September 3, 2015

MEMORANDUM FOR: LINDA M. MALONE
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Robert Batta
VERIFY authenticity with e-Sign

FROM: Robert J. Batta
Deputy Assistant Inspector General
 for Mission Operations

SUBJECT: Management Alert – U.S. Postal Service Handling of
Inbound International Mail at the ▮▮▮▮▮▮
International Service Center in ▮▮▮▮▮
(Report Number NO-MA-15-006)

This management alert presents the results of our review of U.S. Postal Service
Handling of Inbound International Mail at the ▮▮▮▮▮▮▮ International Service
Center ▮▮▮ ISC) in ▮▮▮▮▮ (Project Number 15XG030NO000). We are issuing this
alert because some inbound international mail is not being presented for inspection, as
required by U.S. Customs and Border Protection. This could present public safety and
security concerns, which could reflect poorly on the Postal Service's brand or image.
The ▮▮▮ ISC processes about ▮▮▮ million pieces of inbound international mail
annually.[1]

If you have any questions or need additional information, please contact Margaret B.
McDavid, director, Network Processing and Transportation, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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[1] The mail volume is based on fiscal year 2014 data.

Introduction

This draft management alert presents the results of our self-initiated review of the U.S. Postal Service Handling of Inbound International Mail at the ▮▮▮▮▮▮▮▮ International Service Center (▮▮▮ ISC) in ▮▮▮▮▮▮ (Project Number 15XG030NO000). This alert addresses non-compliance with U.S. Customs and Border Protection (CBP) inspection requirements for inbound international mail at the ▮▮▮ ISC and lack of accurate data for inbound mail presented for inspection. We are issuing this alert to facilitate immediate corrective actions due to safety and security concerns. Our objective was to determine whether the Postal Service is complying with established inbound international mail policies and procedures.

The Postal Service operates ISCs in ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮, and ▮▮▮▮[2] that receive, process, and dispatch inbound and outbound international mail. The Postal Service is also responsible for coordinating with CBP at ISCs to ensure that all inbound international mail requested by CBP is presented for inspection.

CBP inspects mail in designated areas inside the ▮▮▮ ISC using ▮▮▮. All inbound international mail is subject to CBP inspection. The Postal Service must make all mail available to CBP and must present[4] all inbound international mail that CBP requests ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮[5] See Appendix B for process flow chart of inbound international mail at the ▮▮▮ ISC in ▮▮▮▮▮▮.

In fiscal year (FY) 2014, about 340 million pieces of international mail entered the U.S. from foreign countries. The ▮▮▮ ISC received about ▮▮▮ million pieces, or ▮▮ percent of all international mail entering the U.S. See Appendix A for international mail volume by ISC.

We performed onsite observations at the ▮▮▮ ISC during the week of April 27, 2015, and reviewed scan data for this period. We interviewed Postal Service and CBP management at the ISC and at their respective headquarters. We provided a draft report to the Department of Homeland Security (DHS) and DHS Office of Inspector General (OIG) for review and included their comments where appropriate.

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[2] Each ISC processes different categories of mail for different regions of the world.
[3] Code of Federal Regulations, Title 19, Customs Duties, April 1978, Section 145.2 (Mail Subject to Customs Examination). *International Mail Manual*, October 2013, Section 711.1 (What Is Subject to Examination); Handbook T-5, *International Mail Operations*, May 2015, Section 381 (Mail Requiring Customs Treatment).
[4] The terms "present" and "make available" describe the process of allowing CBP physical access to inbound international mail for purposes of examination. "Made available" could be substituted for "subject to."
[5] In FY 2014, CBP required the Postal Service to present ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮ at ▮▮ ISC for inspection. To calculate the percentage, OIG determined volume based on countries and mail types requested by CBP and divided by the total inbound international mail volume at ▮▮▮ ISC.

Conclusion

We found the Postal Service did not always comply with requirements for presenting inbound international mail that CBP requested for inspection. For example, we observed ████████ Mail from ███████████████ that CBP requested was processed directly into the domestic mailstream rather than being presented to CBP for inspection. See Figure 1 for an example of requested mail that was not presented for CBP inspection.

Figure 1. ███████████████ **Mail Not Presented for CBP Inspection**
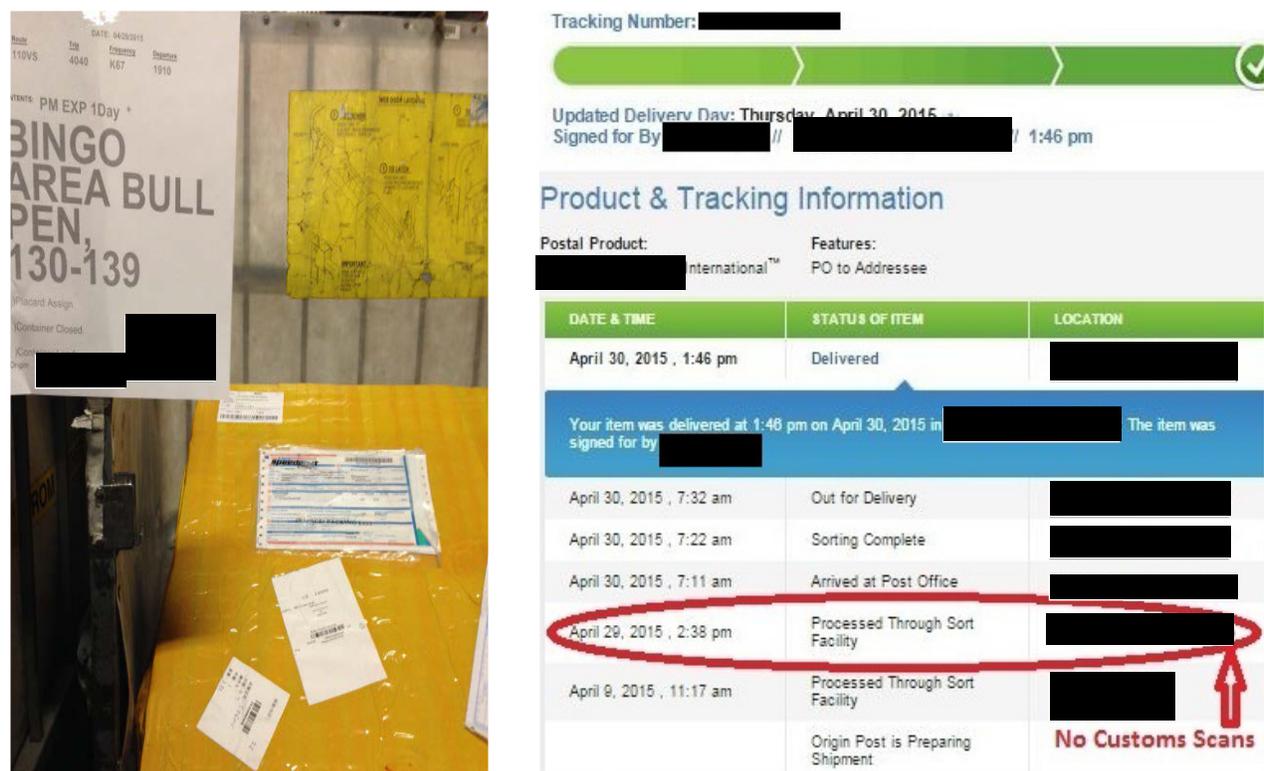
Auditors observed that ████ Mail from ████████ was processed ████████████████████ ████████. Product tracking indicated there were no Customs scans, which confirmed our observations.

Source: U.S. Office of Inspector General (OIG) photographs taken at the ███ ISC ███████████ Tracking record obtained from USPS.com.

Furthermore, we reviewed 846 inbound international ████████ Parcel tracking records CBP requested and found that ████ of the mailpieces (████ percent)[6] did not have required Customs scans, which indicated the mailpieces were not presented for CBP inspection as required. We did not review tracking records for ████████ Mail due to incomplete data and we also did not review tracking records for Letter Post because no item level

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[6] We reviewed tracking data for inbound ████████ parcels requested by CBP from April 28-30, 2015.

records were available. See Table 1 for an example of requested ████████ without the Customs[7] scans.

**Table 1. Example of Requested ████ Mail
Without Required Customs Scans**

Date	Mail Category		Label	In Customs[8] Scan	Out Customs[9] Scan
4/30/2015	████████		██████	No	No
4/30/2015				No	No
4/28/2015				No	No
4/30/2015				No	No

Source: OIG analysis using the Product Tracking System.

We also found some scanned data of mail presented to CBP to be inaccurate, incomplete, or unreliable, specifically:

▪   ████ Parcels: Some Customs scans were inaccurate. For example, some of these parcels were scanned "In Customs" for inspection by Postal Service employees and then immediately scanned "Out Customs" but were not actually presented to CBP for inspection. See Table 2 for examples of immediate "In" and "Out" Customs scans within 1 minute of each other.

▪   ████ Mail: Some Customs scans were incomplete.

Table 2. Examples of Immediate In and Out Customs Scans

Date	Mail Category		Label	In Customs Date and Time	Out Customs Date and Time
4/29/2015	████████		██████	4/29/15 23:36	4/29/15 23:36
4/28/2015				4/28/15 05:55	4/28/15 05:56
4/30/2015				4/30/15 10:18	4/30/15 10:19
4/28/2015				4/28/15 03:50	4/28/15 03:51
4/28/2015				4/28/15 01:27	4/28/15 01:28
4/28/2015				4/28/15 05:59	4/28/15 06:00
4/28/2015				4/28/15 03:51	4/28/15 03:52
4/29/2015				4/29/15 05:49	4/29/15 05:50

Source: OIG analysis using the Product Tracking System.

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[7] The term "Customs scan" refers to "In" or "Out" scans performed by Postal Service mail processing employees.
[8] When a mailpiece is presented to CBP, it will be scanned as "In Customs" for tracking purposes to show that the mailpiece is presented to CBP for inspection.
[9] When a mailpiece is released by CBP for further processing, it will be scanned as "Out Customs," for tracking purposes that the mailpiece has been received from CBP.

Source: OIG photographs taken at the ███ ISC April 28 – 30, 2015.

████████████████████████████████ :

- Postal Service and CBP management did not develop effective processes for meeting CBP inspection and scanning requirements. For example, ████████████ ████████████████████████ including ensuring that all mail requested by CBP is actually

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presented for inspection. Additionally, Postal Service processing employees must manually identify and separate CBP requested mail.

- Postal Service and CBP management did not always effectively work together to communicate and clarify Customs requirements.

- Postal Service employees were not always trained on processes to ensure all requested mail is presented to CBP.

Since some mail requested was not presented, CBP was not able to inspect it. Consequently:

- Inbound international mail used for illegal or inappropriate purposes may go undetected; affect employees, public safety, and security; and reflect poorly on the Postal Service's brand or public image.[10]

- The Postal Service could provide misleading tracking information and visibility to customers, leaving the agency open to customer complaints.

Management Actions

Management initiated corrective actions at the ▮▮▮ ISC and headquarters levels. ▮▮▮ ISC management clarified requirements with CBP officials, documented the communication, issued new procedures, and held a standup talk (training and instructions) for all ▮▮▮▮▮▮▮ employees during our fieldwork.

Postal Service management is working with CBP management to mitigate potential risks by developing a memorandum of understanding and standard operating procedures, targeted for completion in ▮▮▮▮▮ .

Recommendations

We recommend the vice president, Network Operations:

1. Enhance the system application for automation to identify mail requested by U.S. Customs and Border Protection.

2. Coordinate with U.S. Customs and Border Protection to clarify their inspection requirements and establish a process to ensure compliance.

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[10] The Postal Service is a recognized presence in cities and communities nationwide and enjoys a high level of public trust and access. For this reason, it needs to be aware of and sensitive to the risk that criminal elements may try to use inbound international mail and the Postal Service to take advantage of this level of trust. Further, in light of enhanced risks of terrorist activity, there should be no exceptions to ensuring that all mail requested by CBP is presented for inspection.

3. Provide recurring training to employees to ensure they remain current with the proper processes for handling and presenting mail in accordance with U.S. Customs and Border Protection requirements.

4. Ensure scanned data is accurate, complete, and reliable.

Management's Comments

Management agreed with the general principles in the report; however, noted they were unable to verify evidentiary statements associated with the finding. Specifically, management:

- Stated they were unable to verify the statement that CBP requested the ███████ Mail items observed based on the information in the report.

- Stated they were unable to verify that the parcels identified in Table 1, or any of the 846 items for which the OIG reviewed scan records, were not presented to CBP as required based on scan data. Further, management stated failure to manually scan does not mean the parcels were not staged and then correctly presented to CBP. Additionally, management stated ██████████████████ ██ ██████████████████

- Stated the report does not provide any information to support the statement "We did not review tracking records for ███████ Mail due to incomplete data…" The report also does not explain why the data was unavailable. Furt███ management indicated the referenced statement lends no credible evidence regarding Postal Service's failure to meet requirements to present mail to CBP.

- Noted the statement "we also did not review tracking records for Letter Post because no item level records were available" has no impact on any determination that the Postal Service failed to meet requirements to present mail to CBP.

- Agreed that the scan data does not accurately reflect the physical movement of mail sent to CBP. Further, they stated they were unable to verify that the parcels identified in Table 2 were not presented to CBP, as required, based on the scan information from this operation. Failure to manually scan an item does not mean the item was not staged and then correctly presented to CBP.

- Stated they were not able to verify if the mailpieces observed were processed incorrectly or not due to incomplete information provided in the report.

- Stated they could not conclusively agree that this report validates that the Postal Service has not physically presented all CBP requested mail, as required.

- Stated the process flowchart did not accurately reflect the physical and scan process for all mail categories.

Further, management agreed with all the recommendations.

Regarding recommendation 1, management stated their remediation approach would be continuing to work the new processing system, which will automate the selection of CBP requested mail. The target implementation date is September 30, 2016.

Regarding recommendation 2, management stated their remediation approach will be creating and finalizing a Memorandum of Understanding at the national and local level by March 30, 2016.

Regarding recommendation 3, management stated their remediation approach will be initiating an employee awareness effort through quarterly service talks and inviting local CBP management to jointly present the service talks to ISC employees. The target implementation date is January 4, 2016.

Regarding recommendation 4, management stated their remediation approach will be reviewing scan requirements for all mail categories to ensure the scanning process represents the physical movement of packages and is streamlined for reliability by July 30, 2016.

See Appendix C for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report and corrective actions should resolve the issues identified.

- Management commented that they were unable to verify the statement that CBP requested the ████████ Mail items observed. Based on the information in the report, the OIG was informed that CBP requested these mailpieces based on the ██████████████████. In addition, we observed some █████████████ Mail items being processed in ██. For clarification, we revised the captioned narrative for Figure 1.

- Regarding the verification of data in Table 1, the OIG concluded, based on our observations, that the parcels were not presented to the CBP because there were no "In" and "Out" Customs scans. Additionally, the OIG concurred with management's statement regarding ████████ Mail and made the necessary adjustments to Table 1 and the resulting percentages in the report.

- Regarding management's statement that ████████Mail scan records were unavailable, the OIG was unable to review the scan data because it was incomplete due to non-compliance with scanning procedures and not because the data was unavailable.

- Regarding not reviewing Letter Post tracking records, the OIG considered the referenced statement to be for informational purposes only and did not identify it as a finding.

- Regarding verification of data in Table 2, the OIG based its conclusion on observations and interviews with ISC management that immediate "In" and "Out" Customs scans were completed without mailpieces being presented to CBP. Further, the immediate "In" and "Out" Customs scan is different than the failure to manually scan an item. Maintaining accurate and adequate scan data is essential to supporting processing activities and subsequent events, such as customer complaints.

- Regarding whether the verification of mailpieces observed were processed incorrectly or not, we concluded they were not processed correctly and clarified that the ██████ Mail observed originated from a ██████████████.

- Regarding management's assertion that they could not conclusively agree that this report validates that the Postal Service has not physically presented all CBP requested mail as required, the OIG performed onsite observations and noted that ████████████████████████ Mail were processed directly into the domestic mailstream██ These observations show some CBP requested mail was not presented for inspection.

- Regarding the flowchart, the OIG concurred with management's statement and made the necessary adjustments.

The OIG considers all recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These 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.

Appendix A. International Mail Volume

The four main categories of the inbound international mail are ███████ ██ ██████ ██████ █████████ █████████████.[13] See Table 3 for FY 2014 inbound international mail volume by ISC and Figures 4 and 5 for mail that has arrived and been staged for processing.

Table 3. FY 2014 Inbound International Mail Volume by ISC

ISC	Volume	Percent
████████	████████	████
███████		
████████	████████	████
███████		
████████	████████	████
Total	**339,849,253**[14]	**100%**

Source: OIG analysis of Postal Service Global Business System data.

Figure 4. Mail that has arrived at ███ ISC in air containers

Figure 5. ███████ Mail staged for processing

Source: OIG photographs taken at the ███ ISC April 28 – 30, 2015.

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[11] ███████ Parcels are also known as ████████ or ████████ International.

[12] ██

██ The ███ ISC does not process surface mail, which consists of surface letters, flats, small packets, and parcels. Surface mail is transported to the ████████ Network Distribution Center for processing.

[14] The total amount does not include about ██ ████████████████████████████████

Appendix B. Inbound International Mail Processing at ███ **ISC**
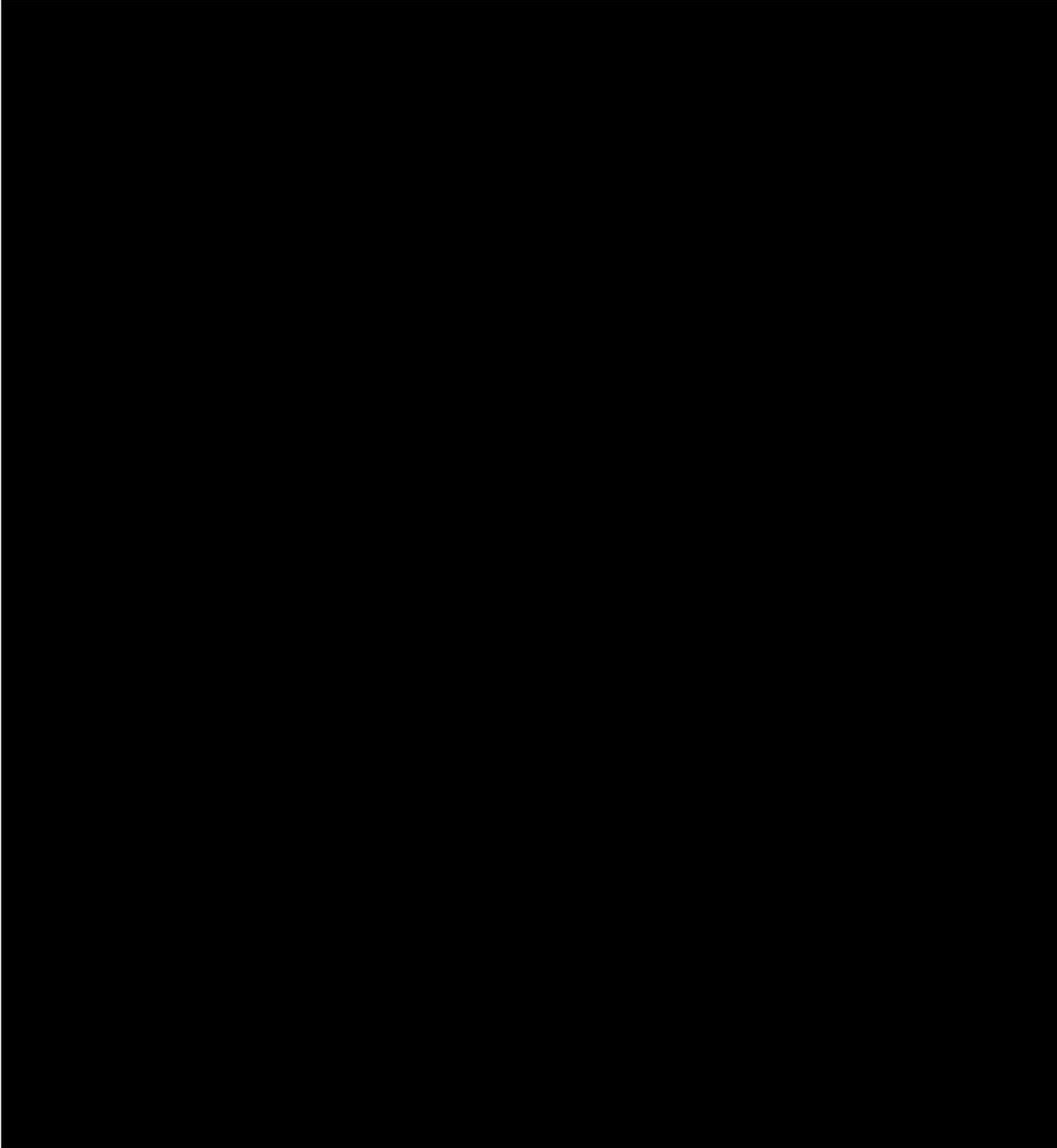
Source: OIG and Postal Service.

Appendix B. Inbound International Mail Processing at ███ **ISC**

Appendix C. Management's Comments

LINDA M. MALONE
VICE PRESIDENT, NETWORK OPERATIONS

**UNITED STATES
POSTAL SERVICE**

August 28, 2015

LORI LAU DILLARD
Director, Audit Operations

SUBJECT: Draft Management Alert - U.S. Postal Service Handling of Inbound
International Mail at the ███████████ International Service
Center in ████████ (Report Number NO-MA-15-DRAFT)

We appreciate the engagement of the Office of the Inspector General with us and
also the opportunity to review and comment on the subject draft audit report.

While the U.S. Postal Service (USPS) agrees with the general principles within
this report, we would like to note the following points with respect to the indicated
pages of the report. This response provides a statement from the text of the
report, a determination of the assessment USPS OIG is making based on that
text, and USPS's response to that text and/or assessment.

- Page 2: "For example, we observed ██████ Mail from ████████
  ████████ that CBP requested was process directly into the domestic mail
  stream rather than being scanned and presented to CBP for inspection."

  o OIG Assessment: USPS failed to present ██████ Mail items from
    ████████████████ to CBP per their request.

  o USPS Assessment: There are two modes on the ██████████████
    for processing ███████ Mail. Mailpieces originating from countries on
    the ██████████████████ can be processed under the
    ████████████████████████████████████ ████████
    ██

    ██
    ██
    ██
    ██
    ██

Conclusion: USPS is unable to verify the statement that CBP requested the ██████ Mail items observed based on the information in the report. In addition, insufficient information was provided about the item from ████████ in Figure 1. This mailpiece could have been properly processed ████████████████████████████
The resulting scan data would be as shown in Figure 1 and the item correctly presented to CBP.

- Page 3: "Furthermore, we reviewed 846 inbound international ██████ Parcel tracking records CBP requested and found that ██ of the mailpieces (██ percent) did not have required Customs scans, which indicated the mailpieces were not presented for CBP inspection as required."

   o OIG Assessment: USPS failed to present ███, or ██ %, of the ██████ Parcels sampled to CBP as required.

   o USPS Assessment: The 5 customs form barcodes for the items presented in Table 1 represent ███ of the ███ parcels that were allegedly not presented to CBP. One of the customs form barcodes presented, or 20% of those customs form barcodes provided in Table 1, represents a ████████████████████████████
   ██
   ██
   ██

   USPS agrees that the customs form barcodes for the other four items represent Parcels and should have both "Into Customs" and "Out of Customs" scan records. However, as shown in Figure 1 below, there are clearly identified containers staged for the separation of Parcels originating from a ████████████████ The scan and separation activities are exclusive activities where one is not dependent upon the other. As such, an item without a proper scan could still be presented to CBP.

   Conclusion: USPS is not able to verify that the Parcels identified in Table 1, or any of the 846 items for which USPS OIG reviewed scan records, were not presented to CBP as required based on the scan data resulting from this operation. The failure to manually scan an item does not mean that the item was not staged and then correctly presented to CBP.

Figure 1: Containers staged in the Parcel distribution area for separation of items on ███████

- Page 3: "We did not review tracking records for ███████ Mail due to incomplete data…"

  o OIG Assessment: The OIG team was unable to determine if ███████ Mail items were presented as required to CBP due to incomplete scan data.

  o USPS Assessment: The report does not provide any information to support this statement as to why data was unavailable. Furthermore and as outlined with respect to the USPS Assessment and Conclusion with respect to ███████ Parcels, the absence of scan data does not definitely establish that an item was not presented to CBP.

    Conclusion: This statement lends no credible evidence in regards to the USPS failing to meet requirements to present mail to CBP.

- Page 3: "….and we also did not review tracking records for Letter Post because no item level records were available."

  o OIG Assessment: The OIG team was unable to determine if Letter Post items were presented as required to CBP due to the lack of item level scan data.

  o USPS Assessment: USPS does not require an item level scan to present the physical movement of Letter Class items through the CBP inspection process.

    Conclusion: This statement has no impact on any determination that USPS failed to meet requirements to present mail to CBP.

- Page 3: "Some ██████Parcels Customs scans were inaccurate. For example, some of these parcels were scanned "Into Customs" for inspection by Postal Service employees and then immediately scanned "Out of Customs" but were not actually presented to CBP for inspection."

  o OIG Assessment: The OIG team determined that the scan data for the Parcels identified in Table 2 was inaccurate due to the "Into Customs" and "Out of Customs" scans being made within 1 minute of each other.

  o USPS Assessment: USPS agrees that the scan data does not accurately reflect the physical movement of the ████ items listed in Table 2. However, as shown in Figure 1 above, there are clearly identified containers staged for the separation of Parcels originating from a ██████████████. The scan and separation activities are two exclusive activities where one is not dependent upon the other.

  Conclusion: USPS is not able to verify that the Parcels identified in Table 1 were not presented to CBP as required based on the scan data resulting from this operation. The failure to manually scan an item does not mean that the item was not staged and then correctly presented to CBP.

- ██
   ██
   ██
   ██
   ██
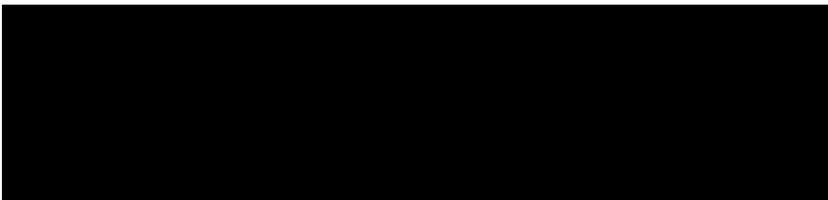
  o OIG Assessment: The report implies they observed ████ mail being processed in the incorrect mode on the ████████ resulting in incomplete scan data.

  o ██
     ██
     ██

     The information provided in the report does not state if the ████████ Mail items observed originated from a ██████████████. ████
     ██
   ██
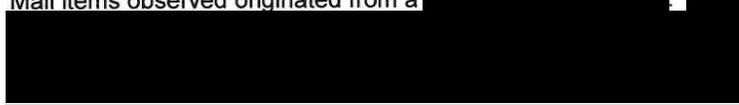
Conclusion: Due to incomplete information provided on the report, USPS is not able to verify if the mailpieces observed were processed incorrectly or not. See corrections to Appendix B on page 4 for more clarification on the expected scans based on category and if the mail is requested by CBP.

- Page 6: "Since not all requested mail is presented, CBP is not able to inspect all requested mail."

  o OIG Assessment: The report implies that USPS has failed to present requested mailpieces to CBP.

  o USPS Assessment: The report does not clearly illustrate that items requested by CBP in the ███ ISC were not physically presented as required.

  Conclusion: USPS cannot conclusively agree that this report validates that USPS has not presented all CBP requested mail as required.

Appendix B - Inbound International Mail Processing at ▮▮▮ ISC

The inbound process flowchart in Appendix B did not accurately reflect the physical and scan processes for all mail categories.
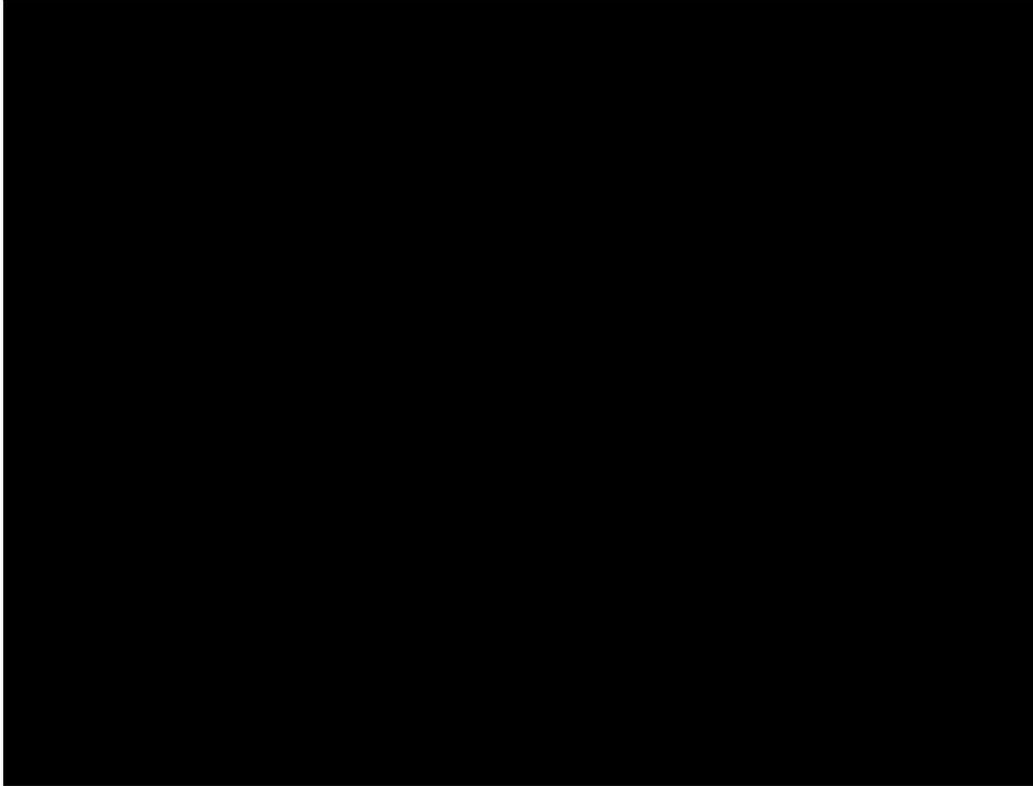
Recommendation 1: Enhance the system application for automation to identify mail requested by U.S. Customs and Border Protection.

Management Response/Action Plan: Management agrees with this recommendation. Our remediation approach is to continue working on the new International Package Processing System (IPPS) that will automate the selection of ████ based on a ██████████ that is input into the system instead of an employee making the decision. The first phase of implementation would include the parcel category of mail. Subsequent phases for implementation would expand to ██████ Mail.

Target Implementation Date: September 30, 2016

Responsible Official: Executive Director, International Operations

Recommendation 2: Coordinate with U.S. Customs and Border Protection to clarify their inspection requirements and establish a process to ensure compliance.

Management Response/Action Plan: Management agrees with this recommendation. Our remediation approach is to create and finalize a Memorandum of Understanding (MOU) at the National level. Concurrently, the ISC Plant Managers and HQ, Global Trade Compliance will work with local CBP management to establish local MOUs that align with the national MOU.

Target Implementation Date: March 30, 2016

Responsible Official: Executive Director, International Operations

Recommendation 3: Provide recurring training to employees to ensure they remain current with the proper processes for handling and presenting mail in accordance with U.S. Customs and Border Protection requirements.

Management Response/Action Plan: Management agrees with this recommendation. Our remediation approach is to initiate an employee awareness effort through quarterly service talks to be provided to ISC employees working in operations where mail is presented to CBP. Local ISC management will invite local CBP management to jointly present the talk and then record as training for Customs compliance.

Target Implementation Date: January 4, 2016

Responsible Official: Executive Director, International Operations

Recommendation 4:
Ensure scanned data is accurate, complete and reliable.

Management Response/Action Plan: Management agrees with this recommendation. Our remediation approach is to review the "D – Arrival Scan", "E – Into Customs", and "F – Out of Customs" scan requirements for all mail categories to ensure the scanning process represents the physical movement of packages and is streamlined for reliability.

Target Implementation Date: July 30, 2016

Responsible Official: Executive Director, International Operations

Linda M. Malone