



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

Inbound International Parcel Mail

Audit Report

November 23, 2011

Report Number MS-AR-12-001



HIGHLIGHTS

IMPACT ON:

U.S. Postal Service international parcel revenue and operations.

WHY THE OIG DID THE AUDIT:

Our objective was to determine whether the Postal Service identified, recorded, and billed foreign posts for receipt of inbound international parcel mail.

WHAT THE OIG FOUND:

The Postal Service did not always identify, record, and bill foreign posts for inbound international parcel mail. As a result, the Postal Service did not collect \$10.9 million in revenue for inbound international parcel mail received and delivered in the U.S. between calendar years 2008 and 2010. While the Postal Service significantly improved the completeness of its billing records after the Foreign Post Settlement System replaced the International Accounting Branch Settlement System in December 2009, improvements are needed over internal controls for identifying, recording, and billing inbound international mail. We identified an additional \$44.7 million of revenue at risk due to inadequate procedures for recording receipt of inbound international mail. See [Appendix B](#) for monetary and other impact.

WHAT THE OIG RECOMMENDED:

We recommended the Postal Service reissue procedures to ensure receipt of inbound international mail is recorded

into the Global Business System (GBS) and processed for billing, develop system-generated management reports to ensure receipts are recorded and missing dispatch records are identified in the GBS, and create and process records for dispatches identified during the audit that have not expired to collect revenue due from the appropriate foreign postal administrations. We also recommended the Postal Service assess the need for inbound international mail scanning and recording capabilities at the New Jersey Bulk Mail Center.

WHAT MANAGEMENT SAID:

Management agreed with our findings and recommendations and stated that they recognized past difficulties with the capture and processing of international inbound parcels. Management did not agree with the monetary impact reported and provided subsequent information for our consideration.

AUDITORS' COMMENTS:

The U.S. Postal Service Office of Inspector General considers management's comments responsive and corrective actions should resolve the issues identified in the report. We reviewed management's subsequent analyses and agreed with a partial reduction in monetary impact.

[Link to review the entire report](#)



November 23, 2011

MEMORANDUM FOR: GISELLE E. VALERA
VICE PRESIDENT AND
MANAGING DIRECTOR, GLOBAL BUSINESS

TIMOTHY F. O'REILLY
VICE PRESIDENT, CONTROLLER

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 – Inbound International Parcel Mail
(Report Number MS-AR-12-001)

This report presents the results of our audit of the U.S. Postal Service's recording and processing of billing data for inbound international parcel mail (Project Number 11RG008MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Janet Sorensen, director, Sales and Service, or me at 703-248-2100.

Attachments

cc: Richard G. Loutsch
Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction	1
Conclusion	2
Inbound International Mail Revenue Protection	2
Missing Dispatch Records Were Not Identified and Billed.....	3
Dispatch Receipts Were Not Processed for Billing	4
Recommendations	5
Management’s Comments	6
Evaluation of Management’s Comments.....	6
Appendix A: Additional Information.....	8
Background.....	8
Objective, Scope, and Methodology	9
Prior Audit Coverage	10
Appendix B: Monetary and Other Impacts	12
Appendix C: Management’s Comments.....	13

Introduction

This report presents the results of our audit of the U.S. Postal Service's recording, receipt, and billing data for inbound international parcel mail (Project Number 11RG008MS000). Our audit objective was to determine whether the Postal Service identified, recorded, and billed foreign posts for receipt of inbound international parcel mail between calendar years (CY) 2008 and 2010. This is a self-initiated audit and addresses financial risk. See [Appendix A](#) for additional information about this audit.

Inbound international mail originates in the post office of a country outside the U.S. and is destined for delivery within the U.S. Each country's foreign postal administration (FPA) handles the inbound and outbound international mail for that country. The U.S. Postal Service bills FPAs, which collect the postage from the sender to deliver mail to the final destination point in the U.S.

Inbound international mail arriving at the U.S. Postal Service undergoes the following process for identification, recording, and billing:

- The Postal Service receives inbound international mail at international service centers¹ (ISC) and International Exchange Offices (IEO), which distribute and dispatch international mail from foreign countries.
- Postal Service employees at the international inbound receiving unit – either an ISC or IEO – scan or manually enter Universal Postal Union² barcode³ data from mailpieces or containers into the Postal Service's electronic Global Business System (GBS).
- GBS automatically validates inbound dispatch data, which consists of verifying the completeness and validity of the dispatch records and matching records transmitted in advance by foreign posts to records of the parcels scanned or manually entered when received at the units.
- Dispatches that GBS validates are then processed to the Foreign Post Settlement System for billing.
- Dispatches that GBS is unable to automatically validate are manually reconciled and amended by the International Air Mail Records Unit clerks.
- After resolving all records that fail system validations, International Air Mail Records Unit clerks sort dispatch records so they can identify missing records

¹ There are currently five ISCs: Chicago, Los Angeles, Miami, New York, and San Francisco.

² The Universal Postal Union is a specialized agency of the United Nations and a forum for postal stakeholders regarding policies, products, and services worldwide.

³ The 29-character barcode captures the characteristics of a receptacle which includes the origin country code and location, destination country code and location, mail category and class/subclass, year, dispatch number and serial number, highest number receptacle indicator, registered/insured indicator, and the receptacle weight.

based on breaks in sequentially numbered international mail records. The Universal Postal Union mandates postal administrations to number international mail dispatches sequentially. Therefore, a break in a sequentially numbered dispatch series could indicate a missing dispatch.

- Once any missing records are identified, Postal Service employees are required to immediately create item and weight estimates and send a verification note to the originating FPA so the Postal Service can collect the appropriate fee.

In some instances, foreign posts do not provide advance electronic notification of dispatches. This makes the receiving units' responsibility to scan or manually enter the dispatch data even more critical to ensure that foreign posts are billed for mail delivery within the U.S. In CY 2010 the Postal Service accepted 97,293 inbound international parcel dispatches, generating revenue totaling \$49.6 million.

Conclusion

The Postal Service did not always identify, record, and bill foreign posts for inbound international parcel mail. As a result, the Postal Service did not collect \$10.9 million in revenue for inbound international parcel mail received and delivered in the U.S. between CYs 2008 and 2010.⁴ While the Postal Service significantly improved the completeness of its billing records in 2010 after the Foreign Post Settlement (FPS) System replaced the International Accounting Branch Settlement System in December 2009, improvements are needed over internal controls designed to identify, record, and bill for inbound international mail. We identified an additional \$44.7 million in revenue at risk due to inadequate procedures for recording receipt of inbound international mail.

See [Appendix B](#) for monetary and other impacts.

Inbound International Mail Revenue Protection

Postal Service processes for identifying, recording, and billing parcel revenue due from foreign posts for inbound international parcels need improvement to minimize and mitigate revenue leakage. Specifically, we noted that dispatch receipts were not always recorded or processed for billing and missing dispatch records were not always identified.

Dispatch Receipts Not Always Recorded

Receiving unit clerks at the ISCs and IEOs did not always scan or manually record receipt of inbound parcel mail. Postal Service policy requires employees to scan or manually enter the 29-character Universal Postal Union barcode into GBS to validate, reconcile, and process dispatch records for billing.

⁴ We did not include fiscal year (FY) 2011 data to allow time for the completion of Postal Service validation and reconciliation.

- **Advance Electronic Notification:** Postal Service employees did not enter 21,360 of the 168,712 dispatches (12.7 percent) containing inbound parcel mail into GBS between CYs 2008 and 2010. A significant portion of the unrecorded parcels (93 percent) were processed at the New Jersey Bulk Mail Center (BMC). This occurred because the New Jersey site is not equipped to scan inbound international mail and does not have a formal process to record receipts into GBS. As a result, the Postal Service could not validate the accuracy of dispatch data that foreign posts provided in advance, which resulted in \$20.4 million of revenue at risk for CYs 2008 through 2010. See [Appendix B](#) for other impacts.
- **No Advance Electronic Notification:** Between CYs 2008 and 2010, foreign posts did not provide advance electronic notification of dispatches totaling \$24.3 million. When foreign posts do not provide advance electronic notification, scanning of inbound mail at the receiving units is even more critical to ensure foreign posts are billed for mail dispatched to the U.S. We consider the \$24.3 million revenue at risk. See [Appendix B](#) for other impact.
 - Our audit identified 6,805 advance notifications of mail consigned to carriers that did not have corresponding advance electronic notification of the dispatch and were not recorded (scanned or manually entered) as received in GBS. Foreign Postal Administrations provide advance electronic information to receiving postal administrations that contain information about consignments of mail prepared and provided to carriers for delivery to the receiving Postal Administration. This electronic data includes dispatch, container, and receptacle information and is recorded in the Global Business System. Our discussions with Postal Service officials and review of the dispatch data disclosed 2,926 of the dispatches (43 percent) were destined for the New Jersey BMC which did not have scanning equipment or a formal receiving process, as noted above. We estimated a revenue loss of \$1.7 million associated with the identified unrecorded dispatches.

[Missing Dispatch Records Were Not Identified and Billed](#)

Between CYs 2008 and 2010, the Postal Service did not always identify missing inbound international dispatch records. This occurred because the process to identify and record missing dispatch records is primarily manual and managers lacked formal oversight mechanisms and system reports that would aid in detection. Postal Service International Air Mail Record Unit clerks identified 8,165 missing dispatches by reviewing for breaks in sequentially numbered dispatches and created estimates in GBS to process records for billing.

However, we identified an additional 24,592 missing dispatch records between CYs 2008 and 2010 that Postal Service personnel could have identified through a more complete review of breaks in sequentially numbered dispatch series. As a result, the Postal Service did not bill and receive revenue for these dispatches, totaling

\$6.8 million. During the course of the audit, the Postal Service developed management reporting capabilities in the Enterprise Data Warehouse to list broken sequences in dispatch serial numbers to identify missing dispatch records. Therefore, we are not including a recommendation to develop this report. However, we are including a recommendation to require periodic management review of these reports.

Dispatch Receipts Were Not Processed for Billing

The Postal Service did not always process dispatch receipts from the GBS to the appropriate billing system. After dispatch record receipts are entered into GBS, GBS automatically validates dispatch receipts for accuracy and completeness. International Air Mail Record Unit personnel are required to reconcile and correct any dispatch records that fail GBS validation. Without GBS validation or reconciliation from an International Air Mail Record Unit, dispatch records cannot be transmitted to the Foreign Post Settlement System for billing. As a result, the Postal Service cannot create a bill to collect revenue due from the FPAs.

The Postal Service did not process 19,128 of 308,589 parcel dispatches (6 percent) recorded in GBS to the appropriate billing system from CYs 2008 through 2010. The International Accounting Branch Settlement System was used to process bills prior to 2010. The Postal Service experienced significant interface issues between GBS and the prior billing system. The Foreign Post Settlement (FPS) System replaced the International Accounting Branch Settlement System for bill processing in 2010. We attribute the cause for the incomplete billing records in CYs 2008 and 2009 to these prior billing system interface issues with GBS and the lack of an automated validation process. The Postal Service significantly improved the completeness of its billing records by automating the validation process and establishing the new billing system. Although the number of unprocessed dispatch records substantially declined in 2010 with the new system, International Air Mail Record Units still did not reconcile, and correct 1,214 dispatch records that failed validation in GBS. Invalid dispatch records must be corrected prior to submission to the FPS System. Consequently, the dispatch records were not transmitted to the FPS System for billing. From CYs 2008 to 2010, this issue resulted in lost revenue totaling \$2.4 million for inbound international parcel mail. See Table 1.

Table 1. Dispatch Receipts Not Billed

Dispatch Year	Total Dispatches Recorded	Total Dispatches Recorded but Not Billed	Percent Variance	Total Extended Dispatch Price
2008	110,555	12,484	11.3%	\$1,717,974
2009	100,741	5,430	5.4%	454,129
2010	97,293	1,214	1.2%	248,764
Total:	308,589	19,128		\$2,420,867

Management has reviewed many of the unprocessed dispatch records identified during the audit and is currently examining the edit criteria in GBS and the FPS System to assess the need for system enhancements or whether dispatch records with erroneous data will need to be modified in order to pass and be accounted for properly in the FPS System.

Recommendations

We recommend the vice president and managing director, Global Business:

1. Reissue procedures to ensure all receipts of inbound international mail are recorded into the Global Business System (GBS) and require International Air Mail Records Units to follow-up with identification, correction, and billing of missing dispatch records.
2. Develop system-generated management reports in the GBS to:
 - Compare electronic dispatch records provided by foreign postal administrations to dispatch receipts recorded by International Service Centers to monitor the effectiveness of Receiving Units.
 - Develop system-generated management aging reports in the Global Business to monitor and ensure all records are processed to the appropriate billing system.
3. Update standard operating procedures to require periodic management review of the new reporting capabilities in the Enterprise Data Warehouse to identify broken sequences in dispatch records and ensure estimates are created for submission to the appropriate Foreign Postal Administration for billing.
4. Create and process records for dispatches identified during the audit that have not expired⁵ so that supplemental bills can be created to collect revenue due from the appropriate foreign postal administrations.

We recommend the vice president and managing director, Global Business, in coordination with the vice president, Controller:

5. Assess the need for inbound international mail scanning and recording capabilities at the New Jersey Bulk Mail Center.

⁵ Parcels are generally billed monthly and quarterly and the settlement timeline for expiration of the receivable varies. The amount of time the Postal Service has to settle before expiration of the receivable varies depending on the specific agreement established with the each FPA.

Management's Comments

Management agreed with our findings and recommendations but did not agree with the monetary impact reported. Specifically, management recognized past difficulties with the capture and processing of international inbound parcels and reiterated that they are addressing some of these issues or will be addressing them through planned actions. These actions and their target implementation dates include:

- Simplified standard operating procedures for International Air Mail Records Units (IAMRU) by January 31, 2012.
- Review of the interface between IAMRU and International Service Center operations for improved management reporting of unusual dispatches and receipts activity by September 30, 2012.
- Analysis of unprocessed records identified during the audit by December 15, 2011.
- Analysis of the need to install inbound mail scanning equipment at the New Jersey Network Distribution Center by April 30, 2012.

Although management agreed that savings and reduced revenue risk will result if they implement the recommended actions in the report, they disagreed with our quantification and projected monetary impact and provided additional analyses subsequent to the issuance of the draft report. 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 recommendations and corrective actions should resolve the issues identified in the report.

Regarding disagreement with the monetary impact, management provided additional analyses which showed that 4,168 of the 8,775 gaps in the sequential dispatch serial numbers should potentially not be billed. Management's methodology assumes all "missing" dispatch numbers within the series as "Nil" records, which would not require billing to a foreign post. Since the dispatch records are "missing" we are unable to quantify how many would in fact be "Nil." To be conservative in our estimated savings, we have excluded all the questioned dispatch records from our analysis and adjusted our monetary impact accordingly.

Management also questioned the identification of missing dispatches that contain CN⁶ and CV⁷ subclasses. However, prior to issuing the draft report, we acknowledged FPAs'

⁶ Ordinary Parcels

⁷ Insured Parcels

interchangeable use of the CN and CV subclasses in a dispatch series and modified the data used in our analysis to reflect these subclasses as one series. Accordingly, no adjustment is necessary as we already accounted for this issue in our calculations. Management further provided research results of the 1,214 dispatch records that were not processed to the FPS. Management identified the reasons for 67 percent of the dispatches that were not processed, however, they did not provide evidence that the dispatch records were corrected and processed for billing to FPAs. Therefore, we did not reduce the monetary impact reported for this issue.

Appendix A: Additional Information

Background

Inbound international mail⁸ is foreign-originating mail destined for delivery within the U.S. In FY 2010, the Postal Service reported \$352 million in revenue for inbound international mail processed and delivered in the U.S. The Postal Service's Global Business office is responsible for overseeing the identification, recording, and billing of inbound international mail.⁹ Postal Service employees at IEOs and ISCs¹⁰ process, manage, and reconcile international mail entering the U.S. via its web-based application, GBS.

Foreign posts send advance dispatch notifications prior to sending inbound international mail dispatches. Foreign posts send the advance notification about the dispatches to the receiving country through the Electronic Data Interchange.¹¹ Foreign mail dispatches are receptacles¹² with an attached label from the country of origin that may contain single or multiple mailpieces.

Receiving units within the ISCs are responsible for recording receipt of inbound international mail using GBS. Employees at receiving units scan or manually enter into GBS the 29-character Universal Postal Union barcode on every receptacle. The GBS then assesses all of the dispatch records based on a set of validation rules and assigns a validation status – pass or fail – to each record. There are two types of automated validations GBS performs:

1. Automated validation, which verifies the completeness and validity of the dispatch records.
2. Verifies that advance electronic records provided by the foreign postal administration match the data receiving unit clerks enter into GBS.

To complete the validation process, International Air Mail Receiving Unit clerks must update GBS with the most reliable data source in accordance with Postal Service procedures and within established timelines. If data from the different sources are not consistent, the International Air Mail Receiving Unit clerks must update the record with the most reliable data source to complete the validation process before transmitting information to the billing system for settlement. In addition, International Air Mail Receiving Unit clerks communicate with the FPA when they identify irregularities in the preparation, dispatch, and receipt of international mail.

⁸ Mail can also be a term for a dispatch.

⁹ Mail refers to all classes of international mail

¹⁰ There are currently five ISCs: New York, Miami, Chicago, Los Angeles, and San Francisco.

¹¹ Electronic Data Interchange (EDI) countries send electronic advice data to the Postal Service before mail arrival. Included are dispatch dates and other information that is pre-populated into the Receipt System. When ISC personnel scan the EDI receptacles, the scan retrieves the EDI data and associates the receptacle to the EDI dispatch date.

¹² Receptacles can include trays, sacks, or boxes. They may contain one or more mailpieces.

Once dispatches clear the validation or reconciliation process, dispatch data is transmitted from GBS to the billing system. The Postal Service's current billing system, the Foreign Post Settlement System, replaced the International Accounting Branch Settlement System in December 2009. With information in the Foreign Postal Settlement System, employees at the St. Louis Accounting Service Center price dispatch and receptacle data, generate all needed settlement documents, reconcile receivables and payables with adjustments to the sub-ledgers, and create all the accounting journal sub-ledgers to post to the corporate general ledger.

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service identified, recorded, and billed foreign posts for receipt of inbound international parcel mail. To accomplish our objective, we reviewed available policies, procedures, and documentation. We conducted on-site visits to ISCs and the St. Louis Accounting Service Center and interviewed key officials and subject matter experts on the acceptance and processing of accepting inbound international mail.

We identified the computer systems the Postal Service used to gather, reconcile, and process data to collect revenue from inbound international mail. We compared inbound international mail data scans at receiving units to the electronic data received from the FPA. Additionally, we analyzed sequentially numbered mail dispatch data to identify missing records. We also compared the receipt data recorded in the GBS to the billing records maintained in the Foreign Post Settlement System.

We conducted this performance audit from July 2009 through November 2011¹³ 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on September 14 and October 19, 2011, and included their comments where appropriate.

We assessed the reliability of GBS data by comparing scanned and manually entered data to the electronic data interchange from the FPAs. We also compared receipt data in GBS with the billing records in Foreign Post Settlement System and the International Accounting Branch Settlement System. We determined the data were sufficiently reliable for the purposes of this report.

¹³ This audit was suspended for over 1 year due to resource unavailability and data access issues.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Overweight International Parcels</i>	MS-MA-11-001	09/13/11	None	The Postal Service accepted and processed overweight inbound international mail items. By allowing overweight items to enter the mail stream, the Postal Service increases the risk of work-related injuries. In addition, a potential for revenue loss exists. Management agreed with our recommendations to issue interim guidance stating procedures for handling overweight and oversize inbound international mail items and update Handbook T-5, International Mail Operations, to include procedures for handling these items.
<i>Fiscal Year 2010 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center</i>	FT-AR-11-009	3/31/11	None	We followed up on prior year recommendations concerning highway extra trips, international mail, and controls over money orders. As a result of our review, we closed all recommendations for highway extra trips and international mail, but three remain outstanding for money orders. Because of management’s continuing efforts and improvements, we did not provide any recommendations.
<i>Miami International Service Center – Inbound International Mail</i>	FT-AR-08-012	9/03/08	\$2,084,620	Data used to bill FPA for inbound international Express Mail® service was not complete. We determined that 1,058 manually entered dispatches were not billed to FPAs. Management took corrective action during the audit to address the issue.

<i>Controls Over the International Reconciliation System</i>	CRR-AR-08-006	8/25/08	\$859,468 in monetary (and \$11,726,074 in non-monetary impact)	In implementing the International Reconciliation System to streamline the international mail reconciliation process, management did not identify all requirements prior to its deployment, allowing incomplete validated records to be placed into the productions database. Management concurred with our findings and implemented corrective action.
<i>San Francisco International Service Center – Inbound International Mail</i>	FT-AR-07-012	3/30/07	\$922,478	ISC personnel in the record unit did not properly process letter class inbound international mail documents and timely enter the information into the international web-based application. Management agreed with our recommendation to implement a procedure requiring adequate management oversight to ensure proper processing of inbound international letter class documents.
<i>J.T. Wecker (Chicago) International Service Center – Inbound International Mail</i>	FT-AR-06-013	3/22/06	\$147,729	ISC personnel could not support discrepancies or did not request missing documentation from the foreign post. In addition, there were discrepancies between supporting documentation and billing information because inbound records clerk entered incorrect data. Management agreed with our recommendations to request missing documents and reassigned and trained new personnel. Beginning July 2005, unit supervisors began monitoring input on inbound mail documents to ensure accuracy.
<i>New York International Service Center – Inbound International Mail</i>	FT-AR-08-005	1/24/08	\$13,700,604	Volume data used to bill FPAs for inbound Express Mail service was not always accurate. We found errors in 97 of 120 items reviewed for China. For all other countries, we found errors in 57 of 78 items reviewed. Management agreed with our recommendation to establish and communicate policies and procedures to address the complete processing and billing cycle for inbound international mail.

Appendix B: Monetary and Other Impacts

Monetary Impacts

Finding	Impact Category	Calendar Year Period 2009 – 2010 Amount	Calendar Year Period 2011 – 2012 Amount	Total Amount
1	Revenue Loss ¹⁴	\$1,393,617	\$2,068,674	\$3,462,291
2	Revenue Loss	3,550,387	43,307	3,593,694
3	Revenue Loss	702,893	497,530	1,200,423
	Total	\$5,646,897	\$2,609,511	\$8,256,408

Other Impacts

Finding	Impact Category	Amount
1	Revenue at Risk ¹⁵	\$20.4 million
1	Revenue at Risk	24.3 million
	Total	\$44.7 million

¹⁴ Revenue loss consists of amounts the 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.

¹⁵ Revenue at risk represents revenue that the Postal Service is at risk of losing.

Appendix C: Management's Comments



November 7, 2011

Shirian B. Holland
Acting Director, Audit Operations

Sent via: audittracking@uspsoig.gov

SUBJECT: Inbound International Parcel Mail—Draft Audit Report MS-AR-12-DRAFT

Global Business and the Controller's group generally agree that during the 2008-2010 period difficulties were experienced with the capture and processing of international inbound parcel traffic. This likely resulted in the identified issues. As recognized in the report a number of the issues with systems interfaces have been improved. Also, we believe there is currently an effective process in place for identifying, resolving or invoicing broken dispatch series and records that do not pass to the billing system. As noted in our comments we plan to take additional action to improve and expand the control processes questioned in this report and to examine alternatives to resolve or mitigate the lack of scanning at the New Jersey Network Distribution Center (NDC).

We agree that some savings or reduced revenue risk would result if all of the recommendations were to be implemented successfully, but we disagree with the quantification and projection of the savings. We performed a limited analysis of the files provided by the OIG audit team. The results of our review, as noted in our responses below, do not support the level of revenue at risk and the revenue lost. For instance, our analysis indicates that at least 47% of the missing dispatches were identified as "nil" records in GBS, and therefore, were not passed to the billing system. Additionally, 67% of the failed records were in categories that should not have been passed to FPS.

Recommendation 1

Reissue procedures to ensure all receipts of inbound international mail are recorded into the Global Business System and require International Air Mail Records Units to follow-up with identification, correction, and billing of missing dispatch records.

Management Response

We will review the existing procedures and determine if reissuance is warranted or if personnel in the receiving function require additional training. For the records units and in response to a previous audit report, International Accounting is currently reviewing the SOP with the objective of simplifying the procedures. The SOP will be reissued when completed early in 2012.

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- 2 -

Also please refer to the responses to Recommendation 2 and 3 regarding the currently effective SOP and control processes.

Target Implementation Date
January 31, 2012

Responsible Official
Receiving Function: Brent Raney, Executive Director, International Operations
Records Unit SOP: Richard Loutsch, Manager, International Accounting

Recommendation 2

Develop system-generated management reports in the Global Business System to:

- Compare electronic dispatch records provided by foreign postal administrations to dispatch receipts recorded by International Service Centers to monitor the effectiveness of Receiving Units.

- Develop system-generated management aging reports in the Global Business to monitor and ensure all records are processed to the appropriate billing system.

Management Response

Failed dispatch records are currently monitored by the IAMRUs and the International Accounting organization (Attachment 1- Combined). Part of this monitoring includes a review of failed records processing status. The International Accounting organization currently conducts weekly conference calls with the IAMRU supervisors to review the status of dispatch records suspended in the system.

Related to this area, International Accounting is planning to undertake a review of the records unit operations and their interface with the operations groups at the ISCs. The objective is to identify useful management reporting of unusual dispatches and receipts activity.

Target Implementation Date
September 30, 2012 for initial operations feedback reporting capability

Responsible Official
Richard Loutsch, Manager, International Accounting

Recommendation 3

Update standard operating procedures to require periodic management review of the new reporting capabilities in EDW to identify broken sequences in dispatch records and ensure estimates are created for submission to the appropriate Foreign Postal Administration for billing.

Management Response

The current version of the IAMRU SOP addresses correction of broken dispatch series. Attachment 2- Broken Sequence Dispatches SOP is a copy of the relevant section of the SOP. The IAMRU estimates the missing dispatch information and enters that information in GBS for processing into the FPS for billing. A verification notification (VNs) is also sent to the originating FPA requesting information about the missing dispatch numbers.

It is important to recognize that records, once entered into GBS currently cannot be deleted, and the bar codes cannot be changed. When a record has a bad barcode, it remains in the system. To maintain clean current year data, the practice is to send inaccurate records to a past year as "NIL" records dating them December 31st. Once this is done, the inaccurate records will mix in with any valid bar codes causing the appearance of missing dispatches.

We performed a limited review of the files sent to us by the OIG audit team. The results of that review are included at Attachment 3- Summary of Missing Dispatches. At least 47% of the records identified as related to missing sequences were inaccurate records that were discarded by moving them to a previous year.

Description	Comments	Total	Percent
Nil Bill	Dispatch parcel bill indicated as "Nil Bill"	2,966	33.8%
Nil Date	Dispatch date of 12/31/2008, 12/31/2009, or 12/31/2010 which is used by Records Units when nil bill	64	0.7%
Year After 2008	Year of dispatch date after 2008 which includes mainly dispatches from year 1776 or 1900 which the Records Units used in past when nil bill	1,138	13.0%
Further Investigation Needed	Require further investigation to understand if dispatch is a nil bill and if dispatch should be included within this analysis	4,607	52.5%
Total		8,775	100.0%

Other issues occur when a foreign administration sends a CN series and includes insured parcels in the same dispatch using subclass CV. Dispatches 1, 2, 3, and 4 may be entered as CN and dispatch 5 will be CV. The result is both a CN and a CV series when there should be only one series. This approach to dispatch numbering is allowed by the UPU. To correct the situation, the CV information is "niled" and sent to a prior year, and a CN barcode is entered.

As previously discussed in response to Recommendation 1 and 2, management will examine the SOP and the need for additional management reporting. Additionally, the current record correction process will be reviewed to determine if an alternative approach to erroneous record correction can be developed.

Target Implementation Date

See Recommendations 1 and 2

Responsible Official
 Performance-IAMRU Supervisors
 SOP- Richard Loutsch, International Accounting

Recommendation 4

Create and process records for dispatches identified during the audit that have not expired so that supplemental bills can be created to collect revenue due from the appropriate foreign postal administrations.

Management Response

We are currently reviewing the unprocessed records identified during the audit. Attachment 4-Dispatches Not Sent to FPS is an Excel file that organizes into categories the 1,214 failed records representing \$249 thousand, or 0.5%, of the \$49.6 million of transactions examined in 2010. The records are organized by the reason that they were not passed to FPS. We compared the OIG provided file to the GBS data base to determine why the records were not passed to FPS. Of the 1,214 failed records, most of the records were not passed to FPS because they were not required to be passed. International Accounting can not yet explain why 398 records representing \$66,342, (0.1%) were not passed to FPS. The classification of the identified records is summarized in the table below. Further review is in process, but our ability to resolve these records this late after original receipt is very limited.

Exclusion & Invalid Field	Comments	Total	Percent	Revenue
Bilateral	All records from Netherlands after 10/1/2011 (effective date of bilateral) are settled based upon EDI and not fixed by the Records Units	23	1.9%	\$89
Direct Entry	All records with mail subclass CD from China, Hong Kong, or Vietnam (Direct Entry) are settled based upon EDI and not fixed by the Records Units	394	32.5%	\$50,274
EPG	All records with mail subclass CE from EPG Countries are settled based upon IPC data and not fixed by the Records Units	47	3.9%	\$36,343
Invalid Dispatch Number	Dispatches with a dispatch number 0000 or dispatch number including a letter are considered invalid, cannot be edited within GBS, and are not sent to FPS	25	2.1%	\$13,483
Invalid Category	Dispatches with R mail category are considered invalid, cannot be edited within GBS, and not sent to FPS	1	0.1%	\$0
Invalid Subclass	Dispatches with CM, CO, CU mail subclass are considered invalid, cannot be edited within GBS, and not sent to FPS	5	0.4%	\$100
Subclass Unavailable	Dispatches with mail subclass that are not recognized within GBS are considered invalid, cannot be edited within GBS, and not sent to FPS	3	0.2%	\$33
Invalid Destination OE - SFOB	Dispatches with SFOB destination from China are not listed in LCMS table, considered invalid cannot be edited within GBS, and not sent to FPS	312	25.7%	\$81,055
Invalid Destination OE - JERA	Dispatches with JERA destination from Egypt are not listed in LCMS table, considered invalid, cannot be edited within GBS, and not sent to FPS	6	0.5%	\$1,047
Other	Records not contained in the above categories which require further analysis and may indeed be within FPS	398	32.8%	\$66,342
Total		1214	100.0%	\$248,765

- 5 -

Target Implementation Date

December 15, 2011 for completion of the analysis

Responsible Official

Richard Loutsch, Manager, International accounting

Recommendation 5

Assess the need for inbound international mail scanning and recording capabilities at the New Jersey Bulk Mail Center.

Management Response

Management previously investigated the installation of inbound scanning equipment and processes at the New Jersey NDC. The proposal was not accepted at the time for financial reasons. In light of this audit report, management will revisit the need for, and possible alternatives to, scanning of inbound parcel mail at the New Jersey NDC.

Target Implementation Date

Completion of analysis. April 30, 2012

Responsible Official

Brent Raney, Executive Director of International Operations

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.

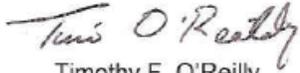
Please address any questions concerning operations to Brent Raney at 202-268-6431 and for accounting related questions to contact Richard Loutsch at 202-268-3774.

Sincerely,



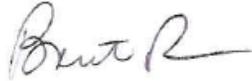
Giselle Valera

Vice President and Managing Director, Global Business



Timothy F. O'Reilly
Vice President, Controller

- 6 -



Brent Raney
Executive Director, International Operations

cc: Joseph Corbett
Robin M. Stewart
Dave Williams
Deborah Giannoni-Jackson
Steven R. Phelps
Franca Davis
Ms. Sally K. Haring sent via: CARManager@usps.gov