

Procedures for Calculating Workshare Discounts for Letters

AUDIT REPORT

Report Number 23-131-R24 | February 14, 2024



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Highlights

Background

The U.S. Postal Service offers reduced postage rates (i.e., worksharing rates) to mailers for handling, pre-applying barcodes, pre-sorting, and transporting mail. Worksharing rates are also referred to as workshare discounts because postage rates are reduced based on costs the Postal Service is estimated to avoid from worksharing activities the mailing industry performs, which enables the Postal Service to increase its operational efficiency. In fiscal year (FY) 2022, 87 percent of domestic market dominant mail was workshared. Ninety-seven percent of domestic market dominant workshared mail consisted of either First-Class Mail or Marketing Mail. Domestic market dominant workshared First-Class Mail and Marketing Mail consisted primarily of letters. The Postal Service increased the percentage of workshare discounts that align with avoided costs from 41 percent in FY 2018 to 91 percent in FY 2022. Worksharing is dependent on the Postal Service, Postal Regulatory Commission, and mailing industry performing several key activities; and the procedures for the workshare discount calculation process being current and sufficiently detailed for effective implementation by responsible personnel.

What We Did

We performed this audit as part of our mandate under the Postal Accountability and Enhancement Act to regularly audit Postal Service data collection systems and procedures used to collect information to prepare reports. Our objective was to assess the Postal Service's workshare discount calculation process for select mail products to ensure that the discounts align with avoided costs. Specifically, we focused on the Postal Service's internal controls and data inputs related to the workshare discount calculation process for letters.

What We Found

Opportunities exist for the Postal Service to establish detailed procedures documenting its responsibilities for calculating letters' avoided costs and setting workshare discounts. In addition, the Postal Service can periodically review non-recurring data inputs for letter cost models to help ensure all inputs reflect current operations.

Recommendations

We recommended management develop and implement (1) detailed procedures for calculating avoided costs and setting workshare discounts of First-Class Mail and Marketing Mail letters; and (2) a process to regularly review non-recurring data inputs for First-Class Mail and Marketing Mail letter cost models to formally document whether they need to be updated.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

February 14, 2024

MEMORANDUM FOR: SHARON D. OWENS
VICE PRESIDENT, PRICING AND COSTING

A handwritten signature in black ink, reading "Alan S. MacMullin", is positioned below the memorandum header.

FROM: Alan S. MacMullin
Deputy Assistant Inspector General
for Finance, Pricing, and Human Capital

SUBJECT: Audit Report – Procedures for Calculating Workshare Discounts for Letters (Report Number 23-131-R24)

This report presents the results of our audit of the workshare discount calculation process for letters.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Laura Lozon, Director, Cost and Pricing Directorate, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of select workshare discount calculations (Project Number 23-131). Our objective was to assess the U.S. Postal Service's workshare discount calculation process for select mail products to ensure that the discounts align with avoided costs. Specifically, we focused on the Postal Service's internal controls and data inputs related to the workshare discount calculation process for letters. See [Appendix A](#) for additional information about this audit.

Background

The U.S. Postal Service offers reduced postage rates (i.e., worksharing rates) to mailers for handling, pre-

applying barcodes, pre-sorting, and transporting mail. Worksharing rates are also referred to as workshare discounts because postage rates are reduced based on costs the Postal Service is estimated to avoid from worksharing activities the mailing industry performs, which enables the Postal Service to increase its operational efficiency.

In fiscal year (FY) 2022, 87 percent of domestic market dominant mail was workshared. Ninety-seven percent of domestic market dominant workshared mail consisted of either First-Class Mail or Marketing Mail (see Figure 1).

Domestic market dominant workshared First-Class Mail and Marketing Mail consisted primarily of letters (see [Figure 2](#)).

Figure 1. Percentage of Domestic Market Dominant Workshared and Nonworkshared Mail, FY 2022

Source: Developed by the Office of Inspector General (OIG) based on the Postal Service's mail volume data for FY 2022.

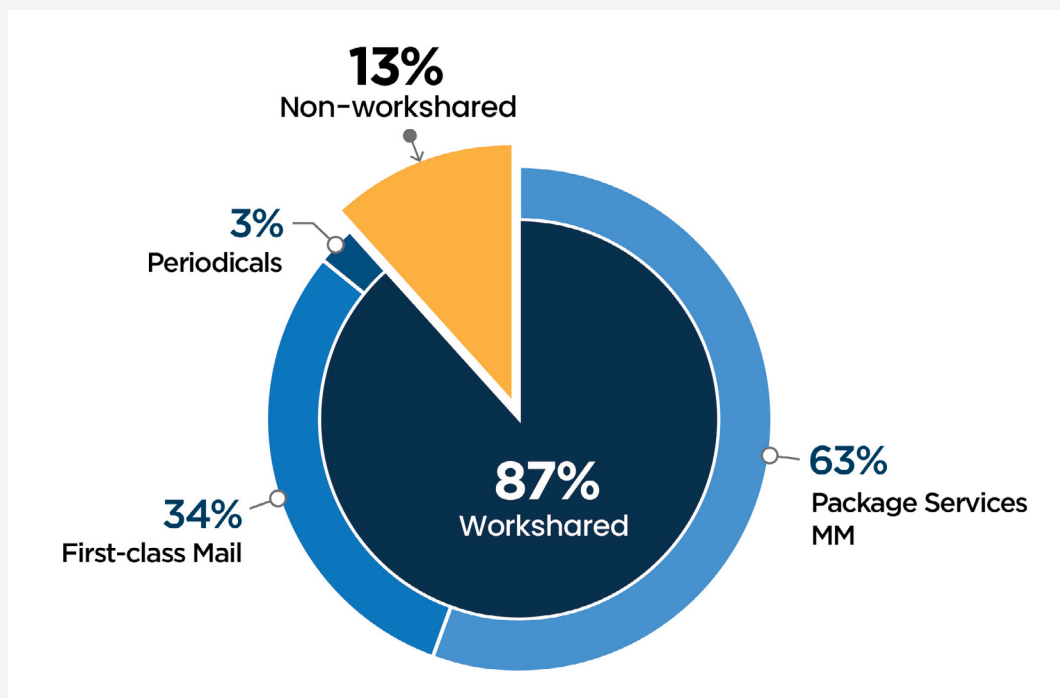
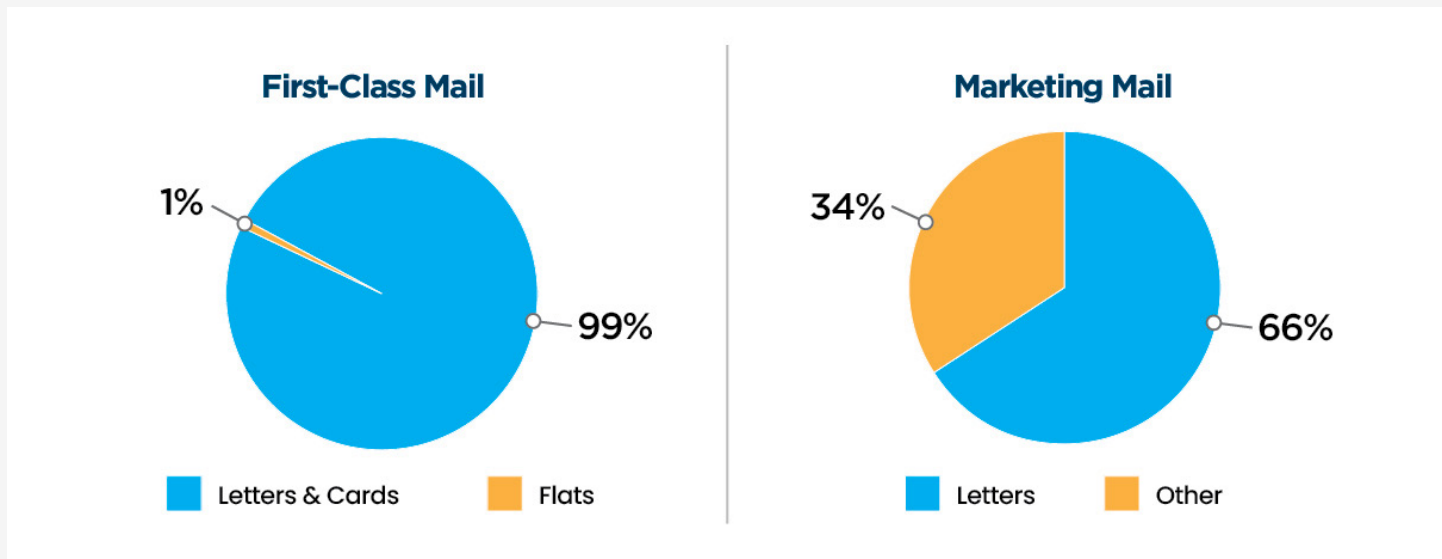


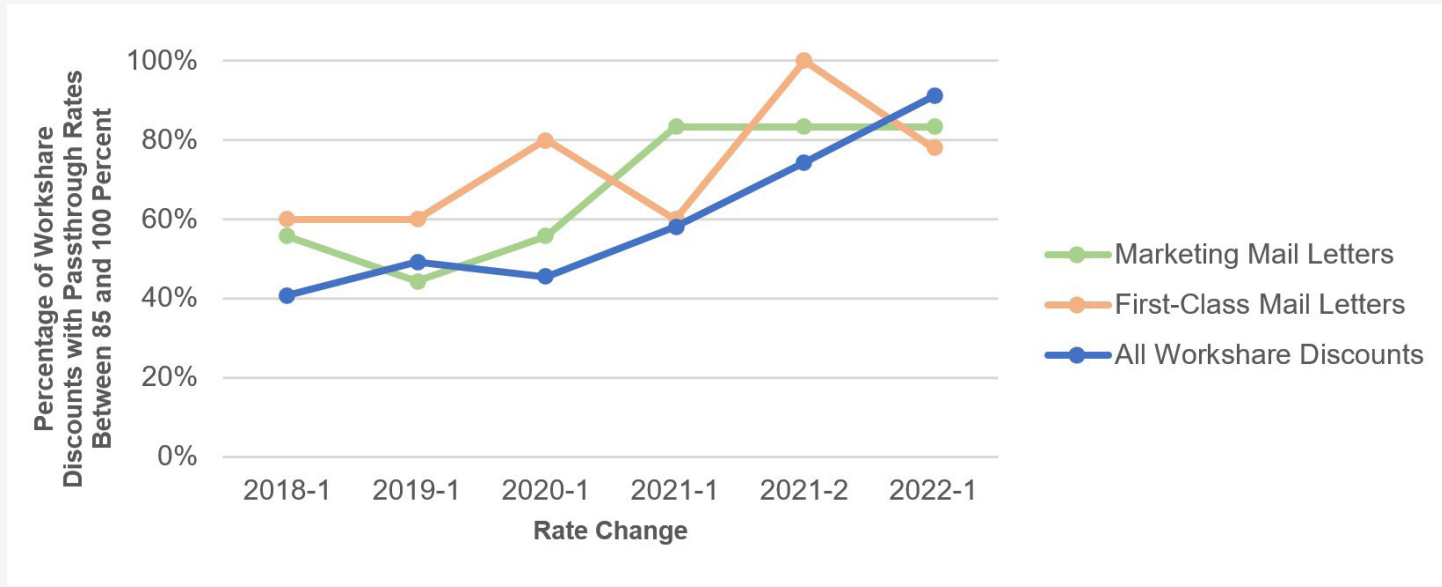
Figure 2. Percentage of Domestic Market Dominant Workshared First-Class Mail and Marketing Mail by Mail Product, FY 2022



Source: Developed by the OIG based on the Postal Service's mail volume data for FY 2022. Other includes Marketing Mail Flats, Parcels, High Density and Saturation Letters, High Density and Saturation Flats and Parcels, Carrier Route, and Every Door Direct Mail Retail.

The Postal Service increased the percentage of workshare discounts that align with avoided costs from 41 percent in FY 2018 to 91 percent in FY 2022 (see Figure 3).

Figure 3. Workshare Discount Compliance, FY 2018 - FY 2022



Source: Developed by the OIG based on Postal Service workshare discount passthrough rate¹ data from FY 2018 through FY 2022. Note: The Postal Service was not required to maintain passthrough rates above 85 percent until the second change to postage rates in 2021.

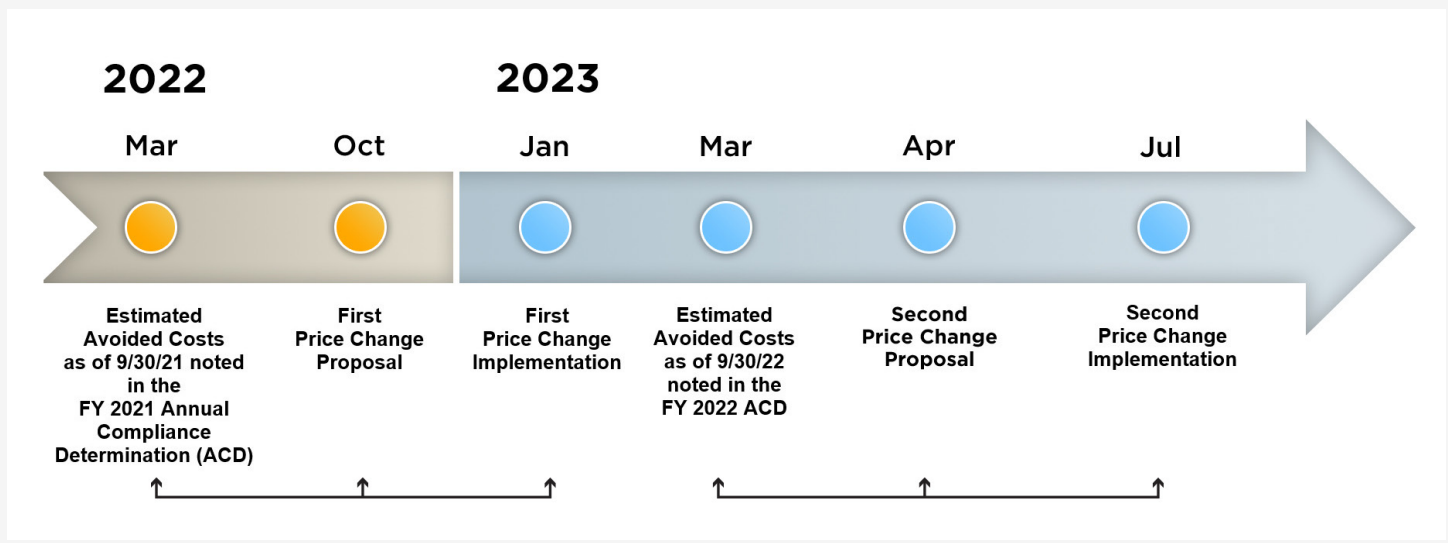
¹ A passthrough rate is the relationship between the amount of the workshare discount and the avoided cost. It is calculated by dividing the workshare discount by the avoided cost, which is expressed as a percentage.

Worksharing is dependent on the Postal Service, Postal Regulatory Commission (PRC), and mailing industry performing several key activities; and the procedures for the workshare discount calculation process being current and sufficiently detailed for effective implementation by responsible personnel:

- *Postal Service Sets Workshare Discounts Based on Avoided Costs:* Beginning in January 2023, the Postal Service implemented postage rate changes for market dominant mail products, which include worksharing rates, twice a year (i.e.,

January and July).² The methodology³ for setting workshare discounts is based on estimated avoided costs (see Figure 4). The Postal Service uses spreadsheet-based cost models to calculate its avoided costs for First-Class Mail and Marketing Mail letters as of the fiscal year end. The cost models have both recurring (e.g., actual incurred costs, operating costs, and mail volume data) and nonrecurring (e.g., the speed at which clerks can prepare their mail for Post Office Boxes) data inputs.

Figure 4. Timeline for Proposing and Implementing Workshare Discounts, 2023



Source: Developed by the OIG based on Postal Service information.

- *PRC Established a Modern System for Regulating Rates and Determines Workshare Discount Compliance:* The Postal Accountability and Enhancement Act of 2006 (PAEA) required the PRC to establish and revise, as necessary, a modern system of regulating postage rates and mail classes for market dominant mail products. The PRC designed the system to maximize incentives to reduce costs and increase efficiency (i.e., prices are most efficient when workshare discounts are set equal to avoided costs). In addition, PAEA requires the PRC ensure that workshare discounts for market dominant mail products do not exceed the cost that the Postal Service

is estimated to avoid as a result of worksharing activities performed by the mailing industry unless permitted by a limited number of exceptions.⁴ This is done when the PRC evaluates and determines workshare discount compliance at the time the worksharing rates are first established, when the PRC issues the ACD,⁵ and any adjustments to the rates thereafter as necessary.

- *Mailing Industry Performs Worksharing Activities:* Three key worksharing activities that mailers perform (or mail service providers perform on their behalf) are (1) pre-applying barcodes to mail; (2) pre-sorting mail, such as by ZIP

² USPS Statement, *Postal Service Announces New Market Dominant Price Adjustment Schedule*, dated September 15, 2021.

³ The Postal Service is required to use the PRC's methodology for calculating avoided costs, which is based on previously accepted analytical principles. These principles may be periodically revised at the PRC's discretion either through self-initiation, or upon its approval of requests for revision from either the Postal Service or other Postal Service stakeholders (e.g., mailer) in accordance with 39 C.F.R. § 3050.11.

⁴ 39 U.S.C. 3622(e)(2)(A) through (D).

⁵ The Annual Compliance Determination (ACD) report is issued by the PRC within 90 days after the Postal Service files the Annual Compliance Report (ACR) each fiscal year, which fulfills the PRC's responsibility to produce an annual assessment of Postal Service rates and service mandated by 39 U.S.C. §§ 3653 and 3705.

Code or specific delivery location; and (3) transporting mail to a Postal Service facility that is generally closer to the final destination of the mail. See [Appendix B](#) for details about each key worksharing activity.

Findings Summary

Opportunities exist for the Postal Service to establish detailed procedures to document its responsibilities for calculating avoided costs and setting workshare discounts for First-Class Mail and Marketing Mail letters. In addition, the Postal Service can implement periodic reviews of non-recurring data inputs for First-Class Mail and Marketing Mail letter cost models to help ensure all data inputs reflect current mail processing operations.

Finding #1: Documentation of Responsibilities

The Postal Service does not have detailed procedures that document responsibilities for calculating avoided costs and workshare discounts for First-Class Mail and Marketing Mail letters and enable management to effectively monitor those control activities.

Federal Internal Control Standards note management should document in policies its responsibility for internal operations. Management should provide guidance on determining the policies necessary to operate based on organizational objectives and related risks. The policies should be documented in the appropriate level of detail to allow management to effectively monitor its operations. The standards also note that the policies may be further defined through day-to-day procedures. Procedures may include timing and any follow-up corrective actions to be performed by personnel if deficiencies are identified.

The Postal Service is required to use the regulations instituted by the PRC applicable to calculating avoided costs and setting workshare discounts for First-Class Mail and Marketing Mail letters. When we requested the Postal Service's policies and

procedures for the workshare discount process, the Postal Service referred us to preface documents⁶ of workshare discount-related attachments to the ACR.⁷ Management explained that the preface documents, in conjunction with relevant data sources and the prior years' calculations, should be sufficient for its personnel to know how to calculate the current year's avoided costs and set workshare discounts for First-Class Mail and Marketing Mail letters. However, the preface documents do not describe how to calculate avoided costs and set workshare discounts in detail. For example, the preface documents do not describe the instructions or timing for preparing the attachments, required reviews and approvals, and corrective actions if deficiencies are identified.

Documentation of responsibilities through sufficiently detailed procedures to calculate avoided costs and set workshare discounts for First-Class Mail and Marketing Mail letters is an integral part of an effective internal control system. Sufficiently detailed procedures enable Postal Service personnel to implement control activities for their assigned responsibilities and allow management to effectively monitor those control activities.

Recommendation #1

We recommend the **Vice President, Pricing and Costing**, develop and implement detailed procedures for calculating avoided costs and setting workshare discounts of First-Class Mail and Marketing Mail letters.

Finding #2: Periodic Review of Non-recurring Data Inputs

The Postal Service did not periodically review the non-recurring data inputs⁸ for First-Class Mail and Marketing Mail letter cost models. We requested documentation of the Postal Service's periodic reviews of non-recurring data inputs for First-Class Mail and Marketing Mail letter cost models conducted during the last five years. Management provided documentation supporting that it only conducted one review of four non-recurring data inputs in 2019 in response to our recommendation in

⁶ A preface document, which is included with most attachments to the ACR, describes an attachment's purpose and content, predecessor documents, methodology, input/output, organization, and revisions.

⁷ The ACR is issued by the Postal Service pursuant to 39 U.S.C. § 3652, which requires it to file with the PRC, within 90 days after the end of each fiscal year, a variety of data on costs, revenues, rates, and quality of service, in order to demonstrate that all products during such year complied with all applicable requirements of title 39.

⁸ Non-recurring inputs are generally based on studies or testimonies that do not get updated annually.

a prior audit report. Specifically, in a 2018 OIG report,⁹ we recommended, and management agreed, to document its periodic review of non-recurring data inputs for the Marketing Mail letter cost model to include conducting and maintaining documentation of cost-benefit and sensitivity analyses.¹⁰ The Postal Service did not provide documentation of any additional periodic reviews after the one it performed in 2019 in response to our prior audit.

Federal Internal Control Standards note management should periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the organization's objectives or addressing related risks. If there is a significant change in an organization's process, then management should review the process in a timely manner after the change to determine that the control activities are designed and implemented appropriately.

This occurred because there is no formal process to periodically review non-recurring data inputs for either First-Class Mail or Marketing Mail letter cost models. The Postal Service's analysts can recommend updating the inputs if they are aware of significant changes. However, without periodically reviewing non-recurring data inputs for First-Class Mail and Marketing Mail letter cost models, there is limited assurance that all data inputs reflect current processing operations or that decisions to forego updates are supported by quantitative data.

As a result, the Postal Service cannot ensure workshare discounts either increase its operational efficiency or align with accurate and reliable avoided costs. Periodic review of these data inputs would facilitate improved workshare discount setting decisions and further the pricing efficiency, mail volume, and service goals of the Postal Service.

Recommendation #2

We recommend the **Vice President, Pricing and Costing** develop and implement a process to regularly review non-recurring data inputs for First-Class Mail and Marketing Mail letter cost models to formally document whether they need to be updated.

Management's Comments

Management disagreed with finding 1 and recommendation 1 but agreed to take action. Management agreed with finding 2 and recommendation 2. See [Appendix C](#) for management's comments in their entirety.

Regarding finding 1 and recommendation 1, management stated they believe their current procedures for the applicable activities are sufficient because these activities have been done accurately, completely, and punctually in the past. However, they agreed to buttress their procedures to address issues described in the finding. The target implementation date is August 31, 2024.

Regarding recommendation 2, management agreed to develop and implement a process to regularly review non-recurring data inputs for First-Class Mail and Marketing Mail letter cost models to formally document whether they need to be updated. The target implementation date is August 31, 2024.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Regarding recommendation 1, we agree that buttressing their current procedures will better position Postal Service personnel to implement control activities for their assigned responsibilities and allow management to effectively monitor those activities. Therefore, we accept management's planned corrective actions.

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

⁹ USPS OIG, *Marketing Mail Letters Workshare Discounts*, Report No. CP-AR-18-006, August 1, 2018.

¹⁰ In 2019, the Postal Service analyzed the impact of a hypothetical +/- 20 percent change in productivities of the four nonrecurring data inputs. The sensitivity analysis showed that there was a cumulative impact of \$11,000 with a +/- 20 percent change in values of all productivities.

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Appendix A: Additional Information

Scope and Methodology

The scope of our audit included select workshare discount calculations from FY 2018 through FY 2022. Specifically, we focused on the Postal Service's internal controls and data inputs related to the workshare discount calculation process for letters.

To accomplish our objective, we:

- Visited three Postal Service mail processing facilities to observe their letter mail operations and interview local management about workshare discounts for First-Class Mail and Marketing Mail letters.
- Interviewed Pricing and Costing management at Postal Service's Headquarters to gain a better understanding of its roles and responsibilities for calculating avoided costs and setting workshare discounts for First-Class Mail and Marketing Mail letters.
- Interviewed the PRC's Office of Accountability & Compliance to gain a better understanding of its roles and responsibilities in evaluating and determining the Postal Service's workshare discount compliance for First-Class Mail and Marketing Mail letters.
- Interviewed representatives from the mailing industry to gain a better understanding of their roles and responsibilities in performing key worksharing activities for First-Class Mail and Marketing Mail letters.
- Reviewed quantitative and qualitative information about calculating avoided costs and setting workshare discounts for First-Class Mail and Marketing Mail letters.
- Analyzed First-Class Mail and Marketing Mail volume, revenue, attributable cost, contribution to institutional costs, avoided costs, workshare discounts, and passthrough rate data publicly reported by the Postal Service.
- Reviewed laws and regulations applicable to the Postal Service's workshare discounts.

- Reviewed publicly available reports (e.g., Postal Service, PRC) that describe the Postal Service's workshare discounts for First-Class Mail and Marketing Mail letters.

We conducted this performance audit from July 2023 through February 2024 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on January 18, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the Postal Service's workshare discounts internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the Control Activities component was significant to our audit objective.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to Control Activities that were significant within the context of our objective. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of workshare discount data by performing logical tests of completeness, accuracy, and reasonableness on key fields. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Marketing Mail Letters Workshare Discounts</i>	To assess the accuracy and reliability of the Marketing Mail letters cost-avoidance model used to develop mail processing workshare discounts. We also reviewed pricing strategies for Marketing Mail workshare discounts to determine compliance with PRC directives.	CP-AR-18-006	August 1, 2018	\$0
<i>Postal Partnerships: The Complex Role of Middlemen and Discounts in the USPS Package Business</i>	To outline the domestic package channel partnerships, how those partnerships have changed and become more entangled over time, the challenges this poses, and potential remedies for those challenges.	RARC-WP-18-010	July 23, 2018	\$0

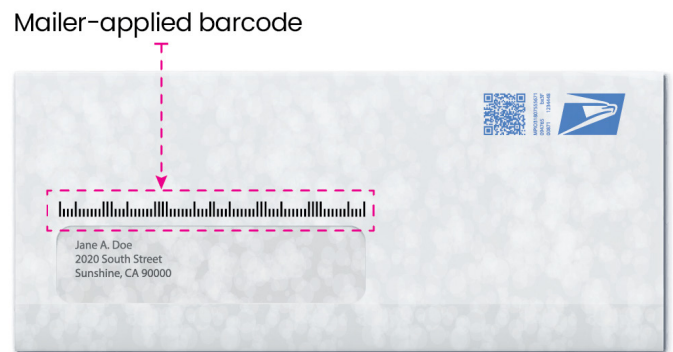
Appendix B: Key Worksharing Activities

Three key worksharing activities performed by mailers (or by mail service providers on their behalf) are (1) pre-applying barcodes to mail; (2) pre-sorting mail, such as by ZIP Code or specific delivery location; and (3) transporting mail at a Postal Service facility that is generally closer to the final destination of the mail.

- **Pre-applying Barcodes to Mail:** The Postal Service’s automated equipment relies heavily on barcodes to sort mail. Barcodes provide machine-readable ZIP Code and delivery point information. When mailers pre-apply barcodes to mail (see Figure 5), the Postal Service avoids applying barcodes. Mailer-barcode mail can go directly to Postal Service automated equipment for processing.
- **Pre-sorting Mail:** Mailers who sort their mail, such as by groupings of ZIP Codes, five-digit ZIP Codes, or specific delivery locations; and then transport their mail to a Postal Service facility for processing save the Postal Service money by reducing the

number of times the Postal Service has to sort the mail to route it to its final destination. Such mailer sorting is called “pre-sorting” because it occurs before the Postal Service receives the mail. Figure 6 illustrates an example of pre-sorted letters by five-digit ZIP Codes.

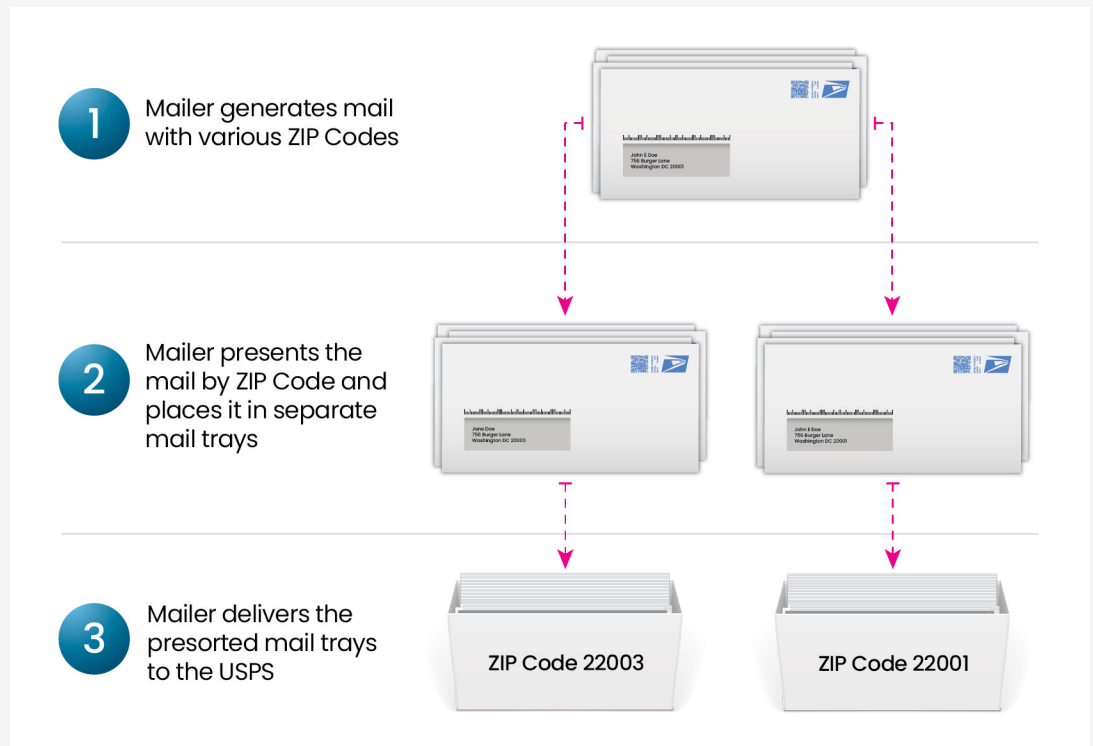
Figure 5. Example of a Letter with a Mailer-Applied Barcode



Source: Developed by the OIG based on Postal Service information.

Figure 6. Example of Pre-sorting Letters by Five-Digit ZIP Codes

Source: Developed by the OIG based on Postal Service information.



- **Transporting Mail:** Mailers can transport some mail from where the mail is generated to Postal Service facilities that generally are closer to where the mail will be delivered. When destination entry mail meets the worksharing requirements, it is generally expected to bypass the originating Postal Service mail processing facilities that initially receive and organize mail according to areas where it will be delivered; and

be transported by the mailers to Postal Service's facilities that generally are closer to the final destination of the mail. Figure 7 provides a simplified illustration of how the Postal Service handles destination-entered mail sent from Seattle to Miami, compared with how the Postal Service handles a single letter sent by an individual (depicted as "Grandma" in our illustration) via First-Class Mail.

Figure 7. Illustration of How the Postal Service Handles Destination-Entered Mail and Grandma's Letter, Both of Which Are Sent from Seattle to Miami



Source: Developed by the OIG based on Postal Service information.

Appendix C: Management's Comments



February 8, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Procedures for Calculating Workshare Discounts for Letters (Report Number 23-131-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report, *Procedures for Calculating Workshare Discounts for Letters*.

Finding #1: "The Postal Service does not have detailed procedures that document responsibilities for calculating avoided costs and workshare discounts for First-Class Mail and Marketing Mail letters and enable management to effectively monitor those control activities." (Page 4)

Management disagrees with Finding #1. Management communicated that Cost Attribution was the responsible group for developing the mail processing costs by price category found in ACR Folder 10 and that Mailing and Services Pricing used those mail processing cost estimates by price category to complete ACR Folder 3, which has the worksharing discounts, avoided costs, and passthroughs for market dominant products. The communication also noted that Mailing and Services Pricing was the responsible group for setting workshare discounts within rate case filings.

Additionally, at the exit conference, Management communicated that each year a detailed schedule is developed for the ACR, which outlines the responsible parties and the due dates associated with each deliverable, including the relevant activities considered in this effort. Furthermore, a project plan and schedule are also developed and executed for each rate case filing. In sum, Management was concerned that the Report did not include observed evidence to support Finding #1.

Specifically, Finding #1 suggested that Management had not effectively monitored "those control activities" but no such control activities were identified in the Report, so it was unclear to Management the nature of the activities that were not effectively monitored. Additionally, the Report identified no deficiencies in the timing or execution of these activities. As such, Management found it challenging to understand the justification for Finding #1.

Finding #2: "The Postal Service did not periodically review the non-recurring data inputs for First-Class Mail and Marketing Mail letter cost models." (Page 5).

Management agrees with Finding #2. Management believes that its Action Plan for Recommendation #2 addresses Finding #2.

Recommendation 1:

We recommend the **Vice President, Pricing and Costing**, develop and implement detailed procedures for calculating avoided costs and setting workshare discounts of First-Class Mail and Marketing Mail letters.

Management Response/Action Plan:

Management disagrees with Recommendation #1 because Management believes its current procedures for these activities is sufficient to perform the activities identified in Recommendation #1.

Management supplied its current procedures to the OIG. The Report, on page 5, acknowledges receipt of those procedures and Management interprets Recommendation #1 to signify that the OIG determined the supplied procedures were insufficient. Management disagrees with that perceived evaluation by the OIG. Management defended its view that the current procedures were sufficient by noting that these activities had been successfully completed accurately, completely, and punctually in the past. Consequently, Management was disappointed that the Report did not include Management's reasoning as to why it believed the procedures provided were sufficient, even though the current procedures were extensively described in writing.

Moreover, Management believes that to reasonably evaluate that the current procedures were insufficient, there would have to be evidence that failures have occurred using these procedures. However, the Report failed to account for any instances where mistakes were made in performing these activities. As such, Management asserts that creating additional documentation will not add value to the Postal Service.

The avoided cost and workshare workpapers are prepared with the support of Preface materials which outline the design and data sources, along with numerous footnotes within the workpapers clearly pointing to the data source material, as well as a reference model from the prior year's filing. Analysts are producing these workpapers annually with the current documentation and Management oversight.

Workshare discounts are developed as part of Market Dominant rate case filings, as mentioned in the Report. Market Dominant prices are set given the price cap authority available, PRC regulatory constraints, rate relationship parameters, product volume trends and elasticities, product development and strategy, and direction from Management. These are spreadsheet-based models which include checks to ensure that prices comply with workshare regulations. Management provides guidance and feedback to pricing analysts regarding strategic decisions of how to price individual products, within cap and regulatory constraints. Once prices are set, they are independently replicated by another analyst to ensure that the discounts were set correctly. The prices also go through multiple levels of review by management to ensure completeness and accuracy. The PRC will not approve a rate case filing unless they determine that workshare discounts meet regulatory requirements.

Management noted that the analysts working on these activities have specific technical skills that include proficiency with handling Excel workbooks that embody numerous tabs and external links to input data sources. Thus, the responsible analysts have the technical skills to use the current procedures to successfully complete the activities.

In sum, Management believes the procedures supplied to the OIG to complete these activities were sufficient and the interpretation of the OIG that suggests otherwise lacks empirical evidence to support this conclusion.

Nonetheless, for the purpose of responding to Recommendation #1, Management agrees to buttress its current procedures to address issues described in the Report.

Target Implementation Date: August 31, 2024

Responsible Official(s):

Director, Cost Attribution (ACR Folder 10) & Director, Mailing & Services Pricing (ACR Folder 3 and workshare discount setting)

Recommendation 2:

We recommend the **Vice President, Pricing and Costing**, develop and implement a process to regularly review non-recurring data inputs for First-Class Mail and Marketing Mail letter cost models to formally document whether they need to be updated.

Management Response/Action Plan:

Management agrees with Recommendation #2. Management will develop and implement a process to regularly review non-recurring data inputs for First-Class Mail and Marketing Mail letter cost models to formally document whether they need to be updated.

Management notes that a decision to update non-recurring data inputs likely requires field data collection. Moreover, it would require presenting the proposed updates before the PRC in a rulemaking docket for review and approval prior to implementation. Management notes that a decision to conduct a field data collection effort or initiate a rulemaking docket are subjective and require consideration of several factors, including available resources and expected cost impacts that would result from such updates.

Target Implementation Date: August 31, 2024

Responsible Official:

Director, Cost Attribution.

E-SIGNED by SHARON.D OWENS
on 2024-02-09 09:58:50 EST

Sharon Owens
Vice President, Pricing & Costing

cc: Corporate Audit & Response Management

OFFICE OF INSPECTOR GENERAL

UNITED STATES



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