



December 30, 2003

PAUL E. VOGEL  
VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT

SUBJECT: Audit Report – Military Mail Issues During Operation Iraqi Freedom  
(Report Number NO-AR-04-003)

This report presents the results of our audit of Military Mail Issues During Operation Iraqi Freedom (Project Number 03YN010AC000). We initiated this report in response to an allegation of delay in military mail during the recent military operations in the Persian Gulf region.

The audit revealed the Postal Service did not delay military mail from the Persian Gulf region, and we concluded the Postal Service did a commendable job performing its responsibilities regarding military mail. However, during our visits to mail processing facilities, we observed a backlog of undelivered mail the military had returned from the Persian Gulf to the Postal Service for reprocessing. The Postal Service incurred \$316,012 in additional labor costs to reprocess this mail. We recommended management obtain reimbursement from the Department of Defense for these costs.

Management agreed with the intent of our recommendation to seek reimbursement from the Department of Defense for these labor costs. However, Postal Service elected not to pursue such reimbursement because (1) they did not want to jeopardize the excellent and cooperative working relationship with the Department of Defense, and (2) they believe the Department of Defense has taken the necessary corrective measures to preclude a recurrence of a similar episode. Given the rationale provided, we consider the management's comments responsive to our recommendation. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Robert J. Batta, Network Operations - Processing, at (703) 248-2100 or me at (703) 248-2300.

Mary W. Demory  
Deputy Assistant Inspector General  
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Attachment

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## EXECUTIVE SUMMARY

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### Introduction

This report presents the results of our review of an allegation of delays in military mail<sup>1</sup> during the recent military operations in the Persian Gulf region. We received this allegation from an Army Inspector General official. Military mail is managed jointly by the Postal Service and the Department of Defense.

The objectives of this audit were to (1) determine whether the Postal Service delayed military mail and assigned a lower priority to military “free” mail than other types of mail,<sup>2</sup> and (2) assess the Postal Service’s processing of military mail from Operation Iraqi Freedom.

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### Results in Brief

The audit revealed the Postal Service did not delay or assign low priority to military mail from the Persian Gulf region. We also concluded the Postal Service did a commendable job performing its responsibilities regarding military mail. However, we observed a backlog of mail at three processing centers resulting from mail that had been delivered to the Persian Gulf region and was subsequently returned to the United States to be returned to sender, forwarded as addressed, or destroyed.

The Postal Service accepted this mail even though the Department of Defense did not always provide forwarding addresses as required. Postal Service officials advised us they accepted and reprocessed the mail because they were aware of the conditions in the combat area and the difficulties faced by the military in delivering this mail. As a result, the Postal Service accepted large amounts of returned undeliverable-as-addressed mail<sup>3</sup> that created (1) the need for additional labor hours of 9,972 or \$316,012 in labor costs, and (2) the risk of customer dissatisfaction.

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<sup>1</sup> Military mail is “domestic and international mail which bears a military address or return address and that at some stage in its transmission is in the possession of the Department of Defense.”

<sup>2</sup> We received an allegation that military mail from the troops supporting Operation Iraqi Freedom was being delayed because the Postal Service may be assigning a lower priority to “free” (no postage necessary) military mail originating in Iraq. “Free” mail for Iraq was declared by the Office of Secretary of Defense to allow members of the armed services to send some types of mail without postage attached. The Department of Defense reimburses the Postal Service for this postage.

<sup>3</sup> Undeliverable-as-addressed is defined as “Mail that the USPS cannot deliver as addressed and must forward to the addressee, return to the sender, or send to a mail recovery center (depending on the treatment authorized for mail class).”

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<b>Summary of Recommendations</b>	We recommended management obtain reimbursement from the Department of Defense for additional labor costs of \$316,012 associated with the processing of undeliverable-as-addressed military mail.
<b>Summary of Management's Comments</b>	Management agreed with the intent of our recommendation to seek reimbursement from the Department of Defense for these labor costs. However, they stated they do not intend to pursue such reimbursement because they believe the costs associated with this one-time occurrence should not be a reason to jeopardize the excellent and cooperative working relationship between the two organizations. In addition, the Postal Service reported that the military has taken steps to mitigate these problems in the future. Management's comments, in their entirety, are included in Appendix C of this report.
<b>Overall Evaluation of Management's Comments</b>	Given the rationale provided, we consider management's comments responsive to our recommendation.

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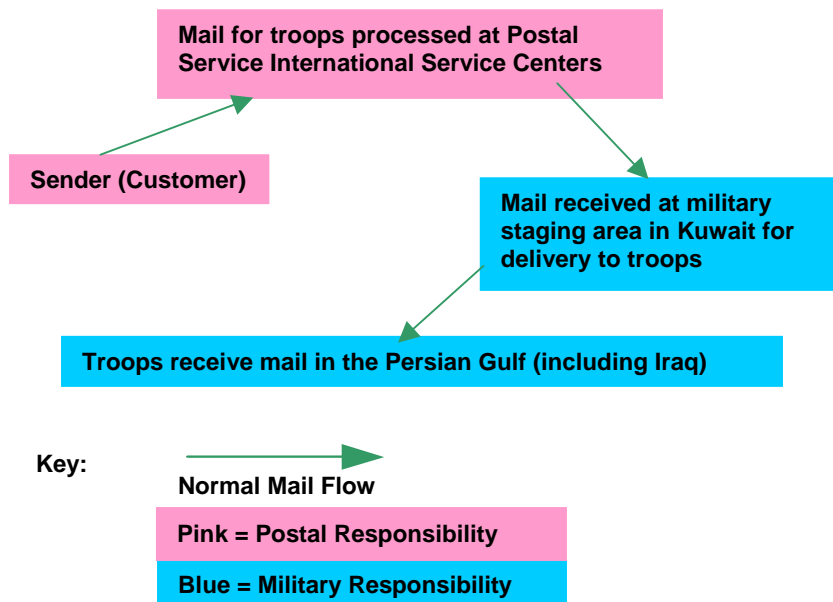
## INTRODUCTION

### Background

The Postal Service and the Department of Defense work jointly to ensure quality mail service to the military. Joint Postal Service operations are governed by “an agreement between the Postal Service and the Department of Defense details the responsibilities of each organization to provide coordinated and efficient postal services.”<sup>4</sup> New York City and San Francisco Area Postal Service facilities serve as the primary international gateways for military mail traveling to military locations in the Persian Gulf region.

United States troop build-up leading to Operation Iraqi Freedom increased dramatically in the Persian Gulf region from approximately 60,000 in January 2003 to 225,000 in February 2003. Troop strength increased to approximately 250,000 by mid-March 2003. Between January and July 2003, the Postal Service and the military together transported over 40.6 million pounds of military mail to and from the Persian Gulf region, according to the chief of operations, Military Postal Service Agency. Below is a chart that shows the normal flow of military mail and identifies Postal Service and military responsibilities.

### Military Mail Process



<sup>4</sup> Postal Agreement with the Department of Defense, (Publication 38), February 1980.

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**Objectives, Scope,  
and Methodology**

The objectives of this audit were to (1) determine whether the Postal Service delayed military mail and assigned a lower priority to “free” military mail than other types of mail, and (2) assess the Postal Service’s processing of military mail from Operation Iraqi Freedom.

To meet our objectives, we interviewed Military Postal Service Agency officials in Alexandria, Virginia, and Postal Service managers and military officials at the New York and San Francisco International Service Centers. We also visited the New Jersey International and Bulk Mail Center and the Postal Service’s contract air operations at the Newark International Airport. In addition, we reviewed applicable Postal Service regulations, policies, procedures, and documentation related to military mail.

We conducted this audit from June through December 2003, in accordance with generally accepted government auditing standards, and included such tests of internal controls as were considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

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**Prior Audit Coverage**

We did not identify any prior audits or reviews related to the objectives of this audit.

## AUDIT RESULTS

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### **Military Mail Allegedly Delayed by the Postal Service**

In June 2003, we received an allegation from an Army Inspector General official that the Postal Service was moving mail slowly from the Persian Gulf region to the United States. We also received allegations the Postal Service was giving a lower priority to military mail, which was hand-stamped "free" mail coming from the Persian Gulf region to the United States.

Our review disclosed no evidence the Postal Service delayed military mail related to Operation Iraqi Freedom or the Postal Service was assigning a lower priority to military mail than other types of mail. Our conclusions were based on an examination of mail condition reports, as well as interviews and observations at several Postal Service processing facilities. Consequently, we are not making any recommendations in this area.



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**Postal Service Efforts  
Commendable**

The Postal Service performed a commendable job in processing and supporting the movement of military mail based on our observations and interviews with military and Postal Service officials. Notably, an official at the Military Postal Service Agency told us during the Iraq conflict the Postal Service went over and above what is necessary in assisting the military, including:

- Round-the-clock monitoring and dispatching of mail to the Persian Gulf region during Operation Iraqi Freedom (as depicted below).
- Sortation of mail to the Persian Gulf region to enable bypassing of congested areas of operation to expedite the movement of mail to the troops.

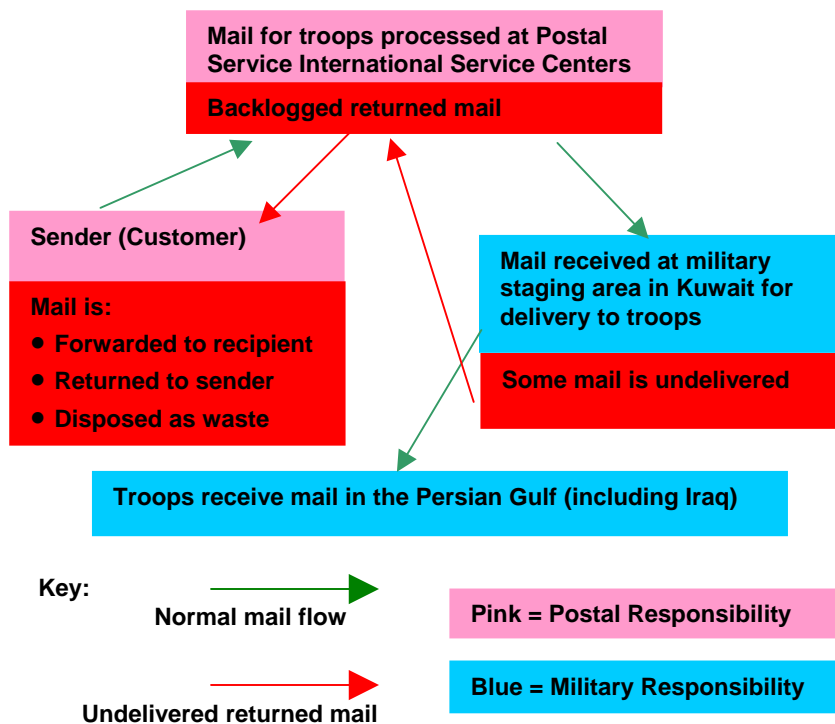


**Round-the-Clock Monitoring of Contract Airlines Kalitta  
Boeing 747 Being Loaded with Military Mail, June 2003.**

**Backlogged Returned Mail**

During our visits to mail processing facilities in late June 2003, we observed a large volume of backlogged returned mail.<sup>5</sup> (See the flow chart below.)

**Backlogged Returned Military Mail**



During our site visits in June and July 2003, we counted 14 containers at the New Jersey International and Bulk Mail Center (depicted on page 6), approximately 62 containers at the New York International Service Center (depicted on the top of page 7), and 3 containers at the San Francisco International Service Center.<sup>6</sup> We also observed that much of this mail was unwrapped and lacked any addressing information (also depicted in the pictures on the bottom of page 7 and the top of page 8).

<sup>5</sup> Backlogged returned mail was comprised of thousands of letters and packages delayed overseas and ultimately not delivered to the final recipients – the service men and women. This mail was subsequently returned in bulk to the Postal Service creating a backlog at the processing centers.

<sup>6</sup> Postal Service managers at the San Francisco International Service Center told us they had eliminated most of their backlog before our arrival in July 2003.

Documentation was not available from the Postal Service indicating the number of pounds of mail the military could not deliver and was returned to the Postal Service for further processing. However, the Military Postal Service Agency provided documentation indicating that from January through August 2003 the Postal Service received over 6 million pounds of mail from Operation Iraqi Freedom. Postal Service officials also provided documentation showing additional labor costs incurred from January through August 2003 to reprocess undeliverable-as-addressed mail.



**Military Mail Awaits Repackaging at the New Jersey International and Bulk Mail Center, June 2003.**



**Backlogged Returned Mail at the New York International Service Center, June 2003.**



**Backlogged Returned Mail Needing to be Repackaged at the San Francisco International Service Center, Daly City, California, July 2003.**



**Backlogged Returned Mail Undeliverable-as-Addressed at the New Jersey International and Bulk Mail Center, June 2003.**

The reasons for the backlogged returned mail that needed to be reprocessed by the Postal Service included:

- The rapid military build-up and subsequent execution of Operation Iraqi Freedom that overwhelmed military Postal Service operations in the Persian Gulf region.
- The quick end to major hostilities in Iraq resulting in the rapid return of many military personnel to bases in the United States, often before their mail could catch up with them.
- The decision by military officials to not restrict mail going to the Persian Gulf region to only Priority and/or First-Class Mail.
- The decision by military officials to return undelivered mail to the Postal Service without the usual military directory service.

The Postal Service accepted this mail even though the Department of Defense did not always provide forwarding addresses as required. Postal Service officials advised they

accepted and reprocessed the mail because they were aware of the conditions in the combat area<sup>7</sup> and the difficulties faced by the military in delivering this mail. Nevertheless, Publication 38, Section IX, Mail Forwarding, states that upon the return of mail to the Postal Service: “the Department of Defense. . . agrees to provide directory service for undeliverable-as-addressed military mail and endorse each piece to show a forwarding address or reason for non-delivery.”

As a result of accepting this mail, the Postal Service incurred an additional 9,972 workhours, or approximately \$316,012 in labor costs. Publication 38, Section V, Claims, provides that the Department of Defense agrees to “assume financial liability, under military claims procedures, for loss, damage, theft, wrong delivery . . . .” (See Appendix A.)

In addition, the Postal Service was exposed to the risk of customer dissatisfaction from mailpieces returning from the Persian Gulf region. As part of our review, we suggested Postal Service officials at the New York and New Jersey facilities include a letter of explanation with each returned mail package to minimize the risk of customer dissatisfaction. At the time of our visit, Postal Service management at the San Francisco International Service Center already included a standard letter in all reprocessed packages. (See Appendix B for a sample copy of this letter.)

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**Recommendation**

We recommend the vice president, Network Operations Management:

1. Obtain reimbursement from the Department of Defense for additional labor costs of \$316,012 associated with the reprocessing of undeliverable-as-addressed military mail.

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**Management’s  
Comments**

Management agreed with the intent of our recommendation to seek reimbursement from the Department of Defense for these labor costs. However, they stated they do not intend to pursue such reimbursement because responsibilities are shared by both organizations for providing postal services to members of the Armed Services worldwide. Postal

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<sup>7</sup> Mail was stored in large metal transportation containers in Kuwait and exposed to extreme desert heat, at times in excess of 120 degrees. As a result, the heat weakened the adhesives causing damage to the mail.

Service management stated the costs associated with this one-time occurrence should not be a reason to jeopardize the excellent and cooperative working relationship between the two organizations. Additionally, they believe the Military Postal Service had taken the necessary corrective measures to preclude a recurrence of a similar episode.

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**Evaluation of  
Management's  
Comments**

Based on the rationale provided, we consider management's comments responsive to our recommendation.

**APPENDIX A. ESTIMATED WORKHOURS AND LABOR COSTS INCURRED**

<b>SITE (International Service Centers and Bulk Mail Centers)</b>	<b>FULL-TIME REGULAR WORKHOURS AT \$36.98</b>	<b>FULL-TIME REGULAR OVERTIME WORKHOURS AT \$29.99</b>	<b>CASUAL WORKHOURS AT \$12.90</b>	<b>CASUAL OVERTIME WORKHOURS AT \$16.26</b>	<b>LABOR COSTS</b>
San Francisco International Service Center	60	0	1,731	121	\$ 26,516
San Francisco Bulk Mail Center	263	0	0	0	\$ 9,726
New York International Service Center	6,332	1,225	0	0	\$ 270,895
New Jersey International and Bulk Mail Center	240	0	0	0	\$ 8,875
Totals	6,895	1,225	1,731	121	\$316,012 *

**SOURCE**

Workhours expended were estimated and reported to us by Postal Service managers at the San Francisco and New York International Service Centers, the New Jersey International and Bulk Mail Center, and the San Francisco Bulk Mail Center. We did not independently validate the workhours. Although the military was not exclusively responsible for the necessary repackaging, Military Postal Service Agency officials advised us they were responsible for the majority of the required repackaging.

**ASSUMPTIONS**

Labor rates were estimated based on the Postal Service 2003 published rates for:

- A full-time regular PS-05 clerk rate of \$36.98, and a casual clerk rate of \$12.90 – (both fully loaded with overhead).
- An overtime rate for full-time regular employees of \$29.99 [\$19.99 (labor costs without overhead) x 1.5 (time and a half for overtime)], and an overtime rate for casual employees of \$16.26 [\$10.84 x 1.5].

**\*Questioned Costs.**



## APPENDIX B. SAMPLE LETTER OF EXPLANATION FROM THE POSTAL SERVICE



Dear Postal Customer:

After an unfortunate delay, we are forwarding the enclosed mail to you for delivery. We sincerely regret any inconvenience you might have experienced due to delay or damage your mail incurred. Just like you, we expect mail to be delivered on time and in good condition.

This mail has been in the custody of the Military Postal Service in the Persian Gulf area and was only just returned to the United States Postal Service for delivery to you. Unfortunately, the Military Postal Service was unable to delivery this mail to you before you departed from overseas. In view of the multiple extra handlings this mail encountered going overseas and back to the United States, it has sustained some unfortunate damage. We sincerely apologize for its condition.

We realize mail is important to all our customers, but in particular to the members of our armed forces who are serving our country in places so far from home. We are making every effort to see that this mail is delivered as soon as possible.

Again, please accept our apologies for any damage to your mail.

Sincerely,

Plant Manager/Postmaster

## APPENDIX C. MANAGEMENT'S COMMENTS

PAUL VOGEL  
VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT



December 15, 2003

MS. DEMORY

SUBJECT: Transmittal of Draft Audit Report – Military Mail Issues During  
Operation Iraqi Freedom (Report Number NO-AR-04-DRAFT)

The subject report presents the results of the Office of Inspector General (OIG) audit of military mail issues during Operation Iraqi Freedom. The audit was initiated in response to an allegation of delay in military mail from the overseas area of operation in the Persian Gulf to the United States. The OIG received the allegation of mail delay from an Army Inspector General official. Specifically, the allegation was that the U.S. Postal Service (USPS) assigned a lower priority to military "free" mail than other types of mail. The OIG audit revealed that the Postal Service did not delay or assign a lower priority to military mail from the Persian Gulf region. Postal Service management agrees with this finding.

In addition, the OIG audit assessed the Postal Service's general processing of military mail from Operation Iraqi Freedom. The OIG assessment concluded that the Postal Service did a commendable job performing its responsibilities regarding military mail processing. However, during its on-site review of the USPS military mail processing facilities, the OIG observed a backlog of mail that had been originally delivered to the Persian Gulf area, but subsequently returned to the United States for forwarding to service members who had already returned from overseas. As a result, the OIG audit provides for the following recommendation.

Recommendation:

We recommend the Vice President, Network Operations Management:

Obtain reimbursement from the Department of Defense (DoD) for additional labor costs of \$316,012 associated with the reprocessing of undeliverable-as-addressed military mail.

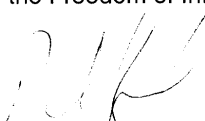
475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260-7100  
202-268-7666  
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WWW.USPS.COM

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Response:

Although management appreciates and agrees with the intent of this recommendation, we do not intend to pursue reimbursement from DoD for the labor costs. As noted in the audit report, the USPS and DoD have a very cooperative and synergetic working relationship in providing postal services to all members of the Armed Services worldwide. Responsibilities for providing a seamless logistics system for the delivery of mail around the world are shared by both organizations which together strive to provide the best possible service to the men and women of the Armed Services deployed around the world. We do not believe it is appropriate or in the best interest of the exceptional working relationship that exists between our two organizations to begin to invoice for these personnel labor costs. We believe the costs associated with this one-time occurrence should not be a reason to jeopardize the excellent relationship between our two organizations. In addition, we believe that the Military Postal Service has taken the necessary corrective measures to preclude a recurrence of a similar episode.

Nevertheless, we appreciate the efforts of the OIG team that conducted this extensive review. We especially appreciate the professional approach and cooperative nature during the audit review. In view of the comprehensive report and the outstanding communications between the audit team and my staff, we do not require an exit conference. In addition, we do not believe that the audit report contains any proprietary information that should be exempt from disclosure under the Freedom of Information Act (FOIA).



Paul Vogel

cc: Mr. Rapp  
Mr. Nappi  
Mr. Panico