



September 2018

U.S. POSTAL SERVICE

Enhancing Procedures Could Improve Product Scanning

Accessible Version

GAO Highlights

Highlights of [GAO-18-638](#), a report to congressional requesters

Why GAO Did This Study

USPS's competitive products have become increasingly important, comprising about 28 percent of USPS's total revenue. USPS scans these packages at various points throughout the postal network. When scans are inaccurate or missing, questions are raised about the veracity of USPS's data on scanning performance and can lead to customer complaints.

GAO was asked to review USPS's scanning policies and procedures. In this report, GAO (1) describes USPS's scanning performance and (2) examines how USPS ensures accurate scanning. GAO reviewed USPS's policies and procedures and assessed them against internal control standards; interviewed officials from USPS and five high-volume mailers; and conducted site visits to six post offices in two USPS districts that represented a range of volume, number of routes, and performance.

What GAO Recommends

GAO recommends that USPS: (1) identify and adopt internal control standards for its operational activities such as for scanning of competitive products; (2) improve the communication of procedures for scanning competitive products; and, (3) create procedures for supervisors on how to address inaccurate scans and resolve scanning issues. USPS agreed to explore addressing the first recommendation and agreed with the other two recommendations.

View [GAO-18-638](#). For more information, contact Lori Rectanus at (202) 512-2834 or rectanusl@gao.gov.

September 2018

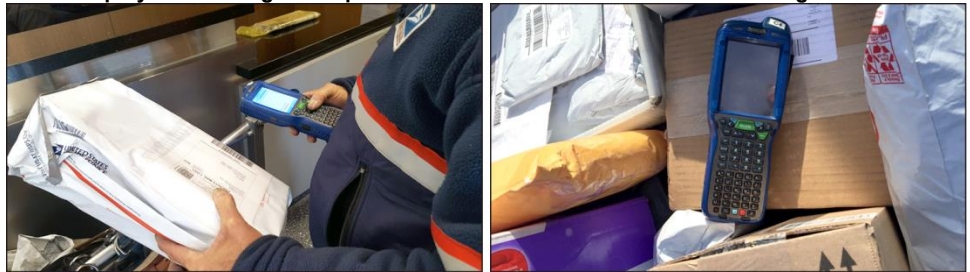
U.S. POSTAL SERVICE

Enhancing Procedures Could Improve Product Scanning

What GAO Found

Mail products over which the United States Postal Service (USPS) does not exercise market dominance, such as many of its packages, are called competitive products. These items are scanned throughout the mail delivery system to track their progress (see figure). USPS data show that these products are almost always scanned. For example, USPS data showed that for the first three quarters of fiscal year 2018; all but one of USPS's 67 districts met their scanning goals. Additionally, mailers that account for a high volume of USPS's competitive products told GAO that they believed USPS was generally scanning products correctly. However, a small percentage of missed or inaccurate scans occur. For example, a report from one USPS district showed that for one week, 0.73 percent of the products delivered were missing a scan and that for the fiscal year to date almost 155,000 competitive products were missing a delivery scan.

USPS Employee Scanning a Competitive Product and a USPS Mobile-Scanning Device



Source: GAO. | GAO-18-638

USPS has designed and implemented procedures and activities to help ensure accurate scanning, but some limitations could contribute to scanning errors. For example, USPS has not based its operational procedures for scanning on any internal control standards. USPS officials said the procedures were based on USPS's unique responsibilities, management experience, and sound business practices, but the officials could not identify specific standards or a framework that they followed as the basis for the procedures. USPS officials said they did not believe any internal controls standards applied to these procedures. By not basing procedures on standards, USPS may miss opportunities to improve how it achieves its mission to scan and measure the performance of competitive products. Additionally, USPS's scanning procedure documents, such as for outlining specific delivery scanning steps, are not always consistent, and USPS relies on more informal methods, such as meetings with employees to communicate changes. Thus, employees may not have accurate procedures available to them. Finally, USPS lacks procedures to help managers identify and address incorrect scans, address customer complaints or otherwise address scanning irregularities. For example, USPS's guidance for managers is limited to a list of bullet-points that do not detail the steps managers should follow to resolve scanning irregularities. In addition, this list has not been updated since 2005. Without consistent or detailed procedures, USPS's employees and managers may not scan items accurately or find information needed to resolve scanning issues—a situation that could hinder USPS's ability to reduce inaccurate or missing scans for these important mail products.

Contents

Letter		1
	Background	4
	USPS's Competitive Products Are Almost Always Scanned Correctly, Although Some Missed and Inaccurate Scans Occur	9
	USPS Has Designed Policies and Procedures to Support Accurate Scanning of Competitive Products, but Limitations Could Contribute to Scanning Errors	13
	Conclusions	25
	Recommendations for Executive Action	25
	Agency Comments	26
<hr/>		
Appendix I: Comments from the U.S. Postal Service		28
Appendix II: GAO Contact and Staff Acknowledgments		32
Appendix III: Accessible Data		33
	Data Tables	33
	Agency Comment Letter	33
<hr/>		
Figures		
	Figure 1: Revenue from Domestic Competitive Products as a Percentage of All USPS Mail Revenue, Fiscal Years 2008 to 2017	5
	Figure 2: U.S. Postal Service's Postal Areas and Number of Districts in Each Area	6
	Figure 3: Scanning Points That Track USPS's Competitive Products from Acceptance to Delivery	8
	Figure 4: Devices Used by U.S. Postal Service to Scan Barcodes—Mobile Delivery Device (left) and Intelligent Mail Device (right)	9
	Figure 5: Photo of a Job Aid Poster Showing Correct Scanning Procedures as Posted in a Post Office	16
	Figure 6: Photo of Standard Work Steps for Delivery Scanning as Posted in a Post Office	17

Accessible Data for Figure 1: Revenue from Domestic Competitive Products as a Percentage of All USPS Mail Revenue, Fiscal Years 2008 to 2017	33
Accessible Data for Figure 3: Scanning Points That Track USPS's Competitive Products from Acceptance to Delivery	33

Abbreviations

COSO Framework	Committee of Sponsoring Organizations of the Treadway Commission's <i>Internal Control-Integrated Framework</i>
GPS	Global Positioning System
IMD	Intelligent Mail Device
MDD	Mobile Delivery Device
OIG	Office of Inspector General
USPS	U.S. Postal Service

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



September 28, 2018

The Honorable Claire McCaskill
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Heidi Heitkamp
Ranking Member
Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs
United States Senate

With the growth of e-commerce, the delivery of packages has become an increasingly important part of the U.S. Postal Service’s (USPS) business. Most of these packages are known as “competitive products,” for which USPS competes with other companies’ delivery services on pricing and service.¹ In fiscal year 2017, USPS delivered over 5 billion competitive products to approximately 157 million points of delivery; this business accounted for 3 percent of USPS’s total mail volume but about 28 percent of its total revenue. USPS expects the continued growth in e-commerce will generate further increases in its competitive products business. USPS’s latest strategic plan stated that implementing initiatives to significantly expand the competitive products business is critical to the long-term financial outlook of USPS, as it has suffered financial losses each year since 2007, in part due to declining volume in other types of mail.²

Since consumers generally expect these products to be delivered to a preferred address and within a specific timeframe, tracking these

¹USPS competitive products include priority mail, expedited mail, bulk parcel post, bulk international mail, and mailgrams. See 39 U.S.C. § 3631. For the purpose of this report, the term “competitive products” refers to domestic packages and excludes international packages.

²USPS, *Future Ready: U.S. Postal Service Five-Year Strategic Plan, Fiscal Years 2017 to 2021* (Washington, D.C.: Sept. 30, 2016). The financial sustainability of USPS has been on GAO’s High Risk list since 2009. GAO, *High Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017).

shipments has become an important aspect of USPS's ability to compete in this market.³ As a result, it is important for USPS to track its competitive products accurately. To do so, USPS employees and machines scan barcodes on these products at various points throughout the postal network. However, USPS's Office of Inspector General (OIG) reports and customer complaints have identified instances where the scanning was inaccurate. For example, the USPS OIG has reported that some items were scanned as delivered before they had left the post office.⁴

You asked that we review USPS activities used to support accurate scanning. This report (1) describes USPS's performance in the scanning of competitive products, and (2) examines whether the design of USPS's internal control activities helps ensure that competitive products are accurately scanned. Our report focused on USPS's domestic competitive products and the non-automated scanning activities that occur in its network, such as at post offices and on delivery routes.⁵

To describe USPS's scanning performance, we reviewed USPS statistical reports on scanning performance at the national and local level and USPS OIG reports on scanning performance. We also interviewed USPS delivery operations officials at the national level and in three postal areas and three postal districts—overseeing the post offices we planned to visit—about scanning goals and performance. We did not independently verify USPS's scanning performance statistics or volume information for this report. However, we reviewed relevant documentation and interviewed appropriate agency officials, and found the data sufficiently reliable for our reporting purposes. We interviewed representatives from five mailers, which we refer to as “major mailers” in this report that collectively use a high volume of USPS's competitive products in fiscal year 2017. While responses from representatives of the major mailers are

³USPS reported that in fiscal year 2016, nearly 70 percent of all visitors to usps.com came to track a package, and a similar proportion of call volume to the USPS Customer Care Center revolved around package status. See USPS, *United States Postal Service FY2016 Annual Report to Congress* (Washington, D.C.: Dec. 2016).

⁴USPS OIG, *Package Delivery Scanning: Nationwide*, DR-AR-018-001 (Arlington, VA: Oct. 27, 2017).

⁵Other scans of competitive products are automated, occurring as the items move through postal processing equipment. Some USPS non-competitive products, such as bound printed matter, are scanned by USPS employees as they move through the mail delivery process; however we focused on competitive products for this report.

not generalizable, they provide information and perspectives on USPS's scanning performance.

To examine whether the design of USPS's internal control activities helps ensure that competitive products are accurately scanned, we reviewed USPS's policies and procedures for scanning competitive products and for the collection, storage, and reporting of scanning data. We reviewed USPS's training materials, job aids, and other relevant documentation and interviewed USPS officials to determine the key policies and procedures used to ensure that competitive products are scanned accurately. Based on USPS data on competitive products, we selected a non-generalizable sample of six post offices in two USPS districts to visit that represent a range in terms of (1) volume of competitive products, (2) number of urban and rural carrier routes, and (3) on-time delivery performance. At these site visits, we observed scanning procedures, obtained documentation, and spoke with postmasters, managers, clerks, and carriers about their scanning responsibilities and how USPS's scanning procedures for scanning competitive products were designed and implemented at the post office. We compared USPS's operational policies and procedures aimed at ensuring accurate scanning to standards on control activities and internal communications in the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control-Integrated Framework* (COSO Framework), which we identified as reasonable and relevant internal-control criteria standards to use in evaluating USPS's activities.⁶ The COSO Framework is recognized as a leading framework for designing, implementing, and conducting internal control and assessing the effectiveness of internal control. It provides a means to apply internal control to any type of entity and requirements for an effective system of internal control. To identify what internal-control standards to evaluate USPS against, we interviewed USPS officials about how they design, implement, and evaluate their operational internal-control activities. We also assessed two relevant sets

⁶Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control-Integrated Framework* (2013). Similar to the COSO Framework, the *Standards for Internal Control in the Federal Government* can also be used as the framework for establishing and maintaining an effective internal control system. The COSO Framework introduced the concept of principles related to the five components of internal control, which the *Standards for Internal Control in the Federal Government* adapted for a government environment and both frameworks provide the same criteria that use similar language. The *Standards for Internal Control in the Federal Government* may be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for an internal control system. See GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014).

of internal-control standards and reviewed GAO and USPS OIG reports to determine what standards have been used to evaluate other USPS's internal-control activities.

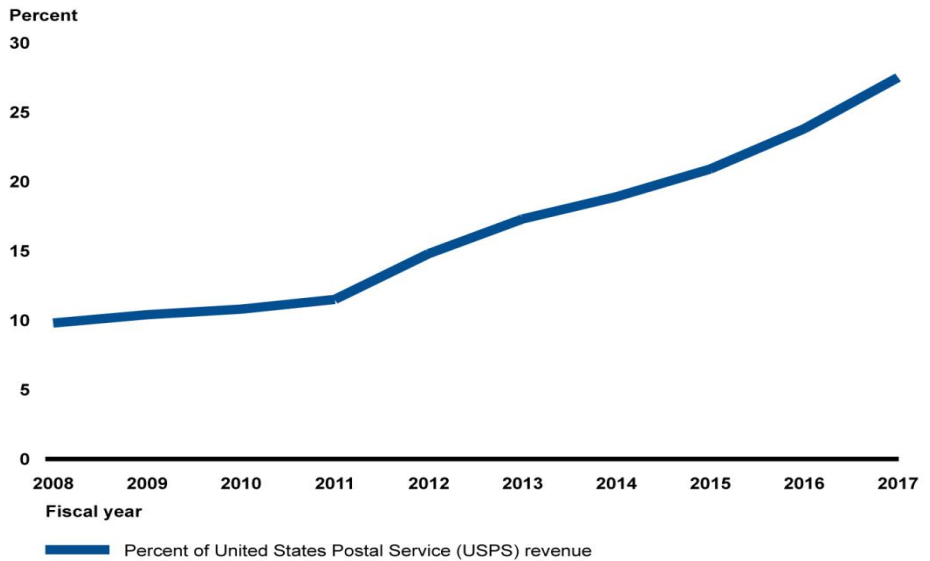
We conducted this performance audit from September 2017 to September 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USPS has a wide range of domestic competitive products that are a growing sector of its business.⁷ The volume of USPS's competitive products increased from approximately 750 million pieces in fiscal year 2008 to 4.9 billion pieces in fiscal year 2017. Revenue from these products increased from about 10 percent of all USPS mail revenues in fiscal year 2008 to about 28 percent in fiscal year 2017 (see fig. 1). USPS forecasts that continued growth in e-commerce will increase the volume of its competitive products, especially for the "last-mile" delivery service to consumers—which involves delivery from retail locations and fulfillment centers (i.e., where online orders are processed, packaged, and shipped out to USPS for delivery) to customers. USPS reported that in fiscal year 2017, revenue from competitive products exceeded USPS's expectations by \$500 million due to the growth in e-commerce and successful marketing and sales campaigns. USPS expects increased competition, though, in the first- and last-mile delivery services—collection and delivery of packages—from other delivery providers.

⁷USPS's products are divided into competitive and market dominant categories. Market-dominant products include those products and services over which USPS exercises sufficient market power that it can effectively take certain action, such as set the price of the product substantially above cost, without the risk of losing a significant level of business. By law, USPS is prohibited from subsidizing the costs of competitive products with revenues from market dominant products. 39 U.S.C. § 3633. Further, USPS's pricing for competitive products must cover the products' attributable costs and contribute an appropriate share of USPS's institutional costs.

Figure 1: Revenue from Domestic Competitive Products as a Percentage of All USPS Mail Revenue, Fiscal Years 2008 to 2017



Source: GAO analysis of USPS data. | GAO-18-638

To remain competitive in the competitive product delivery market, USPS officials have stated that information gained from scanning is leveraged to provide customers with real-time visibility for the location of a competitive product in USPS’s delivery process as well as accurate estimates of the delivery time of USPS’s competitive products. Further, USPS’s latest strategic plan states that this information is one factor used to reduce its own costs through optimizing its network, including processing facilities, post offices, and numerous other facilities across the United States, and streamlining its operations.⁸

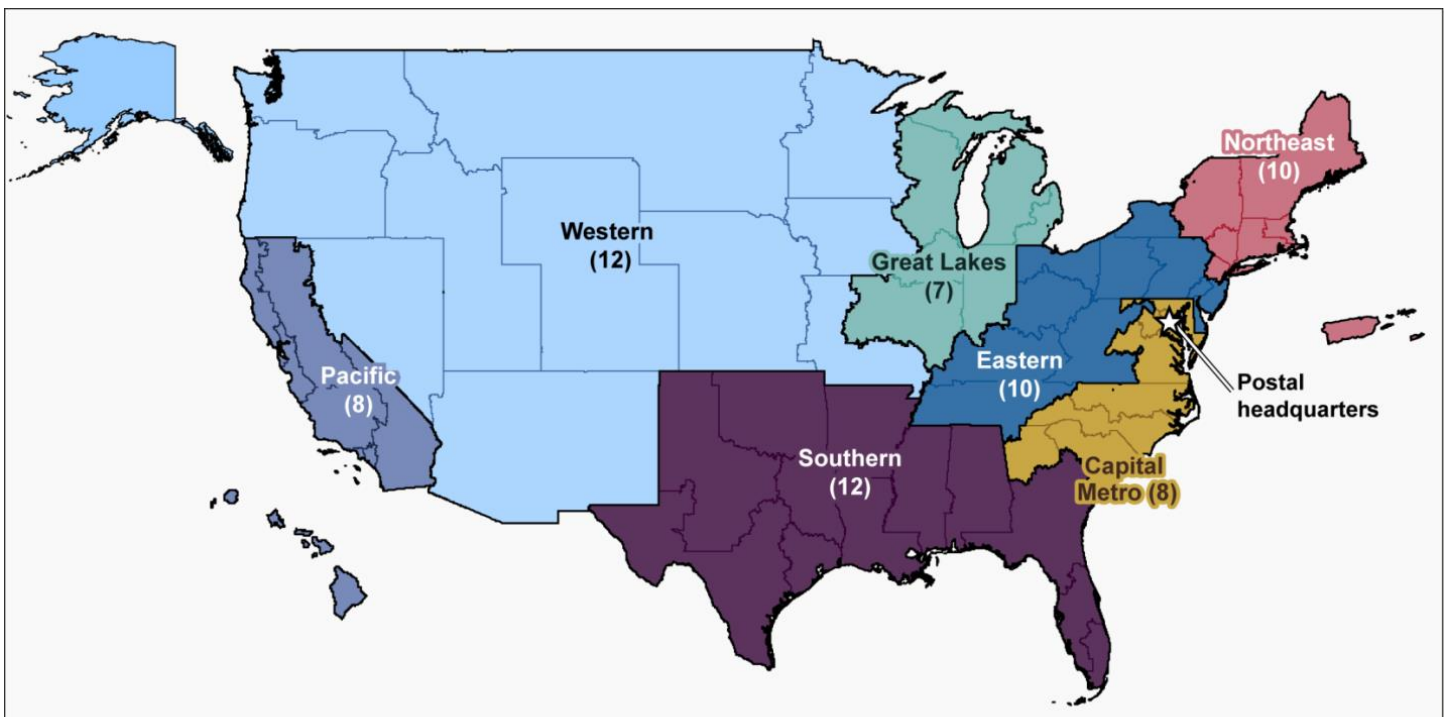
USPS delivers competitive products across the nation, which it divides into seven postal areas comprised of 67 postal districts (see fig. 2).⁹ Managers at each level—postal area, postal district, and post office—are responsible for overseeing and reporting on the performance of the level

⁸USPS, *Future Ready: U.S. Postal Service Five-Year Strategic Plan, Fiscal Years 2017 to 2021* (Washington, D.C.: Sept. 30, 2016).

⁹A postal area is the administrative level directly below national headquarters. A postal district is the administrative level directly subordinate to postal area.

below them.¹⁰ For example, each district manager is accountable to the area vice president. Postmasters, who manage individual post offices, are accountable to district managers and also monitor the performance of employees at their post office.

Figure 2: U.S. Postal Service’s Postal Areas and Number of Districts in Each Area



Sources: GAO analysis of United States Postal Service information and MapInfo. | GAO-18-638

To track the movement of competitive products, USPS leverages automation (i.e., scanning by postal-processing equipment) and passive and active scan technology (i.e., scanning devices used by postal employees) to capture barcode information.¹¹ In addition, when competitive products are not able to go through all the automated scans,

¹⁰For this report, we used the term “post office” to represent the different types of USPS facilities that have mail delivery functions. These types of facilities include traditional post offices, stations, branches, and carrier annexes, and are also called “delivery units.”

¹¹Automated scans occur as items move through postal-processing equipment at USPS processing centers, USPS employees make a passive scan by holding the competitive product up to a scanner while an active scan requires postal employees to click or trigger the scanning device to make a scan of the competitive product’s barcode.

USPS employees are to manually scan barcodes that have been placed on each item. These barcodes link the item with information in USPS's databases such as: the delivery address, the type of USPS product, and when the item was accepted by USPS. According to USPS procedures, competitive products could be scanned up to 13 times to generate visibility necessary for USPS, mailers, and customers to track their packages as they move through USPS's network (see fig. 3).¹² For example, the first scan of the product—the "Acceptance" scan—is made when the item is dropped off at the post office or by a carrier if the product is picked up at a mailbox or customer address. The last scan—the "Acceptable Delivery Event" scan—generally means the item was successfully delivered to the addressee or that a delivery attempt was made (e.g., the product requires a signature but the recipient was not at home so another attempt will need to be made or the recipient will need to pick up the product). The interim scans reflect the product's progress through the postal network, including through mail-processing plants and equipment. The scan data are transmitted to USPS's data systems throughout the day. Scan information from these systems is available to USPS managers as well as mailers and customers who wish to track the progress of their items.

¹²USPS measures product delivery service performance from the point of acceptance through the first delivery attempt.

Figure 3: Scanning Points That Track USPS's Competitive Products from Acceptance to Delivery



Source: GAO analysis of United States Postal Service Information. | GAO-18-638

Note: USPS employees make scans of competitive products (i.e., scans 1, 2, and 11–13) to generate visibility to customers and mailers as well as for USPS to track items through its network. Automated scans (i.e., scans 3 through 9) occur as items move through postal processing equipment at USPS processing centers.

USPS's employees use devices to scan competitive products in postal facilities and on delivery routes (see scans 1, 2, and 11–13 in fig. 3). Carriers usually use a handheld Mobile Delivery Device (MDD) to scan a package's barcode. MDDs contain Global Positioning System (GPS) technology and transmit package scanning data and carrier location data using a cellular network. USPS employees working inside post offices or other facilities use similar scanning devices without GPS technology,

such as the handheld Intelligent Mail Device (IMD) to perform the manual scans (see fig. 4).¹³

Figure 4: Devices Used by U.S. Postal Service to Scan Barcodes—Mobile Delivery Device (left) and Intelligent Mail Device (right)



Source: GAO. | GAO-18-638

USPS's Competitive Products Are Almost Always Scanned Correctly, Although Some Missed and Inaccurate Scans Occur

USPS reports we reviewed indicate that competitive products are almost always scanned and scanned correctly. USPS has an overall organizational goal of accurately scanning 100 percent of all mail

¹³USPS also uses other technologies that do not require USPS employees to actively scan each competitive product, such as the Passive Adaptive Scanning System and Delivery Schemeless Sortation System, which are machines that automatically scan competitive products as they pass through the systems. According to USPS officials, approximately 84 percent of scans are captured by automation and the remaining 16 percent are captured by handheld MDDs and IMDs.

pieces—both competitive and other products—that have a barcode. This includes scanning each competitive product at several points from acceptance, as described earlier. However, individual management employee-performance goals for scanning are set slightly lower than 100 percent, as USPS officials stated that they recognize that some scanning issues, such as for missing or damaged barcodes, may occur across post offices.¹⁴ According to USPS data we reviewed for the first three quarters of fiscal year 2018, all but one of USPS's 67 districts met USPS's scanning goals for all five required scans for competitive products.¹⁵ Additionally, in one district we visited, a USPS internal report showed that every group of post offices in the district met its scanning goal for the arrival-at-unit scan for the week, the preceding 4 weeks, and the year-to-date periods, and all but one group of post offices met their scanning goals for the acceptable delivery scan for the same measurement period.

In addition, representatives for mailers we interviewed that use USPS's competitive products stated that they were generally satisfied with USPS's scanning performance. Representatives of all the major mailers we spoke with that rely on USPS's delivery network said they believed that USPS is generally scanning competitive products accurately, although issues still occur.¹⁶ Representatives of mailers told us that they receive scanning data from USPS for their items throughout the day, with some mailers receiving the data every 15 minutes, a rate that allows them to track their items through USPS. Some mailers use this information to calculate the expected time of delivery and monitor USPS's progress against their own estimates of delivery time to measure USPS's performance. Representatives for major mailers we spoke with said they also get complaints from customers if items are late, lost, or inaccurately scanned, so the customers provide another source of information on any

¹⁴USPS defines the scanning rate as the number of scans performed divided by the number of scans expected expressed as a percentage. Labor union officials we interviewed stated that there is no specific financial incentive for non-management employees to achieve a scanning target. USPS officials consider the range of scanning rates to be business proprietary information.

¹⁵USPS requires the following scans: acceptance (scan 1 from fig. 3 above), origin sorting (included in scans 3 through 9 in fig. 3), destination sorting (included in scans 3 through 9 in fig. 3), arrival at unit (scan 10 from fig. 3) and delivery (scan 13 from fig. 3) scans. USPS officials consider scanning performance statistics for competitive products as business proprietary information and as such those statistics are not publicly available.

¹⁶As mentioned above, we spoke with representatives of companies that sent a high volume of USPS's competitive products in fiscal year 2017.

scanning issues. Four of the five representatives for major mailers we interviewed that sent items via USPS competitive products told us that they have seen improvement in USPS's scanning performance in recent years. Additionally, all of the representatives for mailers we spoke with stated that USPS has increased the amount of scanning and the information provided from the scans in recent years.

Although USPS has a high scanning rate, some missed and inaccurate scans for competitive products do occur, errors that could potentially affect millions of competitive products. For example, several USPS OIG reports between 2016 and 2018 found that instances of missed or inaccurate scans still occurred both nationwide and that in nine USPS districts they analyzed, were due in part, to post office personnel not always following proper scanning procedures and post office supervisors not adequately monitoring how scanning procedures were implemented.¹⁷ For example, the USPS OIG analyzed approximately 2 billion delivery scans over a 6-month period in 2017 and found that 1.9 million delivery scans (about 0.1 percent) occurred at the post office instead of at the delivery address and were considered improper scans.¹⁸ Furthermore, examples of USPS's internal reports we reviewed containing scanning performance results showed that a small percentage of competitive mail items had not been scanned. For example, one USPS internal report for a district we visited showed that for one week, USPS employees in the district missed about 0.73 percent of the expected delivery scans for competitive products.¹⁹ Due to USPS's large volume of competitive products, a small percentage of products not scanned can represent large numbers of items. For example, about 155,000 competitive products were

¹⁷USPS OIG, *Package Delivery Scanning: Chicago District*, DR-AR-16-003 (Arlington, VA: Mar. 31, 2016); *Function 4 Customer Service—Connecticut Valley District*, MS-AR-16-002 (Arlington, VA: Apr. 13, 2016); *Customer Service Operations in the Capital and Northern Virginia Districts* MS-AR-16-007 (Arlington, VA: Aug. 25, 2016); *Function 4 Efficiency in the Colorado/Wyoming District*, MS-AR-17-001 (Arlington, VA: Dec. 8, 2016); *Function 4 Efficiency in the Greater Boston District*, MS-AR-17-006 (Arlington, VA: Apr. 3, 2017); *Retail and Customers Service Operations in the Philadelphia Metropolitan District*, MS-AR-17-010 (Arlington, VA: Sept. 25, 2017); *Package Delivery Scanning—Nationwide*, DR-AR-018-001 (Arlington, VA: Oct. 27, 2017); *Function 4 Efficiency—Suncoast District*, MS-AR-18-002 (Arlington, VA: Jan. 2, 2018); *Parcel Return Service—Los Angeles District*, MS-AR-18-004 (Arlington, VA: June 1, 2018).

¹⁸USPS OIG, *Package Delivery Scanning: Nationwide*, DR-AR-018-001 (Arlington, VA: Oct. 27, 2017).

¹⁹USPS officials consider detailed volume figures for competitive products to be business proprietary information.

missing a delivery scan in one district's 2018 year-to-date report we reviewed.

Additionally, the representatives of mailers we interviewed also reported occasional scanning issues with USPS's competitive products. Most of the mailers' representatives stated that when they see competitive items missing scanning data, it is generally an isolated situation and USPS usually fixes the issue. According to these representatives, USPS provides them with points of contact to work with to resolve scanning issues immediately and on a regular basis. However, one major mailer's representative we spoke with stated that even though USPS's employees are generally good at scanning packages, inaccurate delivery scanning is an issue. The representative stated that about 8 to 10 percent of the company's products sent through USPS were scanned by carriers as delivered, but not at the customer's delivery address—contrary to USPS's standard operating procedures for scanning.²⁰ The representative stated that, although this percentage has decreased in recent years, the mailer would like to see that number decrease further because delivery to the destination address assures them that the item was left as close as possible to the customer.

USPS is taking some steps to address missed or inaccurate scans. For example, USPS officials stated that the current electronic scanning device carried by almost all carriers on their routes does not prevent scanning a mail item as delivered to an address that is not the delivery address associated with the item's barcode information. They also stated that USPS is updating scanning devices to alert carriers when they scan items as delivered when not physically at the correct delivery address. According to USPS officials, as of May 2018, 80 percent of hand-held electronic scanning devices used by USPS carriers had this functionality and that this functionality is being fine-tuned. This capability, though, still does not preclude all scanning errors, as it only affects the final delivery scan. USPS officials also stated that employees may still encounter scanning issues, such as damaged barcodes, which could lead to missed scans.

²⁰However, USPS officials stated that there are legitimate reasons for a competitive product to be scanned as delivered (or that the delivery was attempted) at another address such as when a business is closed or there is no way to access an address (such as in a gated community).

USPS Has Designed Policies and Procedures to Support Accurate Scanning of Competitive Products, but Limitations Could Contribute to Scanning Errors

USPS's Scanning Policies and Procedures Are Not Based on Standards for Operational Internal Controls

USPS has not based its operational policies and procedures, such as those that support the accurate scanning of competitive products, on any standards for internal controls. USPS officials told us that they have not used any specific criteria for designing, implementing, and operating an internal control system for meeting its operational policies and internal controls, such as those that help ensure competitive products are accurately scanned.²¹ According to USPS officials, USPS does not follow the COSO Framework to design, implement or evaluate its operational internal controls as they believe that the COSO Framework standards are traditionally related to internal controls over financial reporting. In addition, USPS officials stated that USPS is not required to follow Standards for Internal Control in the Federal Government, and therefore USPS does not follow these standards as well. Instead, USPS officials stated that USPS has designed its operational policies and internal controls over the years based on its unique responsibilities, management experience, and sound business practices. However, officials could not identify any specific standards or framework they had followed.

We have reported that standards for the design, implementation, and operation of their internal-control system provide an overall framework for establishing and maintaining an effective internal-control system—which is a key factor in achieving an entity's mission. Further, internal controls help managers achieve desired results through effective stewardship of public resources. USPS has options to choose from in selecting standards for internal controls. Two widely used standards are the COSO Framework and Standards for Internal Control in the Federal Government, which was adapted for federal entities from the COSO Framework. Both standards are designed to help an entity design,

²¹Operations objectives relate to program operations that achieve an entity's mission.

implement, and maintain an effective internal-control system. Such a system should encompass all aspects of an entity's objectives, including operations, reporting, and compliance objectives, and can help an entity adapt to shifting environments, evolving demands, changing risks, and new priorities. Non-federal entities can adopt either of these standards in their efforts to design, implement, and operate an effective internal control system.

As stated above, we found that the COSO Framework to be a reasonable and relevant set of internal control standards to evaluate USPS's operational internal-control activities. However, we and the USPS OIG have applied both the COSO Framework and Standards for Internal Control in the Federal Government in evaluating USPS's operational internal controls in recent reports.²² Without standards for an effective internal-control system for its operational policies and procedures for scanning competitive products, USPS may miss opportunities to improve how it achieves its mission to deliver those important products.

USPS Has Standard Operating Procedures for Scanning Competitive Products, but They May Not Guarantee Accurate Scanning

USPS management has designed standard operating procedures to provide assurance that competitive products are scanned accurately. We found some of these procedures to be consistent with the COSO Framework, which states that an organization should deploy control activities through policies that establish what is expected and procedures

²²Reports applying the *COSO Framework* include GAO, *U.S. Postal Service: Post Office Changes Suggest Cost Savings, but Improved Guidance, Data, and Analysis Can Inform Future Savings Efforts*, [GAO-16-385](#) (Washington, D.C.: Apr. 29, 2016) and USPS OIG, *Fiscal Year 2017 Bank Secrecy Act Program*, FT-AR-18-006 (Arlington, VA: Jan. 17, 2018). Reports applying the *Standards for Internal Control in the Federal Government* include GAO, *U.S. Postal Service: Improved Management Procedures Needed for Parcel Select Contracts*, [GAO-15-408](#) (Washington, D.C.: Apr. 23, 2015) and USPS OIG, *Utilization of Automated Tools to Improve Compliance Activities*, IT-MA-18-001 (Arlington, VA: Dec. 20, 2017) and *Domestic Air Mail Irregularities: Audit Report*, FT-AR-12-015 (Arlington, VA: Sept. 28, 2012).

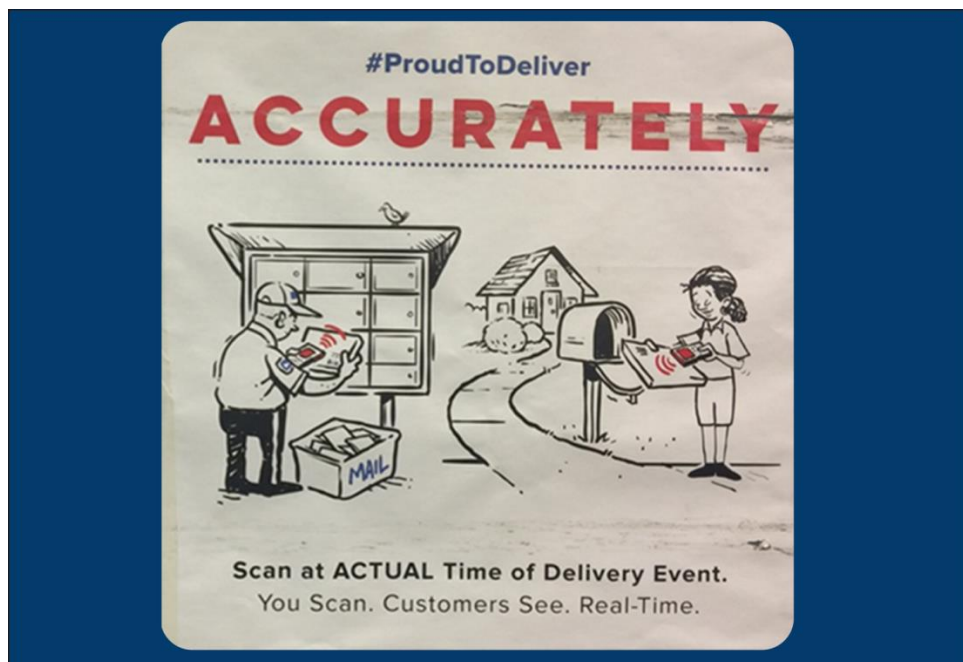
that put policies into action.²³ USPS has developed a scanning policy for its products, stating that “properly scanning all barcodes will result in World Class Visibility and be instrumental in retaining and growing our shipping business and providing valuable data to drive improved operational performance and reduce costs.”²⁴ USPS also has procedures that establish the responsibilities of employees for accurately scanning barcodes for competitive products at various points in the mail flow. Although USPS officials stated that employees should rely on prompts from their scanning devices to ensure scans are done correctly, USPS communicates these procedures in three main ways:

- documents, such as City Carrier Handbook and Rural Carrier Handbook, that outline scanning procedures and that explain carriers’ duties, including scanning;
- job aids, such as posters showing proper scanning procedures (see fig. 5); and,
- standard work steps or guidance that lists procedural steps either for competitive products or for scanning mail in general (see fig. 6).

²³COSO Framework. In addition, the COSO Framework further states that control activities are the actions established through policies and procedures that help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. According to COSO, policies and procedures serve as mechanisms for managing the achievement of an entity’s objectives. Similarly, the *Standards for Internal Control in the Federal Government* also states that an organization’s management should document its internal controls responsibilities in policies and procedures.

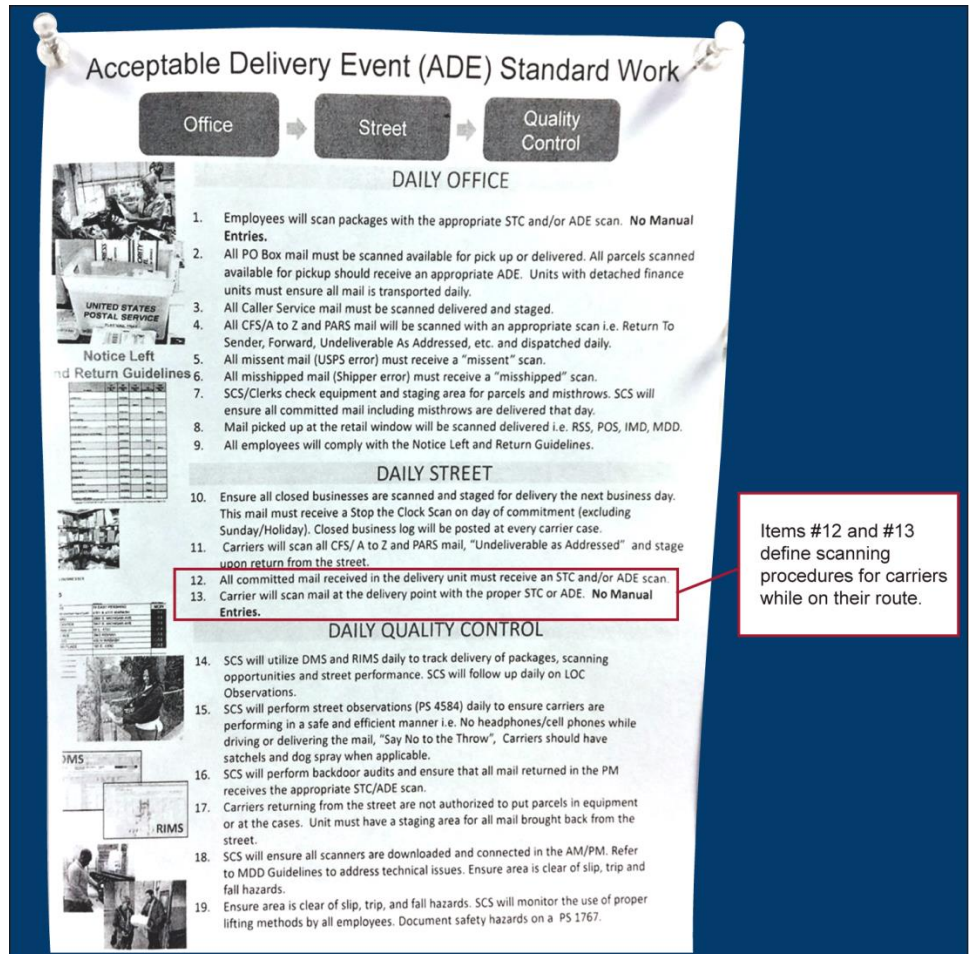
²⁴USPS, *SCANNING at a Glance: Delivering 100% Visibility* (Washington, D.C.: August 2011).

Figure 5: Photo of a Job Aid Poster Showing Correct Scanning Procedures as Posted in a Post Office



Source: GAO. | GAO-18-638

Figure 6: Photo of Standard Work Steps for Delivery Scanning as Posted in a Post Office



Source: GAO. | GAO-18-638

Following these procedures is important to fulfill USPS's scanning goals. As stated above, the USPS OIG found instances of missed or inaccurate scans for competitive items in recent reports.²⁵ Further, the USPS OIG also recently found that USPS employees at all 15 postal facilities it visited in the Los Angeles District did not follow correct scanning procedures for USPS's competitive Parcel Return Service product,

²⁵USPS OIG, *Package Delivery Scanning—Nationwide*, DR-AR-018-001 (Arlington, VA: Oct. 27, 2017); *Retail and Customer Service Operations in the Philadelphia Metropolitan District*, MS-AR-17-010 (Arlington, VA: Sept. 25, 2017); *Function 4 Efficiency—Suncoast District*, MS-AR-18-002 (Arlington, VA: Jan. 2, 2018).

leading to inconsistent counts for these products.²⁶ Such errors can put USPS at risk of not collecting revenue for these products. The USPS OIG has made several recommendations in its recent reports to USPS management to reinforce the importance of these procedures to employees. USPS officials agreed with some of these recommendations and stated that they are taking action to address them.²⁷

While reinforcing these procedures can be helpful, we found that USPS's scanning procedures may not provide the necessary assurance for accurate scanning because they are not consistent. For example:

- The USPS's City Carrier Handbook states that mail with a barcode should be scanned at the delivery point (or address).
- However, a standard operating procedures document for city carriers at a post office we visited stated that carriers must scan each delivery confirmation mail piece but did not specify that this scan had to be at the delivery point or address. Locally developed procedures may not be uncommon, as one district manager told us that USPS headquarters allows managers to make a certain amount of flexibility to adapt the standard operating procedures for each post office.
- The USPS document, *SCANNING at a Glance: Delivering 100% Visibility*, states that all mail items that require delivery scanning should be scanned at the delivery address, but this document also provides additional scanning procedures not contained in the City Carrier Handbook and other standard operating procedures documents we examined. In particular, the document contained procedures for scanning to account for mail being held for customers on vacation; scanning items correctly to account for mail not delivered to business that were closed; and for mail that was refused by the addressee.

²⁶USPS OIG, *Parcel Return Service—Los Angeles District*, MS-AR-18-004 (Arlington, VA: June 1, 2018).

²⁷For example, the USPS OIG recommended that the USPS district manager implement recurring talks, follow up training, and increased oversight to improve Parcel Return Service (PRS) mail scanning procedures. USPS management stated that the district will implement quarterly PRS stand-up talks with all district employees, track compliance on its districts' websites, and conduct follow-up training and oversight weekly at three post offices mentioned in the report that were selected based on scanning performance. USPS OIG, *Parcel Return Service—Los Angeles District*, MS-AR-18-004 (Arlington, VA: June 1, 2018).

This inconsistency in USPS's scanning procedures has likely occurred because many of the documents have been updated at different times and have not always reflected new operations. For city carriers, the online version of the USPS's City Carrier Handbook was last updated in April 2001. USPS officials stated that the most recent update regarding scanning was issued in November 2015 via a separate Postal Bulletin. Further, a separate standard operating procedure document for city carriers at a post office we visited was dated June 2006. For rural carriers, the most recently updated scanning procedures we found was dated 2013. As a result, some of these documents are not updated with the latest information on new scanning procedures. In a related example, the USPS OIG recently found that employees at three of the six USPS facilities the USPS OIG visited did not have an adequate understanding of the procedures for processing election and political mail due, in part, to guidance that was not updated, even though the procedures were centrally documented on an internal USPS website.²⁸

USPS officials recognized this issue and stated that these handbooks are not updated regularly as the content of the handbooks are subject to labor negotiations. Therefore, new procedures are presented to USPS employees outside of the handbooks. However, given that these efforts rely on employees to orally communicate information, having consistent documented procedures is even more important. In addition to stating that the organization should deploy control activities through policies and procedures, the COSO Framework states that senior management should communicate objectives clearly through the organization so that other management and personnel understand their individual roles in the organization.²⁹ By not having consistent procedures, USPS risks not clearly communicating to its employees how they should carry out scanning procedures and therefore contributing to scanning errors. As discussed below, USPS officials told us that management updates its

²⁸USPS OIG, *Processing Readiness for Election and Political Mail for the 2018 Midterm Elections*, NO-AR-18-007 (Arlington, VA: June 5, 2018). The OIG recommended that: USPS has an annually updated communication plan for its election mail procedures; USPS conduct standardized training on those procedures for all mail processing employees; and, USPS updates internal and external websites with this information no less than six months prior to elections. USPS management agreed to these recommendations and the OIG stated that USPS management's corrective actions should resolve the issues identified in the report when repeated annually.

²⁹COSO Framework. Similarly, the *Standards for Internal Control in the Federal Government* also state that an organization should internally communicate the necessary information to achieve the entity's objectives.

procedures typically through regular meetings with employees, which are documented in handouts or slides. USPS officials stated that management stresses the importance of scanning and that employees should follow the prompts on their electronic devices when scanning competitive products. However, employees can still scan competitive products as delivered even if they are not, as device prompts can be misread, misinterpreted, or ignored. Furthermore, even with current prompts, scanning errors can and do occur.

Consistent procedures, clearly communicated to employees, have become increasingly important as USPS hires new employees to handle, in part, anticipated growth in the volume of competitive packages. For example, GAO analysis of USPS data showed that USPS's carrier workforce increased by 6.4 percent between fiscal years 2015 and 2017.³⁰ The USPS OIG has found that these new employees require training and guidance to properly perform their roles and to reduce turnover.³¹

USPS Holds Regular Training and Meetings to Support Accurate Scanning

In addition to deploying policies and procedures to achieve an organization's objectives, the COSO Framework states that an organization should internally communicate objectives and responsibilities that are necessary to support the functioning of internal controls.³² This process can be accomplished through training and meetings. Specifically, the COSO Framework states that training should enable individuals to develop competencies appropriate for assigned roles and responsibilities, among other things, and that active forms of communication such as face-to-face meetings are often more effective than passive forms such as broadcast e-mails and intranet postings.

To communicate how its procedures should be correctly implemented, USPS has developed both initial and on-going training for employees. USPS officials stated that new employees are formally trained in scanning

³⁰USPS, *United States Postal Service FY2017 Annual Report to Congress*.

³¹USPS OIG, *Non-Career Employee Turnover*, HR-AR-17-002 (Arlington, VA: Dec. 20, 2016).

³²COSO Framework.

procedures when they start their employment. For example, carriers are trained how to use USPS's electronic scanning devices, when to scan competitive items, the correct codes to use for different delivery situations (i.e., signature required, vacation holds, how to code where a package was left at a delivery address). Any new procedures can be introduced through presentations given by managers during meetings, as described below. Required regular meetings may be tracked by USPS management to ensure they are completed. Some district officials we spoke with stated that they certify that their employees have received required training and send that certification to area and USPS headquarters officials. Additional training also helps USPS reinforce correct scanning procedures. When scanning procedures are not being followed or scanning goals are not met at a post office, USPS officials stated that reminders of the correct procedures designed to reinforce USPS's scanning procedures are presented to employees through presentations, posters, job aids, and additional documents such as carriers' handbooks. For example, the representative of the major mailer we spoke with that had 8 to 10 percent of competitive products not scanned to the final delivery address stated that training was needed for both new and experienced carriers to reinforce that they should scan items at the delivery address.

To further ensure the accurate scanning of competitive products, USPS reported that it holds internal and external meetings. Specifically, these meetings are designed to:

- Reinforce procedures: Post office managers can use stand-up talks—weekly meetings between management and employees at the post office—to discuss scanning issues with employees and opportunities to address those issues. For example, the postmaster at one post office we visited stated that this post office reinforces the standard work procedures designed to improve the scanning performance of employees during these meetings. Carriers and clerks can ask questions and learn why they are asked to do something or how to do a specific task, allowing for additional training and reinforcement of procedures. For example, we reviewed a handout developed by USPS headquarters to provide managers with talking points for service talks. This handout provided information on carriers delivering and scanning accurately and instructions on scanning at point of delivery on rural routes.
- Introduce new procedures: USPS officials told us that post office managers use stand-up talks to introduce new procedures and processes with carriers and clerks. For example, postmasters stated that they used these meetings to introduce and train carriers on new

scanning features at the post offices. USPS district and area management develop and disseminate memos and handouts to assist managers conducting these meetings. We reviewed handouts USPS provided to managers for service talks. These handouts provided information on the rollout of some of the most recent scanning procedure changes.

- Continuously improve operations: District managers we interviewed stated that post offices with low scanning performance scores are placed on a district's list of underperforming post offices. USPS district managers we interviewed told us that they meet with these post offices to determine how each post office plans to improve its scanning performance. District management also conducts audits of underperforming post offices and post offices that are in need of improvement. Our review of one district office's service review checklist identified the key areas of audit for underperforming post offices.
- Reassess procedures: Representatives of mailers we interviewed told us that they meet with USPS representatives to discuss ways USPS can share scanning information for competitive products.

USPS Generates Reports for Tracking Scanning Performance, but Reports May Not Be Used Consistently by Managers to Resolve Scanning Issues

Given that inaccurate scans can and do occur, it is important that postal managers explore and investigate any instances of missed or inaccurate scans. To do so, USPS managers—including area vice presidents, district managers, and postmasters—use a variety of reports as tools to ensure that the required scans are made at the appropriate place and time, and take action to monitor the status of competitive products, track lost items, and identify scanning issues. USPS headquarters designs reports used by managers to review performance at the local level across the country. Managers at each level are responsible for overseeing and reporting on the performances of the level below them. For example, the postmaster monitors performance of employees at the post office and is accountable to the district manager. In turn, each district manager is held accountable by the area vice president.

To monitor performance of scanning of competitive products, these managers have access to several USPS data systems to generate reports. They can use the reports to monitor scanning performance of carriers and clerks at each post office and to identify the causes of

scanning issues, such as missing or incorrect scans. Managers can also use these reports to track the status of competitive products or to investigate customer complaints of lost items. Some examples of reports available to managers include the following:

- Report 1: USPS officials told us that each post office receives this report from their District Office. The report identifies competitive products that do not have all the required scans, such as scans when the item arrives at the post office or when a delivery attempt was made. For example, one district official sends postmasters weekly reports on competitive products that do not have all the required scans. The officials told us that these reports help managers investigate the cause of incorrect scans identified in the report and how to prevent future occurrences.
- Report 2: USPS officials told us that this report is generated by district managers to proactively identify scanning irregularities, such as scans that may be out of sequence or multiple competitive products that are scanned at the same time but are for different addresses. District management can query postmasters about these scans and ask them to investigate the reason for the irregularities and determine if the scan was appropriate.
- Report 3: USPS officials told us that this report is generated by postmasters to monitor scanning status and performances for each competitive product that has received an arrival scan but lacks a delivery scan. While this may indicate a problem, it could also just reflect that the final scan had not been made by the end of the day or the scan that had not been uploaded into the USPS data systems when the report was generated.

While having these reports are helpful, their full potential to help USPS managers may be limited because USPS lacks detailed and up-to-date standard operating procedures for how managers should use these reports or conduct other activities to efficiently investigate and resolve scanning issues. USPS's Scanning Performance: Delivery Standard Operating Procedures for managers are a list of bullet points outlining managers' responsibilities to meet scanning performance target goals and not a list of detailed procedures for managers to follow, such as how to use Report 1 to identify items that do not have all the required scans. In addition, USPS officials told us that this list has not been updated since approximately October 2005. The COSO Framework states that organizations should internally communicate information, including

objectives and responsibilities for internal control, necessary to support the functioning of internal control.³³ Further, it states that a process should be in place to communicate required information to enable all personnel to understand and carry out their internal-control responsibilities.

Absent such communication, managers may take different actions to address problems or may have difficulty knowing where to find the appropriate information to locate a missing item to resolve a customer's complaint quickly. For example, one post office manager told us that he will look at the scanning history in the USPS data systems to determine if the item received an acceptable delivery event scan or what the status of the item is on the route, while another post office manager told us he will use GPS data to see where the scans were made to determine if the item was delivered to the right address. If managers do not know where to find the appropriate information, they may spend more time investigating and be less efficient in resolving issues.

Further, not having detailed standard operating procedures means managers may not be aware of all the reports available to them. For example, some post office managers told us that they use Report 3 while other post office managers told us that this report was not available to them. Without using Report 3, some managers told us that they look in several sources to find the same information needed to resolve the issue, such as locating a lost package. Some managers told us that USPS management discontinued the report because it was being misused by some managers. Specifically, managers told us that some managers were manually entering scanning or service-performance information retroactively to improve their performance scores. However, they told us that USPS management recently made Report 3 available to managers again but changed features to reduce any misuse.

Additionally, USPS may miss opportunities to prevent scanning issues from happening again by not clearly communicating how managers should use the various reports to address specific scanning issues. For example, the USPS OIG recently determined that instances of missed and inaccurate scans for competitive products were a result of USPS management not adequately monitoring the implementation of those

³³COSO Framework.

procedures.³⁴ Without detailed procedures to guide managers in finding and using specific information in available reports and other tools, managers will not have consistent information to use to investigate and resolve customer complaints quickly or accurately. In addition, new managers may not know where to go for the most appropriate information and how to use this information to address some issues.

Conclusions

As competitive products have become essential to USPS's economic viability, it is increasingly important for USPS to accurately track them to remain competitive in this market. While USPS may be scanning most mail accurately, there continue to be instances where mail is not scanned accurately or is missing scans. Given the volume and growth in these competitive products, even a small percentage of inaccurately scanned products could be a large number of such products. Since USPS's procedures were developed absent standards for internal control, the adoption of a set of internal control standards could enhance USPS's efforts to continuously improve the design, implementation, and evaluation of its operational internal controls for scanning of competitive products. Further, since USPS's standard operating procedures for scanning are located in numerous documents and are not always consistent—and given USPS's reliance on stand-up talks and meetings to keep employees current—USPS employees may not always have accurate scanning procedures easily accessible to them. Having consistent standard operating procedures is increasingly important to ensure that employees are making accurate scans. Additionally, standard procedures that guide managers to investigate and resolve scanning issues would help managers more efficiently address these issues and ideally prevent these issues from happening again.

Recommendations for Executive Action

To improve USPS's competitive products scanning, we recommend that the Postmaster General take the following three actions.

³⁴USPS OIG, *Package Delivery Scanning—Nationwide*, DR-AR-018-001 (Arlington, VA: Oct. 27, 2017); *Retail and Customer Service Operations in the Philadelphia Metropolitan District*, MS-AR-17-010 (Arlington, VA: Sept. 25, 2017); *Function 4 Efficiency—Suncoast District*, MS-AR-18-002 (Arlington, VA: Jan. 2, 2018).

The Postmaster General should identify and adopt a set of internal control standards that can be used as the basis for operational internal-control activities, such as those for scanning competitive products. (Recommendation 1)

The Postmaster General should improve the communication of standard operating procedures for scanning competitive products by, for example, updating or consolidating USPS documents, job aids, and standard work steps. (Recommendation 2)

The Postmaster General should create standard operating procedures for managers on how to address inaccurate scans and use available reports to investigate and resolve scanning issues. (Recommendation 3)

Agency Comments

We provided a draft of this product to USPS for its review and comment. USPS's comments are reproduced in appendix I.

USPS stated that it cannot agree with our recommendation to identify and adopt a set of internal control standards for USPS's operational internal control activities at this time. Although USPS has adopted an internal control framework for its financial internal control activities, USPS does not know what the benefits and costs are of adopting internal control standards for its operational internal control activities. As a result, USPS agreed to conduct a cost study to determine whether to commit resources to identifying and adopting a set of internal control standards for its operational internal control activities. We are encouraged that USPS is planning to conduct such a study and anticipate that performing this study will result in the implementation of an appropriate set of internal control standards. USPS agreed with the two recommendations regarding scanning procedures and committed to completing corrective actions by November of 2018.

In its general comments, USPS noted that our reference to the USPS OIG's report, *Processing Readiness for Election and Political Mail for the 2018 Midterm Elections* did not appear germane to the scanning of competitive mail. We recognize that this report was focused on a different type of mail, but as USPS noted in its letter, we use the OIG report as a related example of how USPS has taken efforts to improve the communication of its scanning procedures to employees. Therefore, we determined that our use of the report is appropriate. We have added information from the OIG report to characterize the OIG's

recommendations and USPS's actions to address those recommendations.

USPS also provided technical comments, which we incorporated as appropriate.

We will send copies of this report to the appropriate congressional committees, the Postmaster General, the Chairman of the Postal Regulatory Commission, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or rectanusl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff making key contributions to this report are listed in appendix II.

A handwritten signature in black ink that reads "Lori Rectanus". The signature is written in a cursive style with a large, looping initial "L".

Lori Rectanus, Director
Physical Infrastructure Issues

Appendix I: Comments from the U.S. Postal Service

Appendix I: Comments from the U.S. Postal Service



September 14, 2018

Ms. Lori Rectanus
Director, Physical Infrastructure Team
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548-0001

Dear Ms. Rectanus:

Thank you for the opportunity to review and comment on the United States Government Accountability Office (GAO) draft report titled "U.S. Postal Service: Enhancing Procedures Could Improve Product Scanning." Our comments on the draft report and our responses to the GAO's Recommendations for Executive Action are set forth below.

General Comments

As stated in the draft report, the Postal Service strives to scan 100 percent of our competitive products at each of the five major touch points as this particular mail volume travels through the network. Through the first three quarters of FY 2018, the Postal Service delivered several billion packages to our customer base of 157 million delivery points spread across the nation. The Postal Service successfully captured an Arrival at Unit scan on 99.22 percent of pieces, and an Acceptable Delivery Event on 99.35 percent of these pieces. This exceptional level of scan performance has provided our customers with valuable insight on the status of their packages.

Our principal issue with the report as written concerns its reference to the June 2018 Postal Service Office of Inspector General (OIG) audit of Political and Election Mail processing.¹ We note that Political and Election Mail processing has no real correlation to competitive product scanning, and therefore does not appear germane to this report. While we recognize that GAO intends this reference to identify an opportunity to improve communications within the Postal Service, it should be noted that we have made improvements based on the OIG's findings and are well positioned to deliver for our customers in the upcoming Political and Election Mail campaigns.

¹ United States Postal Service Office of Inspector General, *Processing Readiness for Election and Political Mail for the 2018 Midterm Elections*, NO-AR-18-007 (June 5, 2018).

Specific Responses

With regard to your specific recommendations, we provide the following responses:

Recommendation 1 –

The Postmaster General should identify and adopt a set of internal control standards that can be used as the basis for operational internal control activities, such as those for scanning competitive products.

Management's Response –

Management cannot agree with this recommendation at this time, as explained below. The GAO identified the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control-Integrated Framework (COSO Framework) as "reasonable and relevant internal control criteria standards to use in evaluating USPS's activities". The Postal Service acknowledges GAO's contributions to the development of the framework in its role on the COSO Advisory Council.

According to the Postal Accountability and Enhancement Act (PAEA), the Postal Service must comply with certain provisions of the Sarbanes-Oxley Act of 2002 (SOX). SOX obligates a company to use a suitable framework for internal controls over financial reporting and allows a company to select the framework. The Postal Service has chosen to apply the COSO Framework to internal controls over financial reporting, and has demonstrated that the components of its internal controls and related principles have been present, functioning, and operating together since adoption of the framework.

As the GAO indicates, the COSO Framework can also be applied to internal controls over operational objectives such as those related to scanning. However, unlike internal controls over financial reporting, there is no legal requirement that obligates the Postal Service to develop a framework to address operational objectives. As a result, using the COSO Framework for operational objectives is relatively uncharted territory. The benefits realized and costs of implementing the COSO Framework for operational objectives has not been well researched and documented, unlike the benefits and costs of implementing COSO for internal controls over financial reporting.

Given the limited research and uncertainty around whether the benefits outweigh the costs, the Postal Service plans to undertake a cost study to determine whether to commit resources to identifying and adopting a set of internal control standards that can be used as the basis for operational internal control activities, such as those for scanning competitive products.

Recommendation 2 -

The Postmaster General should improve the communication of standard operating procedures for scanning competitive products by, for example, updating or consolidating USPS documents, job aids, and standard work steps.

Management's Response –

Management agrees with this recommendation. Existing documents, job aids, and standard work steps will be reviewed for key elements of successful scanning. The finalized set of documents will be posted on the Delivery Operations website. An official notification from the Vice President of Delivery Operations will be sent to the field regarding the updated documents. Expected completion date: November 30, 2018.

**Appendix I: Comments from the U.S. Postal
Service**

Recommendation 3 -

The Postmaster General should create standard operating procedures for managers on procedures to address inaccurate scans and use available reports to investigate and resolve scanning issues.

Management's Response –

Management agrees with this recommendation. Standard Operating Procedures for managers to address inaccurate scans and resolve scanning issues will be created specifically for managers and posted on the same website. Expected completion date: November 30, 2018.

Again, the Postal Service appreciates the opportunity to respond to GAO's draft report and Recommendations for Executive Action.

Sincerely,



Isaac S. Cronkhite
Vice President, Enterprise Analytics

cc: Sally K. Haring, Manager, Corporate Audit and Responses

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

Lori Rectanus, (202) 512-2834 or RectanusL@gao.gov

Staff Acknowledgments

In addition to the individual named above, Kyle Browning (Assistant Director); Greg Hanna (Analyst-in-Charge); Michael Hansen; Thanh Lu; John Mingus; Faye Morrison; Malika Rice; Amy Rosewarne; Crystal Wesco; Elizabeth Wood; and Matthew Zaun made key contributions to this report.

Appendix III: Accessible Data

Data Tables

Accessible Data for Figure 1: Revenue from Domestic Competitive Products as a Percentage of All USPS Mail Revenue, Fiscal Years 2008 to 2017

Fiscal year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Percent	9.8	10.4	10.8	11.5	14.8	17.3	18.9	20.9	23.8	27.5

Accessible Data for Figure 3: Scanning Points That Track USPS's Competitive Products from Acceptance to Delivery

Scanning Points	Description
1. Acceptance scan:	Acceptance of item dropped at post office or picked up by carrier
2. Depart for post office scan:	Departure from post office for processing
3-9. Network processing scans:	Sorting of items at processing center and sending item to appropriate post office for delivery
10. Arrival-at-unit scan:	Arrive at post office for delivery
11. Sorting scan:	Sorting of items by clerks at post office
12. Out for delivery scan:	Departure of item for delivery (or items made available for pick up at post office)
13. Acceptable delivery event scan:	Delivery of item, unless issue arises (e.g., customer is not at home or wrong address)

Agency Comment Letter

Accessible Text for Appendix I Comments from the U.S. Postal Service

Page 1

September 14, 2018

Ms. Lori Rectanus

Director, Physical Infrastructure Team

United States Government Accountability Office

441 G Street, NW

Washington, DC 20548-0001

Dear Ms. Rectanus:

Thank you for the opportunity to review and comment on the United States Government Accountability Office (GAO) draft report titled "U.S. Postal Service: Enhancing Procedures Could Improve Product Scanning." Our comments on the draft report and our responses to the GAO's Recommendations for Executive Action are set forth below.

General Comments

As stated in the draft report, the Postal Service strives to scan 100 percent of our competitive products at each of the five major touch points as this particular mail volume travels through the network. Through the first three quarters of FY 2018, the Postal Service delivered several billion packages to our customer base of 157 million delivery points spread across the nation. The Postal Service successfully captured an Arrival at Unit scan on 99.22 percent of pieces, and an Acceptable Delivery Event on 99.35 percent of these pieces. This exceptional level of scan performance has provided our customers with valuable insight on the status of their packages.

Our principal issue with the report as written concerns its reference to the June 2018 Postal Service Office of Inspector General (OIG) audit of Political and Election Mail processing.¹ We note that Political and Election Mail processing has no real correlation to competitive product scanning, and therefore does not appear germane to this report. While we recognize that GAO intends this reference to identify an opportunity to improve communications within the Postal Service, it should be noted that we have made improvements based on the OIG's findings and are well positioned to deliver for our customers in the upcoming Political and Election Mail campaigns.

¹ United States Postal Service Office of Inspector General, Processing Readiness for Election and Political Mail for the 2018 Midterm Elections, NO-AR-18-007 (June 5, 2018)

Page 2

Specific Responses

With regard to your specific recommendations, we provide the following responses:

Recommendation 1 -

The Postmaster General should identify and adopt a set of internal control standards that can be used as the basis for operational internal control activities, such as those for scanning competitive products.

Management's Response -

Management cannot agree with this recommendation at this time, as explained below. The GAO identified the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control-Integrated Framework (COSO Framework) as "reasonable and relevant internal control criteria standards to use in evaluating USPS's activities". The Postal Service acknowledges GAO's contributions to the development of the framework in its role on the COSO Advisory Council.

According to the Postal Accountability and Enhancement Act (PAEA), the Postal Service must comply with certain provisions of the Sarbanes-Oxley Act of 2002 (SOX). SOX obligates a company to use a suitable framework for internal controls over financial reporting and allows a company to select the framework. The Postal Service has chosen to apply the COSO Framework to internal controls over financial reporting, and has demonstrated that the components of its internal controls and related principles have been present, functioning, and operating together since adoption of the framework.

As the GAO indicates, the COSO Framework can also be applied to internal controls over operational objectives such as those related to scanning. However, unlike internal controls over financial reporting, there is no legal requirement that obligates the Postal Service to develop a framework to address operational objectives. As a result, using the COSO Framework for operational objectives is relatively uncharted territory. The benefits realized and costs of implementing the COSO Framework for

operational objectives has not been well researched and documented, unlike the benefits and costs of implementing COSO for internal controls over financial reporting.

Given the limited research and uncertainty around whether the benefits outweigh the costs, the Postal Service plans to undertake a cost study to determine whether to commit resources to identifying and adopting a set of internal control standards that can be used as the basis for operational internal control activities, such as those for scanning competitive products.

Recommendation 2 -

The Postmaster General should improve the communication of standard operating procedures for scanning competitive products by, for example, updating or consolidating USPS documents, job aids, and standard work steps.

Management's Response -

Management agrees with this recommendation. Existing documents, job aids, and standard work steps will be reviewed for key elements of successful scanning. The finalized set of documents will be posted on the Delivery Operations website. An official notification from the Vice President of Delivery Operations will be sent to the field regarding the updated documents. Expected completion date: November 30, 2018.

Page 3

Recommendation 3 -

The Postmaster General should create standard operating procedures for managers on procedures to address inaccurate scans and use available reports to investigate and resolve scanning issues.

Management's Response -

Management agrees with this recommendation. Standard Operating Procedures for managers to address inaccurate scans and resolve scanning issues will be created specifically for managers and posted on the same website. Expected completion date: November 30, 2018.

Again, the Postal Service appreciates the opportunity to respond to GAO's draft report and Recommendations for Executive Action.

Sincerely,

Isaac S. Cronkhite

Vice President, Enterprise Analytics

cc: Sally K. Haring, Manager, Corporate Audit and Responses

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<https://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <https://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <https://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at <https://www.gao.gov>.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <https://www.gao.gov/fraudnet/fraudnet.htm>

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

Orice Williams Brown, Managing Director, WilliamsO@gao.gov, (202) 512-4400,
U.S. Government Accountability Office, 441 G Street NW, Room 7125,
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548