixing the error. The mailer monitoring and intervention process began in February for certified mailers and was expanded in July to include all full-service mailers. Mailers contacted through this process are working through non-compliance issues to make the necessary improvements that will increase the percent of their mail included in service measurement. Mailers who are unable to correct their documentation or process to comply with full-service mail preparation requirements in the agreed timeline will be denied access to the full-service discount.

Target Completion date: Ongoing

Responsible Official: Pritha Mehra, VP Mail Entry & Payment Technologies