



Office of Inspector General | United States Postal Service

RISC Report

Implementing Advance Electronic Data: Challenges and Opportunities

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Executive Summary

To help stem the flow of opioids shipped to the United States through the mail, Congress passed the Synthetics Trafficking and Overdose Prevention (STOP) Act of 2018. The law requires all postal packages entering the U.S. from international posts beginning January 1, 2021 to have Advance Electronic Data (AED).

AED refers to electronic messages with information about cross-border packages and the larger shipment with which the package was sent. USPS receives these data from sending posts and forwards it to U.S. Customs and Border Protection (CBP) before packages reach the United States. CBP uses AED to identify packages that might contain illicit items, such as drugs and counterfeit merchandise.

As the deadline for full STOP Act implementation nears, the U.S. Postal Service Office of Inspector General (OIG) examined the current law, requirements and challenges for the Postal Service; compliance strategies at foreign posts; and options for USPS to handle non-compliant items. The OIG reviewed AED data and reports, conducted interviews, and obtained the perspectives from international posts.

About [REDACTED] of inbound packages coming to the U.S. during the first half of Fiscal Year (FY) 2020 had AED. However, the bulk of that was due to China, which accounted for nearly three-quarters of all inbound packages and had a relatively high compliance rate. Excluding China, the top 20 inbound countries included AED on only [REDACTED] percent of their packages during that period. In addition, as of March 2020, 135 countries and territories were not yet able to send AED to the Postal Service. As such, USPS will be substantially challenged to meet the STOP Act's requirement for AED on all inbound packages by the January 2021 deadline.

Ramping up AED compliance may take time, as sending posts must develop the technical capabilities to capture AED information from shippers and to transmit it according to a complex technical standard. For many posts in developing

Highlights

On January 1, 2021, the Postal Service will not be able to fully meet the STOP Act requirement to provide Advance Electronic Data (AED) on all incoming packages.

[REDACTED] of the packages USPS receives already have AED, but [REDACTED] of international posts still do not send any AED to the Postal Service.

The absence of AED regulations, including a definition of compliance, limits the Postal Service's ability to prepare for STOP Act implementation.

Sending posts' ability to comply largely depends on their technical and operational capabilities and may take time to fully materialize.

Collaboration among posts, compliance incentives, and penalties could be key success factors.

countries, this is a major hurdle. In addition, getting AED on packages from retail customers and for low-cost [REDACTED] packets is a challenge — even for the most advanced posts.

USPS' ability to comply with the STOP Act is not only constrained by other posts' technical limitations, but also by uncertainty regarding the law's implementation. CBP has not yet issued the STOP Act's regulations, which could clarify the minimum requirements for the completeness and accuracy of the data, the penalties for non-compliance, and details regarding country-specific waivers.

While improvements to AED compliance on packages to the United States continue, several factors could speed up the process:

- The forthcoming 2021 global (UPU) and European AED requirements will put more pressure on international posts to speed up AED compliance plans on their outbound packages.
- The Postal Service and other large posts are providing expertise and financial support to help developing countries jump start their AED capabilities.
- The bilateral and multilateral agreements between USPS and the largest inbound volume posts may incentivize posts to provide full and reliable AED, for example, by increasing the delivery price on non-compliant items.
- Detailed dashboards, either developed internally or offered by third parties, now help posts identify specific compliance problems and discuss remediation.

- Ensuring that essential AED fields, like weight and sending address, are included on incoming packages before they are presented to CBP may facilitate clearance and delivery in the United States, thereby reducing the risk of returning items to senders abroad.

Even though the impact of each of these factors is uncertain, foreign posts expressed optimism. Thirteen posts sending half of all packages to the United States (excluding China Post) reported that a year from now, ■ percent of their tracked packages and ■ percent of their untracked packages to the U.S. would have AED. Although full compliance on all flows is not in immediate reach, enhanced collaborative efforts, effective incentives and preparedness for possible future AED requirements should bolster the Postal Service's capabilities to implement the STOP Act.

Implementing Advance Electronic Data: Challenges and Opportunities

Introduction

In 2018, 128 Americans per day died from opioid overdoses.¹ Much of the supply of potent synthetic opioids comes into the United States illegally through the mail.² In an effort to stem that flow, Congress passed the Synthetics Trafficking and Overdose Prevention (STOP) Act of 2018. The law requires all postal packages entering the U.S. from international posts to have Advance Electronic Data (AED) by January 1, 2021.³ If a package does not have the required AED, the U.S. Postal Service must bar it from entering the United States' domestic mailstream or take remedial action.⁴

AED refers to electronic messages with basic information about the shipper, the recipient, and the contents of cross-border packages. The data must be received by the time the packages reach the country of destination. Law enforcement agencies, including U.S. Customs and Border Protection (CBP), use AED as a tool to help identify packages that might contain illicit items, such as drugs and counterfeit merchandise. CBP can then examine those suspect packages and seize any contraband.

Despite more than two years of advance notice of the STOP Act's deadline for the Postal Service to meet full AED compliance, it appears this will not be accomplished by January 1, 2021. Implementing AED on 100 percent of inbound packages is highly complex, requiring the cooperation and coordination of almost 200 posts across the globe — many of which appear to be

Given the level of sending posts' AED compliance, USPS will be unable to meet the STOP Act's deadline for full AED compliance.

ill-equipped to fulfill their obligations under the law. As of March 2020, nearly [REDACTED] of international posts did not include AED on any of the packages they sent to the United States.⁵ While it is possible that a few posts could include AED on 100 percent of their packages by January 2021, the vast majority will be unable to do so.

In this white paper, the U.S. Postal Service Office of Inspector General (OIG) will examine the challenges with AED implementation and potential strategies for overcoming them. To conduct this research, the OIG reviewed legal and regulatory documents, analyzed AED compliance data, and conducted interviews with the Postal Service, CBP, the U.S. State Department, International Post Corporation (IPC), an international package consolidator, UPS, and various consultants. The OIG also contracted with postal consultancy Certis24 to interview 13 international postal operators about AED compliance issues. For more details on the methodology, see [Appendix A](#).

This project was initiated after the President of the United States issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. However, the data used cover a period prior to the outbreak and our analysis does not address the potential impacts of the crisis on AED compliance plans and capabilities.

The Current Status of Postal Advance Electronic Data

AED is not a new concept, nor is it unique to the United States. Pioneering posts began exchanging AED in the 1990s and cross-border commercial shipments have been required to use AED since the Trade Act of 2002.⁶ AED also has been used for aviation security (e.g., identifying explosive cargo). In recent years, postal policymakers worldwide have announced AED requirements similar to

1 U.S. Department of Health and Human Services and the Centers for Disease Control and Prevention, "Morbidity and Mortality Weekly Report," Vol. 69, No. 11, <https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6911a4-H.pdf>, p. 292.

2 Fentanyl is a particularly potent opioid. According to the U.S. Drug Enforcement Administration, fentanyl and its precursors are shipped into the U.S. via mail and express consignment carriers, primarily from China. However, the flow is diversifying. Centers for Disease Control and Prevention, "Fentanyl: What is fentanyl?," <https://www.cdc.gov/drugoverdose/opioids/fentanyl.html> and National Drug Administration, *2019 National Drug Threat Assessment*, DEA-DCT-DIR-007-20, https://www.dea.gov/sites/default/files/2020-01/2019-NDTA-final-01-14-2020_Low_Web-DIR-007-20_2019.pdf, p.15.

3 Pub. L. No. 115-271, § 8003(a)(1), 132 Stat. 4075.

4 UPU, "United States of America – Dates and requirements for the mandatory provision of electronic advance data," International Bureau Circular 116, August 26, 2020.

5 In addition to 192 UPU member posts, USPS tracks dozens of additional territories separately from their parent countries for the purposes of AED compliance. In March 2020, USPS received packages from 214 countries and territories. Thirty-seven percent of those countries/territories sent at least some AED for their parcels.

6 19 U.S.C. §1415.

those in the STOP Act. For example, new global postal regulations require all posts worldwide to send AED for all of their cross-border packages beginning in January 2021.⁷ In Europe, starting on March 15, 2021, non-EU posts sending merchandise into the European Union will need to provide AED before items are loaded onto planes.⁸

The Universal Postal Union (UPU), the U.N. agency which facilitates global postal regulations and operations, has created standards for different types of electronic messages exchanged between posts, customs agencies, and airlines.⁹ These messages are used for risk targeting, customs clearance, accounting, tracking, and other operational needs.¹⁰ For the purposes of this report, we will focus on two key types of AED: an item-level message and a dispatch message.

- **Item-level message (ITMATT):** When a customer ships a package internationally, they complete a customs declaration form either online or in person.¹¹ The form asks for details about the sender, the receiver, and the items being sent, including their weight and value.¹² This information is used to determine whether the items can be permitted to enter the destination country and whether the items are subject to duties or tariffs. These item-level details are transmitted to the destination post as an Item Attributable AED message, which is known as “ITMATT.”¹³
- **Dispatch-level message (PREDES):** When a package is prepared for international transport, it is sorted into bags or containers that are grouped to create a dispatch headed toward a given country. Dispatches are then loaded

onto a plane and transported to that country. Details about the larger shipment of items, including which items are in which bags or containers, on which dispatch, and on which flights, is included in a dispatch-level AED message known as PREDES (PRE-advice of DESpatch).¹⁴ The destination country’s postal operator can use that information to locate a particular item customs authorities want to inspect.

Postal AED is Complex

For posts, the AED challenge is to turn what are often manual, paper-based processes — such as handwritten customs declaration forms — into electronic messages. They must collect all the required information from business and retail shippers, transform it into the correct format, and transmit it in a timely and reliable way. These messages are not transmitted along one single integrated IT network. Instead, multiple partners with different technical capabilities must interface with each other. As a result, AED messages are prone to errors such as invalid formats and transmission failures.¹⁵

Figure 1 shows how a package and its item-level and dispatch-level AED move through the system. Note that the destination post does not generate the AED for inbound packages. Rather, the post is a middleman that passes the AED from the sending post to customs authorities. The sending post controls the quantity and quality of AED, and this is the central challenge with implementing the STOP Act’s 100 percent AED requirement. The sending posts must do the hard work of complying.

7 The Universal Postal Union has mandated that all posts send item-level AED messages.

8 European Commission, “EU Customs pre-arrival security and safety programme supported by the Import Control System 2 (ICS2),” https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/ics2_en.

9 For examples of postal AED messages, see, Universal Postal Union, “Postal Transport Guide,” October 2018, p.15, <https://www.upu.int/UPU/media/upu/files/postalSolutions/programmesAndServices/postalSupplyChain/Transport/guidePostalTransportEn.pdf>.

10 Universal Postal Union, “Postal Transport Guide,” October 2018, pp. 42-43.

11 The Universal Postal Union is responsible for the definition and updating of standard postal customs declaration forms such as CN 22 and CN 23. Universal Postal Union, *Joint WCO-UPU guidelines on data capture and CN 22/23 compliance (flow zero)*, December 2019, p.15.

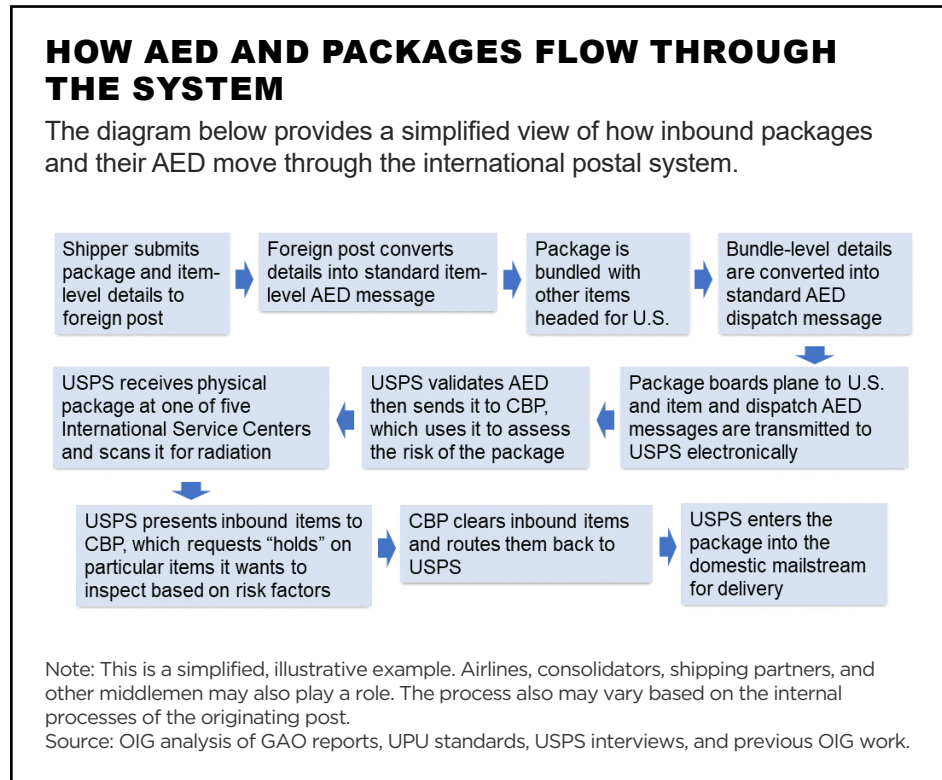
12 Ibid.

13 Ibid, p.3. See Appendix B for more details about customs declaration and ITMATT data elements.

14 The sending office of exchange (international sorting center) sends PREDES to the receiving office of exchange.

15 For a discussion of the main reasons for non-compliance, see “Increasing AED Compliance Involves Collaboration” below.

Figure 1: The Flow of Packages and AED



The STOP Act Provides a Framework, but AED Regulations Are Incomplete

The STOP Act lays out a high-level framework for the AED requirements on postal shipments. Some key elements of the law are below:¹⁶

- Timeframes for compliance:** The STOP Act requires all packages entering the U.S. from international posts to have AED, though the law provides staggered deadlines for compliance.¹⁷ Beginning January 1, 2019, the law mandates a 70 percent compliance target for packages coming from all countries except China, which was required to be 100 percent AED compliant by that date. Beginning January 1, 2021, the requirement for 100 percent AED will apply to all countries, except those given an explicit waiver.¹⁸
- The Scope of AED:** The law states that, in principle, the technical AED requirements for postal shipments should be “comparable” to those applicable to commercial shipments.¹⁹ However, the STOP Act does not define those standards, nor does it address the minimum requirements for completeness or accuracy of the AED.²⁰
- Exemptions:** International posts may get waivers exempting them from the 100 percent AED requirement. CBP, in consultation with the Postal Service, must base any exemptions on three criteria: each post’s capacity, the volume of packages it sends to the U.S., and the level of risk associated with shipments from that country.²¹
- Enforcement:** Beginning January 1, 2021, the Postal Service must either refuse non-compliant packages from non-exempt countries or take “remedial action” on the packages. Those remedial actions would be taken jointly with CBP and could include destruction, seizure, controlled delivery, or the acquisition of AED.²²

16 The STOP Act also sets out detailed reporting requirements, such as a mandate for CBP and the Postal Service to report to Congress on the progress of AED compliance. The Act also contains some non-AED provisions, including a \$1 fee on each inbound express item (EMS) delivered by the Postal Service to help cover the cost of inspecting packages for illicit substances.

17 Per UPU regulations international letters and flats are not treated as packages — they should not contain goods and are not subject to AED requirements.

18 Title 19 U.S. Code §1415 (a)(3)(K)(v)(I) - (a)(3)(K)(vi)(I).

19 Title 19 U.S. Code §1415 (a)(3)(K)(ii).

20 However, CBP has publicly stated that the regulations would address the quality of AED. Daniel Randall, CBP branch chief, Manifest & Conveyance Security, speaking at the virtual meeting of the U.S. Department of State Federal Advisory Committee on International Postal and Advisory Services, June 16, 2020.

21 Title 19 U.S. Code §1415 (a)(3)(K)(vi)(II).

22 Title 19 U.S. Code §1415 (a)(3)(K)(vii)(I-II).

- **Penalties for USPS:** While the Postal Service does not directly control the AED it receives, the STOP Act holds USPS accountable for full compliance and calls for penalties if it violates regulations. However, CBP may reduce and cancel those penalties if the Postal Service has a “low error rate in compliance,” is cooperating with CBP to help mitigate violations, or “has taken remedial action to prevent future violation.”²³
- **Consistency with international postal agreements and regulations:** In the event that U.S. obligations under international agreements and regulations, such as the UPU Convention, violate provisions of the STOP Act, the Act instructs the Department of State to negotiate amendments to these international agreements.²⁴ The Department of State confirmed to the OIG that UPU regulations do not restrict enforcement of the STOP Act.

The Absence of AED Regulations Creates Uncertainties

While the STOP Act provides a high-level framework, it is up to the Department of Homeland Security and CBP to issue the regulations that explain precisely how the law will be implemented.²⁵ Those regulations were due in October 2019.²⁶ As of August 2020, those regulations have not yet been issued, and it is unclear if they will be published by the January 2021 deadline for full AED compliance. Without those regulations, USPS and international posts are unsure about the best way to prepare for compliance.

Some specific items that the CBP regulations could help clarify are listed in Figure 2. For example, regulations could answer critical questions such as: if a package’s AED is missing the sender’s full address but includes the other details, should the item be rejected for having incomplete data? How detailed should the description of the contents be? Should the Postal Service hold non-compliant items in storage until the sending post or the recipient produces the required AED, or will they be returned to sender right away? In practice, checking the accuracy of addresses or weights before USPS presents all items to customs may entail a tremendous operational burden.

Figure 2: Regulations Could Help Clarify How to Implement the STOP Act

CLARIFYING THE STOP ACT’S REQUIREMENTS

CBP regulations could help clarify how the STOP Act will be implemented and enforced. Clarifications on the topics below could help USPS, international posts, and shippers calibrate their compliance efforts more effectively.

- Provide a list of mandatory and optional data elements.
- Explain the minimum AED quality requirements, including completeness, accuracy, and timeliness of the data.
- Clarify the goal for postal AED standards to be “comparable” to standards for commercial AED.
- Outline a waiver process to exempt posts from the 100 percent AED requirement based on capacity, volume, and risk considerations.
- Outline the mechanisms and criteria for CBP and USPS to take “remedial action” in lieu of “refusal” of non-compliant items.
- Explain how CBP will determine the penalties it may levy on USPS for non-compliant packages.

Source: OIG analysis.

In sending countries, cross-border business shippers need to know how to ensure acceptance of their items by the U.S. Postal Service, and how in practice their non-compliant items will be handled. As it stands, there are not yet clear U.S. or UPU standards for the definition of “compliance” and enforcement of mandatory AED requirements such as those in the STOP Act. Each country that imposes an AED requirement can implement it differently.

²³ U.S. Congress, Senate, *Synthetic Trafficking and Overdose Prevention (STOP) Act of 2018*, S.3057, 115th Cong., 2D sess., §7 et. seq.

²⁴ U.S. Congress, Senate, *Synthetic Trafficking and Overdose Prevention (STOP) Act of 2018*, S.3057, 115th Cong., 2D sess., §4(a)(1). The UPU Convention is the international treaty that defines and mandates the operational and financial conditions for the exchange of international letter mail, parcels, and express items among the designated postal operators (the posts) of its 192 member countries.

²⁵ Title 19 U.S. Code §1415 (a)(3)(K)(i).

²⁶ U.S. Congress, Senate, *Synthetic Trafficking and Overdose Prevention (STOP) Act of 2018*, S.3057, 115th Cong., 2D sess., §9(b).

There also are questions as to whether the AED requirements will be a moving target. Advocates for private-sector commercial carriers have pressed CBP to set a high bar for postal AED compliance that matches current commercial standards as well as future requirements that are not yet in place.²⁷ CBP management, however, told the OIG they believe the STOP Act does not authorize CBP to request data from the Postal Service that goes beyond what is required under UPU regulations.

AED Transmission Rates and Quality Vary Greatly

The Postal Service received [REDACTED] million packages from international postal operators during the first half of FY 2020, and 64 percent of those parcels had AED.²⁸ But in reality, the vast majority of inbound packages come from a handful of countries, and compliance rates vary greatly by country and by type of package.²⁹

China Accounts for Most Inbound Packages

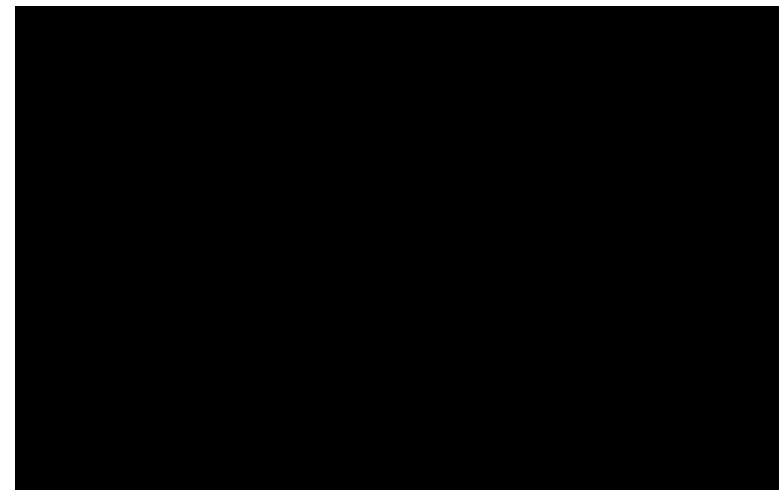
China Post is by far the largest source of inbound postal packages to the United States. It sent about [REDACTED] million packages to the U.S. during the first half of FY 2020 — about [REDACTED] the volume of [REDACTED] posts combined, as shown in Figure 3.³⁰ In addition to dominating the volume of packages, China also has a higher rate of AED compliance than most other countries. China Post included AED on [REDACTED] percent of items during the first half of FY 2020. Items from Hongkong Post also had very high compliance rates, with [REDACTED] percent of items including AED.³¹ In fact, China Post and Hongkong Post had the highest rates of compliance among all countries.

Figure 3: Share of Inbound Volume

CHINA DOMINATES INBOUND VOLUME

During the first half of FY 2020, [REDACTED] percent of the packages entering the United States from foreign posts came from China Post.

Share of Inbound Package Volume



Source: OIG analysis of inbound package data, October 2019 to March 2020. Note that China's volume excludes Hong Kong and Macau.

27 Commercial Customs Operations Advisory Committee, Intelligent Enforcement Subcommittee, "IPR Working Group Background Document," July 15, 2020, <https://www.cbp.gov/sites/default/files/assets/documents/2020-Jul/COAC%20IPR%20WG%20Background%20Document-Final%20Draft%202020%20July%2015.pdf>, pp.4-5.

28 When referring to rates of AED compliance, this refers to the portion of packages that had both item-level (ITMATT) and dispatch-level (PREDES) data.

29 For this section we narrowly define compliance rate as packages with AED.

30 OIG analysis of USPS inbound AED compliance data.

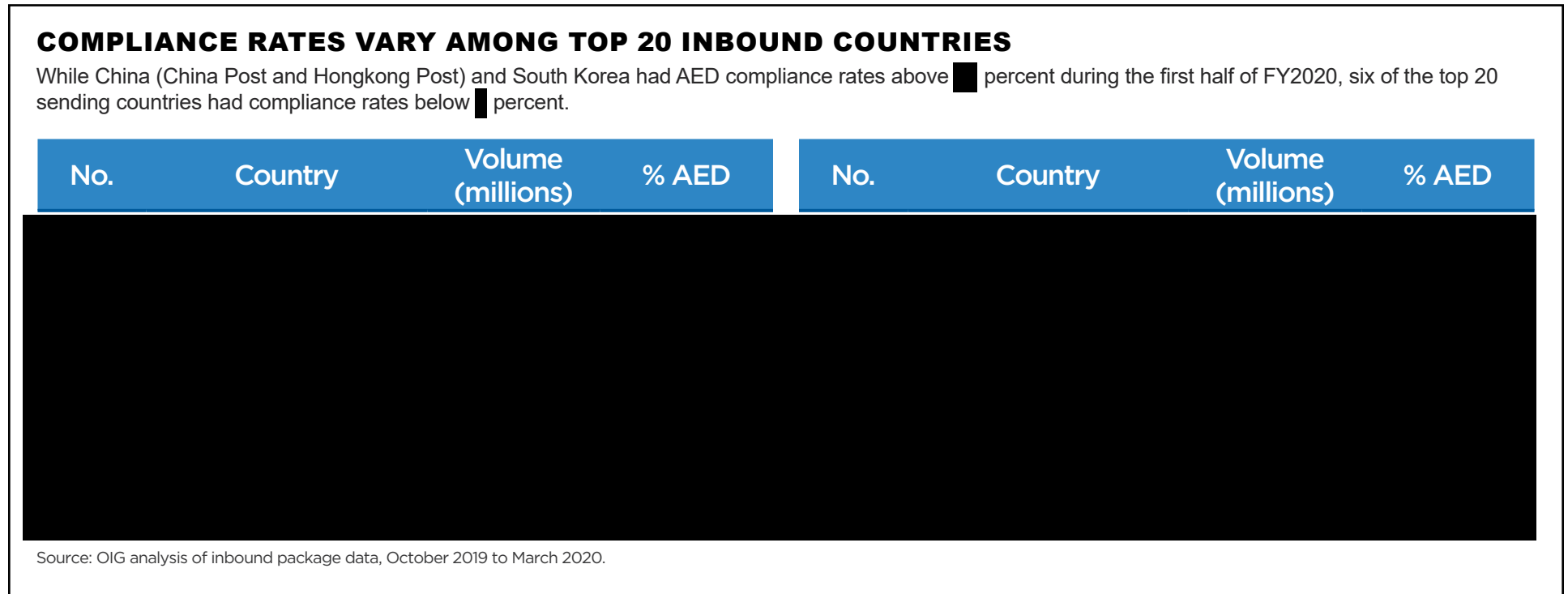
31 In addition to China Post, China has two designated postal operators for its Special Administrative Regions: Hongkong Post and Macau Post.

Some High-Volume Countries Have Low AED Compliance

Excluding China (China Post and Hongkong Post), the top 20 inbound countries included AED on [redacted] percent of the packages they sent to the United States during

the first half of FY 2020. Six countries/territories had compliance rates below [redacted] percent: [redacted], as is shown in Figure 4.

Figure 4: Top 20 Inbound Countries



[redacted] countries shipped at least 100,000 items each to the U.S. during the first six months of FY 2020. Of those countries, [redacted] had AED compliance rates below [redacted] percent. Between them, these countries sent more than [redacted] million items with no AED. These high-volume, low-compliance countries should be an area of particular focus for the Postal Service. Some, like [redacted], are large economies.³²

Other countries, such as the [redacted] may be small “remailing” countries.³³

Additionally, these high-volume, low-compliance countries can see large swings in their inbound volume, with the number of items sometimes increasing or decreasing dramatically over a month or two.³⁴ The [redacted] for

³² The Postal Service communicated to the OIG it does not yet have an agreement for the sharing of AED data with [redacted], but is actively negotiating an agreement to facilitate it.

³³ Remailing involves consolidators or a postal operator using another post as a pass-through for outbound mail and packages. This can allow them to take advantage of the remailing countries’ agreements for reduced rates (“terminal dues”) for the delivery of their postal shipments to the United States.

³⁴ This can result from a very large shipper’s or consolidator’s decision to ship through a different country.

example, sent an average of 434 packages per month between September and November of 2019. During the three months after that, the average soared to 237,070. If exempted from AED requirements because they are considered low-risk and low-volume other small posts could become high-volume remailers. Rogue shippers could take advantage of the exemption to ship illicit goods — with no AED, it is more difficult for law enforcement to identify specific items that may contain contraband.

If exempted from AED requirement, low-volume posts could become platforms rogue shippers could use to ship illicit goods to the United States.

Compliance Rates Vary by Type of Package³⁵

There are several broad categories of cross-border packages: express, parcels, and packets.³⁶

- **Express:** This is the most expensive and fastest form of shipment, and it may include a money-back guarantee for delivery by a certain date. Different postal operators have various express products.

- **Parcels:** This covers packages that are up to 20 kilograms (44 pounds) that are not billed as having a premium, expedited service.³⁷
- **Packets:** This covers packages weighing up to 2 kilograms (4.4 pounds) that contain goods and are handled through the letter mailstream, as opposed to the parcel mailstream.³⁸ This is the least expensive way to ship small items. In its AED data, the Postal Service segments packets into three subcategories:

The AED compliance rates for each product during the first six months of FY 2020 are shown in Figure 5. [REDACTED] packets have the highest AED compliance rate [REDACTED] percent), though [REDACTED] accounted for the bulk of the higher compliance on that product. Excluding [REDACTED] volume, [REDACTED] packets had a [REDACTED] percent compliance rate. This is in line with the compliance rates for the express and parcel products, which were [REDACTED] percent and [REDACTED] percent compliant, respectively.

The biggest outlier is [REDACTED] packets. None of the [REDACTED] million items in that category had AED. This is because a [REDACTED] is a necessary first step to capturing basic information about the package. The high volume of items with no [REDACTED] reflects how far the international postal community has to go to make AED compliance the standard for all packages.⁴⁰

35 [REDACTED]

36 For outbound shipments, the U.S. Postal Service has products in each of these categories. Express includes the Global Express Guaranteed and Priority Mail Express International products; parcels include the Priority Mail International product; and packets includes the First-Class Package International Service product. U.S. Postal Service, "Mailing Standards of the United States Postal Service, International Mail Manual," July 1, 2020, <https://pe.usps.com/cpim/ftp/manuals/imm/full/imm.pdf>, pp. 31-33.

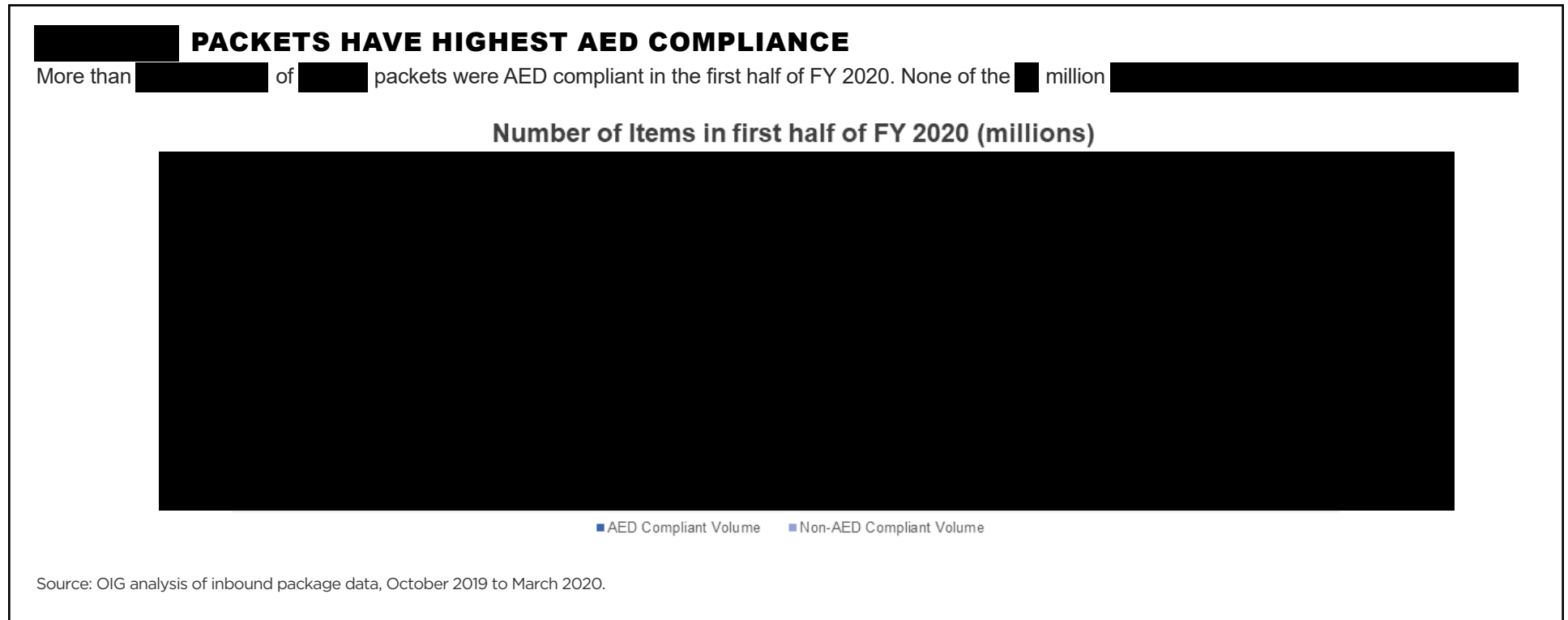
37 In some cases, parcels can weigh up to 30 kilograms (66 pounds). Universal Postal Union, "Postal Transport Guide," October 2018, pp. 5-6.

38 Ibid.

39 U.S. Postal Service, "Mailing Standards of the United States Postal Service, International Mail Manual," p. 33.

40 The lack of a [REDACTED] on a small packet containing goods also violates UPU regulations, which made it mandatory from 2018 on (Article 17-107.6.4 of the UPU Convention).

Figure 5: AED Compliance by Package Product



The statistics discussed in this white paper do not include packages that consolidators or ecommerce platforms ship to the U.S. as commercial cargo, clear through commercial clearance processes, then hand over to the Postal Service for delivery as domestic packages (“Direct Entry” process). When consolidators or ecommerce platforms use commercial clearance processes, they send the AED directly to CBP. Although USPS ultimately delivers these items, it does not receive AED for these commercial packages. Accordingly, the OIG did not analyze the quality of the AED sent through this alternative channel.⁴¹

While Some Posts Have Shown AED Improvement, Most Have Not

When the STOP Act was signed into law in October 2018, 46 postal entities included AED on some of the items they sent to the United States that month. That number of posts has increased to [REDACTED] as of March 2020. That is just more than [REDACTED] of the postal operators that sent items that month.⁴²

⁴¹ Under the law, the AED commercial shippers provide contains similar elements to what USPS must provide under the STOP Act. However, the electronic forms and technical standards differ. Regulation 19 CFR § 122.48 a (“Electronic information for air cargo required in advance of arrival”) sets out these requirements.

⁴² As mentioned previously, USPS tracks dozens of territories separately from their parent countries for the purposes of AED compliance.

As the number of countries that send AED has increased, so has the proportion of inbound items that include AED — at least for items coming from the largest posts. As Figure 6 shows, China Post and the other top 20 posts have increased their proportion of items that include AED.⁴³ However, the compliance rate for

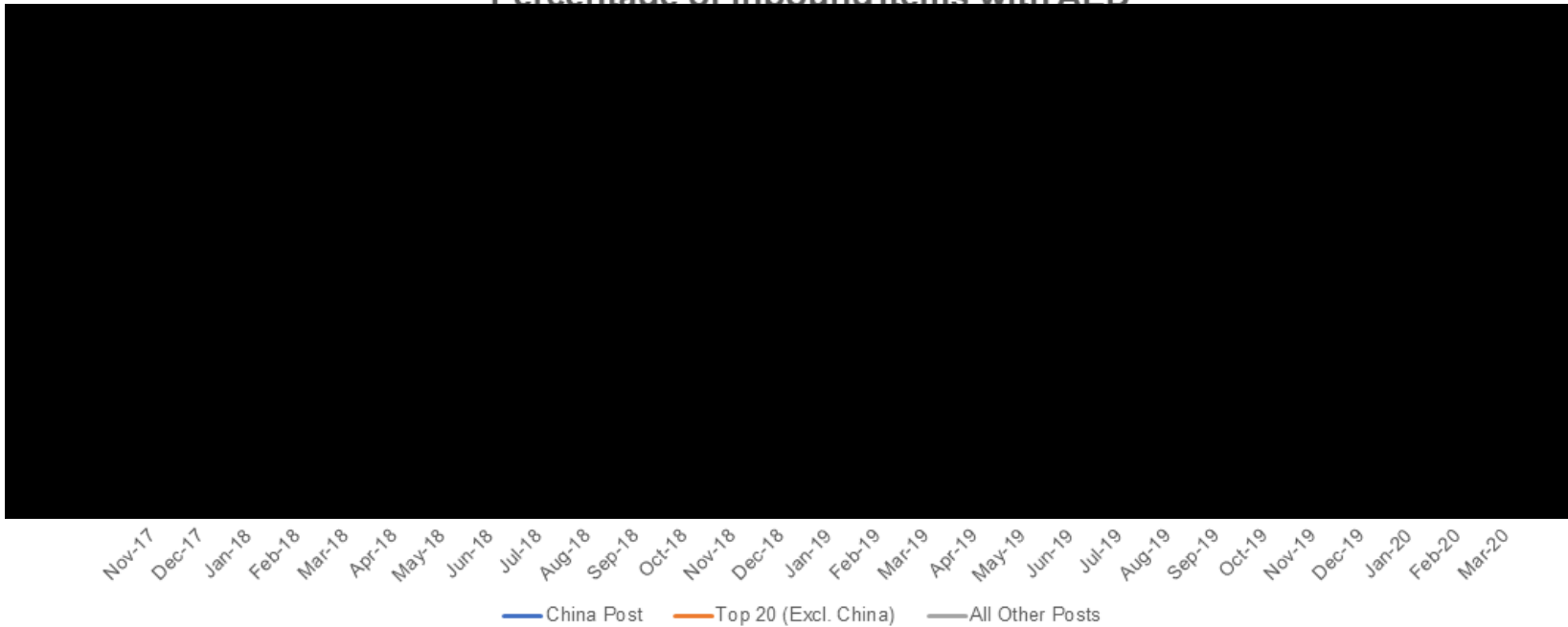
items coming from smaller posts has shown little improvement and still sits below █ percent. It is important to note, though, that these 229 other countries and territories accounted for █ percent of inbound items during the first half of FY 2020.

Figure 6: AED Compliance Over Time

MOST POSTS HAVE SHOWN LITTLE AED IMPROVEMENT

The largest posts aside, most foreign posts have not improved their AED compliance levels, which were still below █ percent as of March 2020. Growing the AED capacity of smaller posts remains a significant challenge.

Percentage of Inbound Items with AED



Source: OIG analysis of inbound package data. The graphic refers to the percentage of total items that included both ITMATT and PREDES information.

⁴³ China Post had a █ percent AED compliance rate during the six months before the STOP Act was signed into law. During the first six months of FY 2020, its compliance rate had grown to █ percent.

AED Quality is Improving, but it is Mixed

In addition to the presence of AED for inbound packages, the quality and reliability of that AED also matters. Otherwise, it will be of little use to law enforcement. As explained previously, CBP has not yet defined the specific AED quality standards for the STOP Act, so it is unclear precisely what will be required. That said, a previous OIG audit, a joint USPS-CBP compliance report to Congress, and interviews with postal and CBP officials suggest that there are reliability challenges with AED. USPS also has taken measures to improve the reliability.

A July 2019 OIG audit examined data reliability of inbound AED, including information about the sender and receiver, the description of the items, the weight, and the value.⁴⁴ The OIG performed basic reliability tests on the AED for [REDACTED] million packages received between October 2017 and January 2019, finding that [REDACTED] of them failed a test in at least one data field.⁴⁵ The most common failures were associated with the sender's address. The OIG audit also examined delivery address information for packages sent during a one-week period in the fall of 2018, finding that [REDACTED] percent of the addresses in the AED did not match the official full address for that delivery point.⁴⁶

In September 2019, the CBP and Postal Service issued a joint report to Congress that described their efforts to improve the quality of AED they received from international posts. Challenges included data with Chinese characters, duplicate entries, and AED that did not match the standard UPU format.⁴⁷ To meet these challenges, USPS began working with China Post to eliminate Chinese characters and duplicate entries.⁴⁸ USPS also implemented a system to validate the data's structure and format at a high level. CBP noted an improvement in the quality of the AED it receives from third parties through USPS. CBP representatives told the OIG that they consider the quality to be good overall on a majority of packages.

Many of the AED quality issues are tied to the inherent technological challenges international posts face with implementing AED.

Increasing AED Compliance Involves Collaboration

Reaching higher AED compliance involves many steps that depend on each sending post's capabilities and the root causes of their challenges. While the sending post is directly responsible for developing and improving that capability, many steps can be encouraged through collaborative efforts of the posts on both sides of the AED stream (Figure 7).

44 USPS Office of Inspector General, *Advance Electronic Data Holds and Reliability*, MS-AR-19-002, https://www.uspsaig.gov/sites/default/files/filefield_paths/MS-AR-19-002.pdf, pp. 7-10.

45 Ibid., p. 8.

46 Ibid., pp. 10-11.

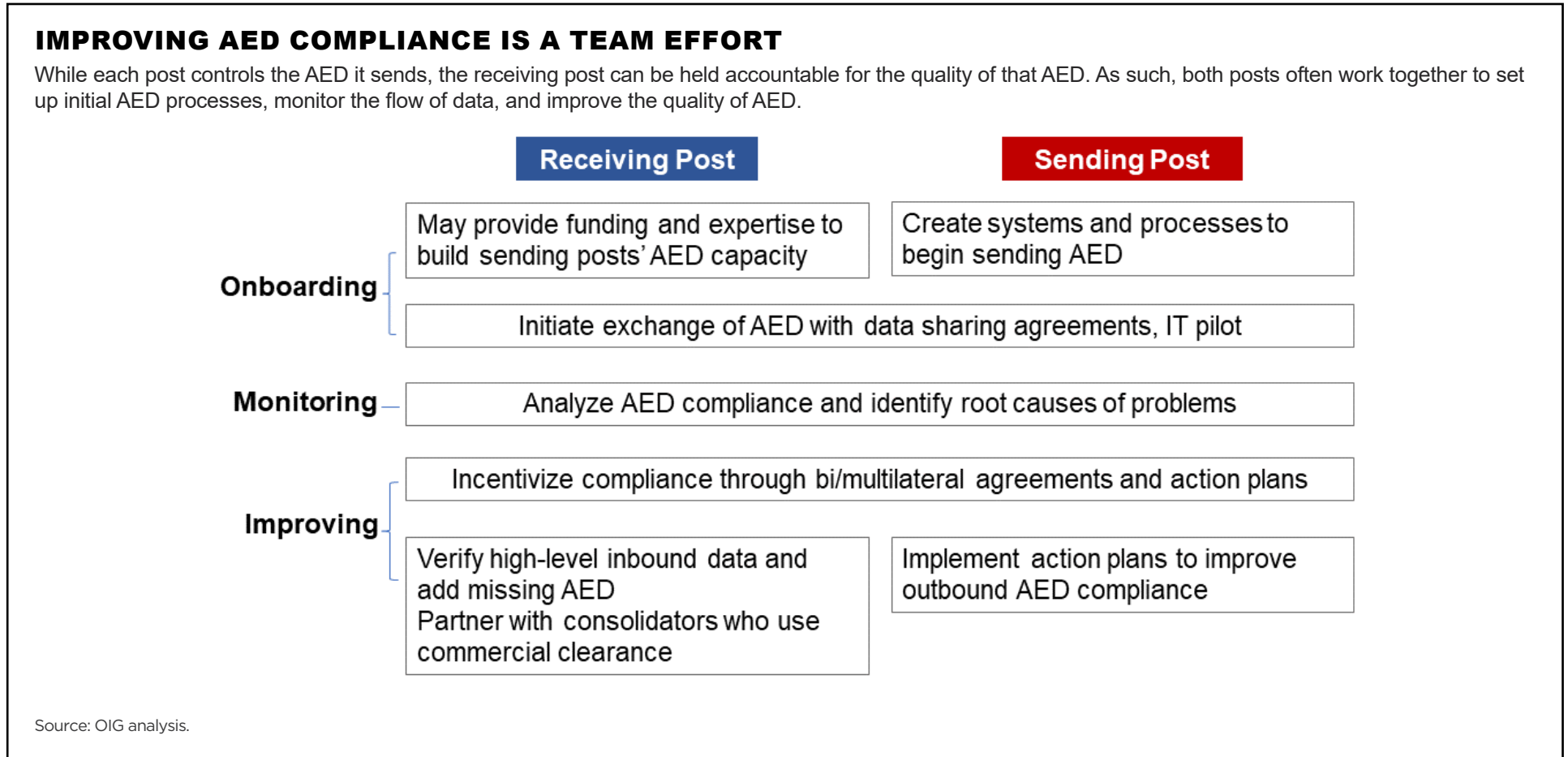
47 U.S. Postal Service and U.S. Customs and Border Protection, *Joint Report on Compliance: Fiscal Year 2019 Report to Congress*, September 11, 2019, p. 9.

48 Ibid.

There Are Prerequisites for AED Transmission

Before a post can start sending AED, it must meet some basic requirements.

Figure 7: Main Types of AED Compliance Initiatives



Technical Prerequisites

Capturing and transmitting AED data from business and retail customers first requires the development of an electronic interface for the exchange of AED with other posts and with the sending post's customs authorities.⁴⁹ The post then needs to tailor AED capture processes to all the touchpoints shippers use to enter packages. Some are digital (ecommerce platforms, large shipper's shipping systems, the post's mobile apps and website), others are physical: post offices, curbside collection boxes.⁵⁰ It also needs to put in place new internal workflows, instructions, and training programs.⁵¹ Last, before initiating the bilateral AED exchange, posts first need to conduct a pilot to ensure that messages in both directions are correctly transmitted and validated.⁵²

Data Sharing Agreements

Another prerequisite for AED is a data sharing agreement, which sets the conditions under which two posts will exchange data. Key elements of these agreements are highlighted in Figure 8. As of mid-June 2020, USPS had signed such agreements with a total of 124 international postal operators.⁵³ For 81 countries, USPS used a multilateral framework agreement developed by IPC in 2015 called DSA-1.⁵⁴ The Postal Service also has agreements such as the DSA with Kahala Posts Group.⁵⁵

Capacity-Building Programs are Critical, but Take Time

As explained previously, a number of postal operators face significant barriers to implementing the AED onboarding programs described above. Those key obstacles are described in Figure 9. In some cases, these posts may not have electronic point-of-sale machines at their post office counters, reliable Internet, or the financial resources to invest in such programs.

Figure 8: Data Sharing Agreements

ELEMENTS OF DATA SHARING AGREEMENTS

Data sharing agreements cover how posts will share AED. These agreements are a prerequisite for the transmission of AED and generally address the following:

- Technical specifications for AED messages
- Specific data to be captured and exchanged
- Products for which data will be exchanged
- Channels and physical locations at which data will be captured for outbound items
- Timing for when AED will be created
- Details about the privacy of personal data

Source: International Post Corporation, Data Sharing Agreement Support, <https://www.ipc.be/-/media/documents/public/brochures/service-leaflets/2019/dsa.pdf>.

49 The sending post exchanges AED not only with the post of destination but also with its national customs for compliance with legislation on exports controls, and often with airlines. UPU, "WCO-UPU guidelines on data capture and compliance with the CN 22/23 (flow zero)," December 2019, pp. 30-32.

50 World Customs Organization (WCO) and UPU, "Joint WCO-UPU Guidelines on the exchange of electronic advance data between Posts and Customs," 2019, <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/upu/joint-wco-upu-guidelines.pdf?db=web>, pp. 8, 30, 31, and 32.

51 For example, processes to address the handling of outbound packages with missing AED information. Ibid., pp. 32-33.

52 U.S. Postal Service and Department of Homeland Security, U.S. Customs and Border Protection, *Joint Report on Compliance*, Fiscal Year 2019 Report to Congress, p.9.

53 This figure does not include interim agreements.

54 OIG analysis of USPS data. IPC also has developed the DSA-2, which caters to European Union postal operators' requirement to comply with the General Data Protection Regulation (GDPR). IPC, "New Data Sharing Agreement addresses GDPR requirements for posts," May 9, 2019, <https://www.ipc.be/news-portal/general-news/2019/05/09/10/18/new-data-sharing-agreement-addresses-gdpr-requirements>.

55 While Kahala Posts Group is an alliance of 11 postal operators including the Postal Service, USPS has a separate interim arrangement with one of the alliance members. The group has integrated standards and IT and operational processes for the express items and air parcels exchanged between members.

Figure 9: Barriers to AED Compliance

POSTS' BARRIERS TO AED COMPLIANCE

Foreign postal operators often struggle to create reliable AED for their outbound packages. They face three key types of challenges: Information Technology issues, operational issues, and challenges getting retail customers to follow the rules.

IT Challenges

- Creating IT systems that can interface with other posts, large shippers and customs authorities
- Reliably transmitting data
- Following technical AED message standards

Operational Issues

- Developing a process for creating AED on untracked packages
- Manual entry of AED at postal retail counters is costly and disruptive
- Unreliable internet and electricity

Retail Customers' Behavior

- Low awareness of AED requirements
- Low-quality customs declaration data
- Packages mailed via curbside collection boxes

Source: OIG analysis of Certis24 interviews with postal operators and interview with International Post Corporation representatives.

The UPU has launched a number of initiatives to help developing countries. Capacity-building programs include training sessions and workshops involving both posts and customs authorities. The UPU SECUREX project helps 13 countries collect and transmit AED.⁵⁶ It has also developed a Customs Declaration System software solution.⁵⁷ The Postal Service participates in UPU programs and has agreed to pay 16 million Swiss Francs (\$17.4 million) over five years to help pay for these and other security projects.⁵⁸

While these initiatives are important, their results take time to materialize. For example, as of March 2020, only █ of the █ posts participating in the SECUREX project — launched in 2017 — were able to send any AED to USPS. This suggests that the process of gaining 100 percent AED compliance will take many years.

USPS Can Use Tools to Incentivize AED Compliance

The Postal Service can use a variety of tactics and tools to improve other posts' AED compliance. It is already employing many of these tools.

Existing Dashboards Can Help Monitor Compliance

Once two countries begin exchanging AED, it is essential that they monitor progress and identify areas in need of improvement. For example, the Postal Service's Enterprise Analytics group prepares monthly AED compliance dashboards for internal monitoring purposes. The UPU has an electronic data compliance project that gives participating posts a monthly report on AED message compliance and completeness.⁵⁹ Also, IPC gives its members (including USPS) monthly statistics showing the percentage of █ and █

packages with AED. IPC also provides dashboards that help identify the sources of AED data errors and non-compliance issues. This allows posts to pinpoint root causes of problems, such as recurring AED quality issues with a particular non-compliant ecommerce merchant.⁶⁰

Bilateral and Multilateral Agreements Can Foster Compliance

The Postal Service works with individual posts to make agreements covering different operational and financial aspects of the exchange of international packages, including AED compliance issues.⁶¹ As of September 2020, four of the Postal Service's bilateral agreements included AED provisions. Postal representatives communicated they would seek provisions regarding AED compliance on more bilateral agreements with large trading partners. The Postal Service also is a party to two multilateral agreements — INTERCONNECT and PRIME — that encourage AED collection commitments.⁶²

Bilateral and multilateral agreements can provide a process for the sharing of information about non-compliance issues, the identification of root causes for non-compliance, and taking corrective actions. They can also create incentives for the sending post to provide high-quality AED. For example, one agreement provides for higher delivery fees for the non-compliant items a post may send. Finally, they can outline specific operational requirements, such as deadlines for sending AED.⁶³

Tactics for Handling Non-Compliant Items

Our interviews with international posts included discussions on strategies for handling the non-compliant items they receive.⁶⁴

56 UPU, "WCO-UPU Postal Customs Guide," June 2018, http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/upu/wco_upu-postal-customs-guide.pdf?db=web, pp.46-47.

57 The software is available to any interested post, and the fees for the service are on a sliding scale based on the country's level of economic development. UPU, "CDS - Customs Declaration System," UPU website, <https://www.upu.int/en/Postal-Solutions/Technical-Solutions/Products/CDS---Customs-Declaration-System>.

58 The calculation is based on an exchange rate of 1.09 U.S. dollars per Swiss Franc as of September 9, 2020. This agreement was part of the 2019 UPU Congress decisions. U.S. Postal Service and Department of Homeland Security, *Joint Strategic Plan on Capacity Building*, Report to Congress, May 2020, p.10.

59 WCO and UPU, "WCO-UPU guidelines on data capture and compliance with the CN 22/23 (flow zero)," pp.34-35.

60 IPC, "ITMATT Data Quality Monitoring," <https://www.ipc.be/services/e-commerce-solutions/dqm>.

61 For an example, see Postal Regulatory Commission, "Market Dominant Product Prices Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators," Docket No. R2018-2, November 17, 2017, <https://www.prc.gov/docs/102/102549/Notice%2011-17-17%20for%20Docket%20R2018-2.pdf>.

62 IPC, "What is INTERCONNECT," program brochure, 2019, <https://www.ipc.be/-/media/documents/public/brochures/ipc-interconnect-brochure-2019.pdf> and PRIME, "Delivering the future in cross-border e-commerce for Posts," <https://www.prime-posts.com/home-2/>.

63 The OIG did not explore the resources the Postal Service is devoting to the negotiation of bilateral agreements.

64 For more details on the consultant's methodology, see [Appendix A](#).

Holding Non-Compliant Items to Add Missing AED Information Could Incentivize Compliance

The search for missing AED information will entail additional delays. Some interviewed posts said they would use delays as a de facto penalty for non-compliance. Working independently or in collaboration with customs authorities they would try to add missing AED, either by capturing the information from the item — for example, a blank address data field — or getting it from the recipient. The Irish post indicated they will begin, at the end of 2020, to prioritize incoming packages with full AED. In practice, these delays should also incentivize the sending post to improve compliance.

Posts May Favor Non-Compliance Penalties but Find Them Difficult to Enforce

Of the 13 posts interviewed, all but two (Canada and Australia) agreed that sending posts should pay more for the delivery of their non-compliant items. It is costly to handle non-compliant items and enter missing AED, and several posts said that penalties on those packages could help them recover those costs. Others viewed penalties as an incentive to improve compliance — just like delivery delays. Additional comments included suggestions to differentiate penalties according to the size of the post, its technical capabilities, or the frequency of AED violations.

Posts also are concerned about enforcement. Sending posts may refuse to pay penalties set unilaterally by the receiving post. Without clear definitions of compliance or absent resolution or arbitration mechanisms, posts could argue over the evidence provided and the level of penalties charged. In other words, penalties would work best if set as part of UPU regulations or bilateral or multilateral agreements. While the topic has already been raised in the UPU,

the only penalty currently considered is for cross-border packages with missing barcodes.⁶⁵

Returning Non-Compliant Packages: A Last-Resort Measure?

UPU regulations allow posts to return non-AED compliant packages.⁶⁶ In the past two years, several countries — including China and the United States — have warned their peers that their customs authorities may block delivery of non-compliant packages and consider them as “inadmissible.”⁶⁷ [REDACTED] expects that 5 percent of their incoming packages might be returned. If, hypothetically, USPS had to return 5 percent of inbound packages, it would have returned [REDACTED] million items in FY 2019.⁶⁸

Posts Are Implementing Plans to Encourage Business and Retail Shippers to Provide Full and Reliable AED

Addressing the structural root causes of non-compliance requires time and effort. We discuss below several key improvement areas highlighted by the postal operators interviewed for this report.

Improving the Quality of the AED for Packages from Retail Shippers

When completing a paper customs declaration form, retail customers often provided insufficient or illegible information. The introduction of AED has created the need for the electronic capture of more reliable information, particularly in post offices.

One solution is to ask customers to enter the customs declaration information online from their smartphone or laptop or at a kiosk in the post office before they ship their item. Another option is to have postal clerks enter the data in the post’s IT system when accepting the package.⁶⁹ However, this additional effort

65 The next UPU Congress should vote on a proposal to impose a SDR 0.5 penalty (70 cents as of 8/14/2020) on each cross-border package for which the standardized UPU barcode is missing.

66 Articles 19-101 and 19-201 of the UPU Convention.

67 For example, UPU International Bureau Circulars 38/2020 (from Deutsche Post) and 101/2020 (from the French post) contain similar language confirming that packages without AED may be subject to customs clearance delays or, if considered inadmissible by Customs, may be returned to the sender. Likewise, in the United States, CBP clarified in December 2018 that enforcement actions on packages from China could include return of shipments without 100 percent AED beginning January 1, 2019, when China’s 100 percent AED requirement went into effect. CBP, “Advance Electronic Data Required for Postal Shipments,” CSMS #18-000758, December 31, 2018.

68 Based on [REDACTED] million incoming packages received by USPS in FY 2019, according to internal USPS AED data.

69 This is also what the Postal Service does for the international packages retail customers enter at post offices. Customers must first fill out PS Form 2976-R; the employee enters the data into the Retail System Software (RSS) then prints out the electronic customs form, barcodes, and postage. Finally, the customer signs the electronically generated customs form. Postal Service, “Handwritten Customs Declaration Forms are No Longer Acceptable,” Postal Bulletin 22537, January 16, 2020, https://about.usps.com/postal-bulletin/2020/pb22537/html/updt_003.htm.

may significantly increase processing costs and potentially increase waiting time. Swiss Post and New Zealand Post have introduced fees to cover in-store data capture costs.⁷⁰

At least five of the 13 posts interviewed said that for the retail channel, full AED compliance would take time.⁷¹ In particular, several posts are concerned that packages deposited into roadside collection boxes may still include insufficient information. To assist posts in their AED retail strategies, the UPU has recently developed an Android AED app that aims at simplifying the data entry process for retail customers.⁷²

Updating IT Interface Between Large Shippers and the Post

Many postal operators' electronic verification systems, which allow large shippers to submit electronic documentation to the posts, are outdated. This makes it difficult for ecommerce merchants to transmit AED. Updating the posts' IT systems can be a lengthy and possibly costly process.

Solving [REDACTED] Packets' "Nesting" Problem

There are three categories of packets — [REDACTED]. As explained previously (see Figure 5), [REDACTED] packets have a lower AED compliance rate than [REDACTED] packets. There are two key reasons for this. First, [REDACTED] percent of [REDACTED] packets in the first half of FY 2020 lacked a [REDACTED] — even though a [REDACTED] has been required under UPU regulations since 2018. Packets must have a [REDACTED] in order to have AED. The second driver of non-compliance pertains to [REDACTED] packets with [REDACTED]. While these [REDACTED] packets are compatible with AED transmission, generating the AED requires a different procedure than what is required for [REDACTED] packets. That procedure, known as “nesting,” includes assigning the items to a particular bag or container, then linking the item, the container, and the larger shipment.⁷³ Posts interviewed as part of this report indicated they often find nesting to be

difficult to implement for [REDACTED] packets, delaying their ability to provide AED on those items.

Other Measures to Improve Compliance

In the same interviews, posts also highlighted other initiatives aimed at improving compliance. Australia Post presented a practice that prevents a shipper from downloading and printing a label online until full AED information has been provided. In addition, [REDACTED] out of the 13 posts interviewed said they are taking steps to stop non-compliant outbound packages before they leave the country. Finally, Royal Mail (on tracked products), Russian Post, and Korea Post are also considering financial incentives for compliant shippers.

As the aforementioned compliance initiatives communicate, a wide range of strategies are available to posts to improve compliance. However, priorities differ depending on where postal operators stand on the AED “learning curve”:

- Advanced posts are already providing AED and developing plans to address specific issues. On average, the posts interviewed expected to reach an [REDACTED] percent compliance rate on their tracked packages to the United States by mid-2021. For [REDACTED] packets, the average rate is much lower — [REDACTED] percent.
- Most developing posts are not yet capable of sending any AED and are still going through the onboarding phase. For many, assistance programs, in particular provided by the UPU, will help speed up the process.

New AED Requirements Are Emerging

For the most part, the AED for postal shipments available to customs authorities are the electronic versions of the information provided by shippers on postal customs declaration forms. However, the STOP Act's goal to make postal AED comparable with commercial AED requirements may, over time, change the scope of postal AED.

⁷⁰ New Zealand Post, “Electronic data capture of consignment note information,” <https://www.nzpost.co.nz/personal/sending-internationally/customs-declarations-consignment-notes/electronic-data-capture>. In Switzerland, the fee is about \$3 per package.

⁷¹ Those were the postal operators of [REDACTED].

⁷² See <https://play.google.com/store/apps/details?id=org.universalpostalunion.ead.cha>.

⁷³ Nesting is a highly technical procedure. For more details, see UPU, “Nesting of small packets in PREDES,” https://www-qa.upu.int/UPU/media/upu/documents/Standards/Nesting-of-small-packets-in-PREDES_AN.pdf.

Additional Data Elements Could Help CBP Conduct Risk Assessment

Historically, customs officials did not typically seek shipment information directly from large ecommerce vendors or retailers.⁷⁴ In 2019 CBP launched a pilot test aimed at identifying which additional AED data elements could best improve its ability to target high-risk shipments sent as commercial cargo (“Section 321 pilot”). Through the pilot, ecommerce shippers and consolidators are providing CBP additional information, such as a “known customer (or seller) flag” to identify shippers and marketplace sellers without known trade violations; a product picture; or a link to the listing of a product on the online marketplace showing its price and description.

One pilot participant, PreClear, told the OIG it applies artificial intelligence and machine learning techniques to product website information to vet products and identify merchandise that may infringe on intellectual property rights. This vetting process prevents shipments of counterfeit products and can speed up clearance.⁷⁵ Increasing the number of vetted packages could “reduce the size of the haystack”, allowing CBP to better concentrate on other high-risk items.

Earlier Transmission of AED Could Reduce Risk

While postal AED must be transmitted before a package’s arrival at the inbound international sorting center, some postal operators are trying to send some AED much earlier — before loading the cargo onto aircraft (Pre-Loading Advance Cargo Information, known as PLACI). Since 2018, for commercial shipments, air carriers must send PLACI to CBP before packages are loaded onto airplanes.⁷⁶ This allows CBP and the Transportation Security Administration to evaluate risks and send back messages to airlines — such as “do not load” or referrals for information or screening. While this regulation currently excludes postal shipments from the transmission of PLACI, getting this information could help CBP better assess the risk of postal shipments.⁷⁷

In addition, the early transmission of AED will be an element of new international postal processes. At the end of 2020, International Post Corporation (IPC) will start a trial aimed at automating duty payments by cross-border shoppers. The information collected from ecommerce merchants will allow posts to create an item-level AED message. By connecting to the IPC platform, the customs agency in the destinating country could receive that AED message as soon as the order is placed.

The provision of “early” AED could potentially reduce the number of suspicious cross-border packages received by the Postal Service and presented to CBP. The Postal Service told the OIG they are familiar with PLACI and are discussing it with the UPU and CBP. However, these new requirements would present additional compliance hurdles for the Postal Service.

Overall, these new trends point to the progressive blurring of traditional borders between “postal” and “commercial” supply chains and data exchange processes.

Conclusion

About ████████ of global packages to the United States already have AED. On the other hand, very few countries, if any, will reach 100 percent AED compliance in 2021. Overall compliance will increase progressively as some countries go through the onboarding phase and others implement specific plans to address AED’s main “pain points”, such as the low compliance on retail channel and untracked items.

The Postal Service has deployed a wide range of collaborative strategies to help international posts develop AED capacities and improve compliance. Currently, the Postal Service and international posts try to solve non-compliance issues bilaterally through negotiations and commonly agreed incentives or penalties.

74 OECD/EUIPO, *Misuse of Small Parcels for Trade in Counterfeit Goods: Facts and Trends, Illicit Trade*, OECD Publishing, Paris, December 2018, <https://www.oecd-ilibrary.org/docserver/9789264307858-en.pdf?expires=1597321599&id=id&accname=guest&checksum=A17EFC58ABC3FF813D59A5A58B2D4695>, p.22.

75 By scanning a barcode on the package, CBP could also have access to detailed information about its contents without opening it.

76 19 CFR § 122.48b - Air Cargo Advance Screening (ACAS).

77 As already mentioned, pre-loading AED will also become mandatory in March 2021 for postal (and express) packages shipped from non-EU to European Union countries (Import Control System 2 (ICS-2) program). The European Commission is warning shippers that “poor quality declarations will either be rejected or subject to unnecessary interventions and may result in sanctions for non-compliance.” European Commission, “EU Customs pre-arrival security and safety programme supported by the Import Control System 2 (ICS2),” https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/ics2_en.

Under the STOP Act, remediation initiatives may represent an alternative to the refusal or destruction of non-compliant packages. Yet, it is not clear how CBP and the Postal Service will determine operational feasibility or the associated implementation costs. On January 1, 2021, absent AED regulations and a precise definition of “compliance”, foreign shippers and posts — and the Postal Service — may not yet know what will cause a package to be blocked, delayed, or returned. It also is unclear what types of remediation will be most effective in raising the compliance level.

In addition, the Postal Service and CBP could factor in the risk of postal items with no AED. For example, exempting a small-volume post from the AED requirement — as allowed by the STOP Act — might have the unwanted consequence of prompting rogue shippers to start using it to ship illicit goods. The Postal Service could also monitor and prepare for AED advancements, such as a “known marketplace seller” flag, which CBP could use to identify illicit or counterfeit goods.

While 100 percent compliance on all flows is not yet in reach, clarity on the AED regulations, enhanced collaborative efforts, effective incentives, and

preparedness for possible future AED requirements should bolster the Postal Service’s capabilities to implement the STOP Act.

Evaluation of Management’s Comments

The OIG appreciates Management’s comments and offers the following point of clarification.

The OIG agrees with the Postal Service that effective procedures around PLACI, such as “do-not-load” messages aimed at stopping non-AED compliant packages from being boarded onto planes in sending countries, could support the goals of the STOP Act. However, these messages bypass the Postal Service because they are sent by an airline carrier directly to DHS. The OIG’s work focused on the Postal Service’s direct role in the process. The development of “do-not-load” procedures would involve coordination and the exchange of these messages between foreign posts and airline carriers, and between these carriers and DHS. We agree that efforts in the space would be beneficial to USPS.

Appendices

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Appendix A: Objectives, Scope, and Methodology

Objective and Scope

The objectives of the research were to:

- Review the challenges surrounding AED requirements and their potential solutions;
- Examine potential strategies for meeting AED compliance, and
- Examine the potential ways USPS can handle non-compliant items.

Understanding these challenges and strategies can help the Postal Service prepare to become compliant with the upcoming STOP Act regulations.

For the purposes of this research, the OIG focused only on inbound AED sent by international posts to the Postal Service through the international postal channel and subject to international postal (UPU) regulations. We did not consider AED on outbound packages the Postal Service sends abroad.

Our research focused on two specific forms of AED: the item-level and dispatch-level AED — known as ITMATT and PREDES messages. Those are the messages that the Postal Service receives from international posts and transmits to CBP for risk assessment as prescribed by the STOP Act.

Methodology

To gather information on AED and conduct its analysis, the OIG conducted interviews, legal and regulatory analysis, and data analysis. It also used findings from research commissioned from an external contractor. The main steps were:

- Documentary research: the project team analyzed relevant documents from IPC, the UPU, CBP, and postal operators' websites to understand key issues surrounding AED compliance and potential solutions. It also reviewed applicable U.S. and international legal statutes and regulations.
- Interviews: the OIG conducted interviews with CBP, the Department of State's Office of Specialized and Technical Agencies (IO/STA), IPC, and the U.S. Postal Inspection Service. The objective was to understand their involvement in AED initiatives and their perspective on the compliance and implementation

issues AED may present. The OIG also spoke with international consolidators International Bridge and PreClear, UPS, and two international mail consultants.

- Information from the Postal Service: USPS provided documents and AED databases in response to OIG questions on the current state of inbound AED compliance and ongoing initiatives. Two follow-up conference calls with experts from several USPS teams (including Enterprise Analytics, Legal, Global Business, and International Postal Affairs) also took place. The OIG analyzed the AED databases received from USPS and conducted analysis of AED compliance trends by country.
- Research commissioned from external consultant. The OIG hired Oxford, UK-based consulting firm Certis24 to conduct interviews with the international mail and customs experts of selected international postal operators. The objective was to understand the measures they have taken or may consider taking to achieve AED compliance for their outbound package flows, in particular to the United States; issues they have experienced on receiving AED on inbound items they receive; and how these posts may handle non-AED compliant items they may receive.

The OIG first preselected a list of postal operators with large volumes of packages and AED counts to the United States. The AED experts of 13 of them agreed to speak with the contractor within a two-week period, from June 17 through June 29, 2020: An Post (Ireland), Australia Post, Canada Post Corporation, Correos (Spain), Deutsche Post (Germany), Hongkong Post, Korea Post (Republic of Korea), Le Groupe La Poste (France), New Zealand Post, Royal Mail Group (Royal Mail and Parcelforce, United Kingdom), Russian Post, Singapore Post, and UkrPoshta (Ukraine).

In advance of the calls, Certis24 sent interviewees a questionnaire previously approved by the OIG. The questionnaire served as a basis for the interviews. As required by the OIG, the consultant then prepared individual interview records and a comprehensive final report submitted on July 14, 2020. The OIG used insights from consultant's deliverables as one of the main sources

for the section of its report called “Increasing AED Compliance Involves Collaboration”.

We conducted work for this white paper in accordance with the Council of the Inspectors General on Integrity and Efficiency’s Quality Standards for Inspection and Evaluation. We discussed our observations and conclusions with management on September 8, 2020 and included their comments where appropriate.

Appendix B: Main AED Data Elements

Figure 10 presents the “customs declaration” part of PS Form 2976-R (USPS Customs Declaration and Dispatch Note). Numbers in the figure refer to the data elements of the customs declaration form that have a corresponding item attribute in ITMATT. That is to say, information which can be captured and transmitted to international posts and customs as part of the ITMATT (ITeM ATtribute) advance electronic message.

Figure 10: Correspondence Between USPS Customs Declaration Form and ITMATT

This figure shows the elements of a customs declaration form that are captured and turned into a standardized ITMATT (item-level) AED message the sending post sends to the destinating post

1. Item identifier (barcode)

2. and 3. Sender’s and recipient’s full names and addresses, including the business name

4. Category/nature of the contents (reason for export)

5. Explanation for contents categorized as ‘other’

6. For each article in package, description, quantity, net weight, and value

7. Total package weight and value

The image shows a USPS Customs Declaration and Dispatch Note form (PS Form 2976-R, April 2016). The form is divided into several sections: SENDER'S INFORMATION, ADDRESSEE'S INFORMATION, SHIPMENT INFORMATION (Contents), and SHIPMENT INFORMATION (Dimensions). Numbered callouts (1-16) point to specific fields: 1. Barcode area; 2. Sender's full name and address; 3. Recipient's full name and address; 4. Category of contents; 5. Explanation for contents; 6. Table for article details (description, quantity, weight, value); 7. Total weight and value; 8. Total postage; 9. Insured value; 10. Sender's email address; 11. Recipient's email address; 12. Exporter's reference; 13. Importer's reference; 14. License number; 15. Certificate number; 16. Invoice number.

8. and 9. Postal charges and other fees (insurance) paid to the post for the item

10. and 11. Sender’s and recipient’s email address and phone number

12. and 13. Sender’s and addressee’s reference number (e.g., tax number) if applicable

14. Presence of additional documentation such as invoices or certificates

15 and 16. For business shippers: product code (HS code) and country of origin of goods if known

Source: WCO-UPU, “WCO-UPU guidelines on data capture and compliance with the CN22/23 (flow zero),” December 2019, pp. 18-29 and Postal Service, USPS Customs Declaration and Dispatch Note, <https://about.usps.com/forms/ps2976r.pdf>.

Appendix C: Management's Comments

ROBERT H. RAINES JR.
MANAGING DIRECTOR, GLOBAL BUSINESS



September 28, 2020

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Re: RISC-WP-xx-xxxx, "Implementing Advance Electronic Data: Challenges and Opportunities (final review draft September 21, 2020)

At the request of the U.S. Postal Service's senior management, the Office of Inspector General (OIG) examined the requirements and challenges posed by the Synthetics Trafficking and Overdose Prevention (STOP) Act of 2018 for providing customs authorities with advance electronic data (AED) on international mail shipments. As part of its study, OIG reviewed compliance strategies at foreign posts and options for the Postal Service to handle non-compliant items. To conclude this study, OIG has drafted a white paper and has invited the Postal Service's management to respond with comments on the draft white paper, together with suggested redactions in the white paper to avoid public disclosure of sensitive information. The suggested redactions accompany these management comments.

The Postal Service's management appreciates OIG's close review of the requirements and challenges posed by the STOP Act's AED requirements, particularly in the absence of final implementing regulations from U.S. Customs and Border Protection (CBP). OIG correctly acknowledged that the Postal Service has deployed a wide range of collaborative strategies to help international posts develop AED capacities and improve compliance, including through negotiation of AED commitments within bilateral and multilateral commercial contracts. Although AED will be required on 100% of mail shipments with goods starting in 2021, including commitments to this requirement in commercial contracts with foreign posts creates additional incentives or penalties for non-compliance. For example, access to negotiated commercial rates for certain products can be jeopardized if a foreign post fails to provide required AED. The Postal Service concurs with OIG's conclusion that continuing to enhance collaboration with foreign postal operators will help to increase the collection of AED towards the 100% target. Notwithstanding those collaborative efforts, OIG's white paper predicts that the Postal Service will not be able to comply fully with the STOP Act's 100% AED requirement by January 1, 2021, in part because many foreign posts will still lack the capacity to gather and send AED for its shipments, whether generally or for certain mail streams. The STOP Act does allow CBP to exempt certain dispatching countries that lack sufficient capacity to gather and send all AED, but CBP has yet to establish the exemption criteria or process. Without clear guidance, the Postal Service cannot know what countries may be exempted.

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The Postal Service looks forward to consulting with CBP with respect to its determinations on those country exemptions under the STOP Act, as well as on other important issues. For example, the STOP Act directed CBP to take into account certain parameters, including whether different transition periods are appropriate for different affected parties, and the Postal Service may offer helpful technical assistance in making the determinations necessary for such transition periods as well as for the full country exemptions. Beyond the country exemptions, the Postal Service also anticipates close consultations with CBP on the procedures and determinations for handling mail shipments that lack requisite AED, including the refusal of shipments but also including other remedial actions when warranted for non-compliant shipments. Further, the Postal Service will continue to offer feedback on the proposed regulations, so that our comments can help shape and strengthen the final product.

Although OIG helpfully identified some of the key challenges that the Postal Service faces, there is one area in which management believes OIG could have taken an additional step in its white paper to help achieve the goals of the STOP Act. OIG explained that, for commercial shipments, air carriers must send AED to CBP before packages are loaded onto airplanes (Pre-Loading Advance Cargo Information, known as PLACI). This allows CBP and the Transportation Security Administration (TSA) to evaluate risks and send back messages to airlines — such as “do-not-load” or referrals for information or screening (Air Cargo Advance Screening, or ACAS). OIG observed that sending PLACI for postal shipments could help CBP better assess the risk of those shipments. That is true, but does not go far enough. Instead, it would be ideal if mail items lacking required AED could be prevented from being loaded onto transportation modes bound for the United States.

Under the STOP Act, the Postal Service is generally required to refuse shipments lacking required AED, but only after it reaches the United States. More effectively, Postal Service management will endeavor to encourage the Department of Homeland Security (DHS) to devise procedures barring carriers from accepting mail shipments lacking AED, which could be deployed to prevent contraband from being dispatched through mail to the United States in the first instance (similar to the “do-not-load” procedures already employed with respect to certain dangerous commercial shipments).

The Postal Service itself does not have that authority, but presumably DHS or its subordinate agencies may determine that it could take further steps to assist towards this goal. We believe it would be productive for the Postal Service’s OIG to further explore this matter in any future assessments it conducts, perhaps in combination with the Offices of Inspector General of DHS and its subordinate agencies.

The Postal Service’s management appreciates the opportunity to offer these comments on the final review draft of OIG’s white paper.

Sincerely,



Robert H. Raines Jr.



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

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We conducted work for this white paper in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation.