



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

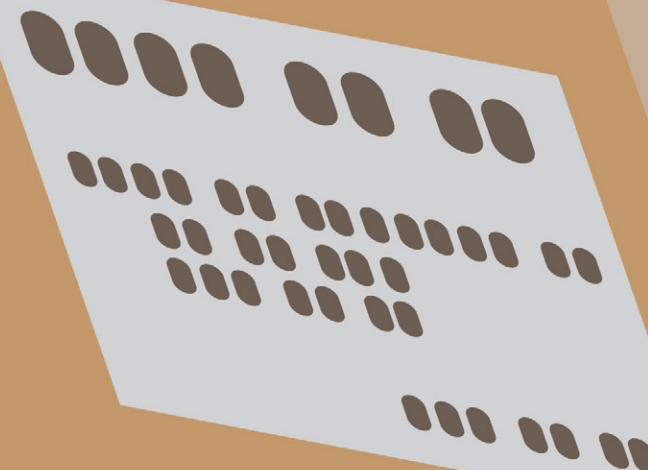
### Registered Mail

### Audit Report

Report Number  
FT-AR-17-008

July 14, 2017

**REGISTERED MAIL**





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

## Highlights

### Background

The U.S. Postal Service offers Registered Mail for customers sending valuable or irreplaceable items through the mail. Registered Mail provides added protection for valuable and important customer and internal mail with evidence of mailing and delivery.

Tracking service begins from the time the sender presents the mail to the Postal Service to the point of delivery. An accountable individual must sign for the Registered Mail piece each time it changes hands and each intermediary office must prepare control logs. Registered Mail pieces also require specific packaging and sealing methods for security and protection. When not in transit, Registered Mail pieces must be stored in a locked safe, room, or cage separated from other mail.

During fiscal year 2016, the Postal Service processed █ million pieces of Registered Mail and collected revenue of about █ million.

We used geographical information system mapping, insurance claims, and Registered Mail volume to judgmentally select 15 post offices and two registry sections from four areas for review.

Our objectives were to review current operational controls over Registered Mail for effectiveness, follow-up on prior recommendations from a 2012 audit, and identify potential process improvements and efficiencies.

### What the OIG Found

Postal Service operational controls over Registered Mail at 14 of 15 post offices visited were not always adequate, effective, or followed. Some of the post offices had multiple issues such as:

- Six post offices had safes storing Registered Mail and other accountable items that were open and unattended during business hours.
- Two doors to the registry room or cage were open and unlocked when not in use and the safe key was not secure at one of the post offices.
- One post office's Registered Mail for daily bank deposit was not secured routinely while awaiting dispatch and remittance.
- Six post offices left Registered Mail pieces unattended in an open area.
- Four post offices did not maintain logs recording personnel access to the registry room or cage.



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

- Fourteen post offices had employees who did not complete required training courses for acceptance, transfer, and security of Registered Mail.

We also determined that the Postal Service did not complete corrective action on prior U.S. Postal Service Office of Inspector General report recommendations related to Registered Mail.

Specifically:

- Two of three post offices in the Southern Area did not provide a step-by-step procedure toolkit to employees responsible for Registered Mail or complete the Registered Mail compliance checklist. Southern Area management agreed to provide a copy of the toolkit to employees in response to a prior audit recommendation.
- Two of nine post offices in the Capital Metro and Western areas did not assess vulnerability and risk associated with facilities, including those related to Registered Mail. Area management agreed to complete the assessments in response to a prior audit recommendation.

As a result of the issues identified, the Postal Service is at an increased risk of delayed mail, theft, or loss which could also increase insurance claims and customer dissatisfaction with the Registered Mail service, potentially impacting its brand.

Further, opportunities exist for post offices and registry section offices to improve the Registered Mail process and efficiencies by implementing evolving technology. These improvements should strengthen information sharing, provide more efficient services, and minimize risks associated with unlocked cages, cabinets, or safes.

### What the OIG Recommended

We recommended management verify that employees responsible for Registered Mail complete the required training; monitor Registered Mail operations to ensure employees comply with policies and procedures; update the manual portions of the process; and monitor technology to modernize the Registered Mail process.

# Transmittal Letter



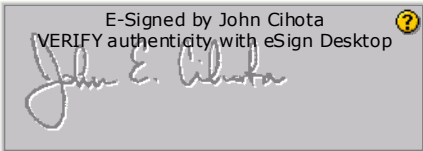
OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

JULY 14, 2017

**MEMORANDUM FOR:** KELLY M. SIGMON  
VICE PRESIDENT, RETAIL AND  
CUSTOMER SERVICE OPERATIONS

GARY C. REBLIN  
VICE PRESIDENT, NEW PRODUCTS AND INNOVATION

E-Signed by John Cihota  
VERIFY authenticity with eSign Desktop



**FROM:** John E. Cihota  
Deputy Assistant Inspector General  
for Finance, Pricing, and Investments

**SUBJECT:** Audit Report – Registered Mail  
(Report Number FT-AR-17-008)

This report presents the results of our audit of the Registered Mail (Project Number 17BG006FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, Director, Finance, or me at 703-248-2100.

Attachment

cc: Corporate and Audit Response Management



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# Findings

**Registered Mail provides added protection for valuable and important customer and internal mail with evidence of mailing and delivery.**

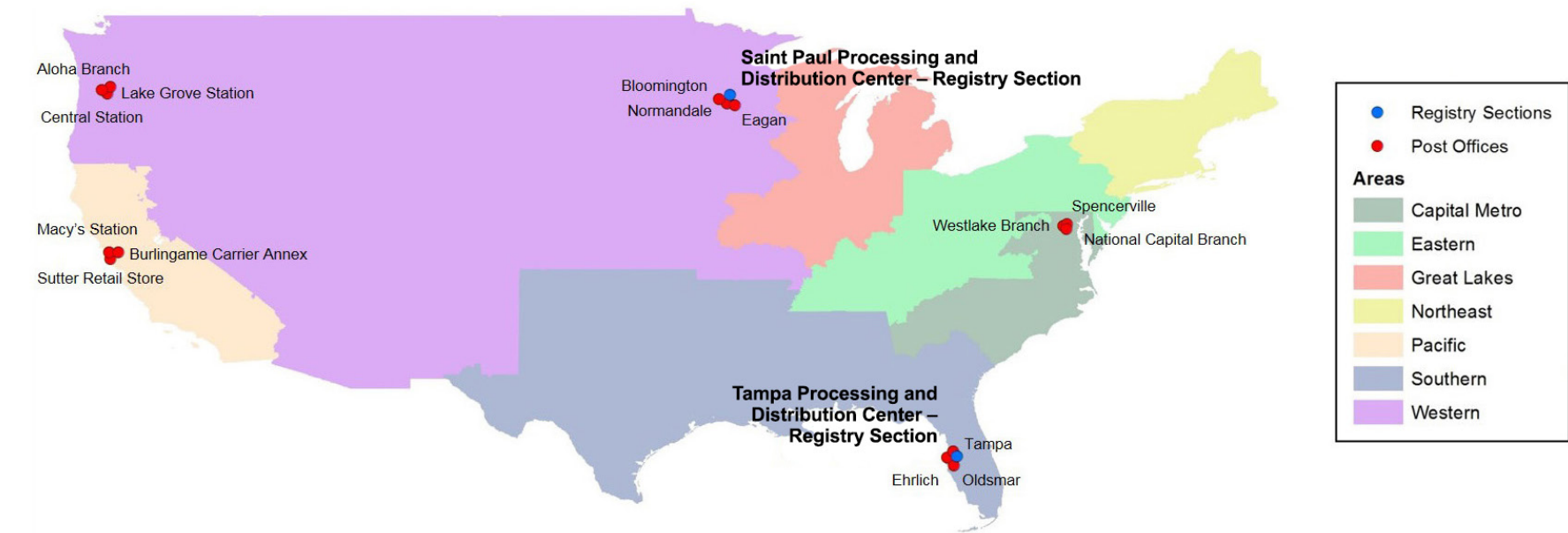
## Introduction

This report presents the results of our audit of the U.S. Postal Service’s Registered Mail service (Project Number 17BG006FT000). Our objectives were to review current operational controls for effectiveness, follow-up on prior recommendations to determine whether corrective actions taken have addressed prior issues, and identify potential process improvements and efficiencies over Registered Mail. See [Appendix A](#) for additional information about this audit.

Registered Mail provides added protection for valuable and important customer and internal mail with evidence of mailing and delivery. Tracking begins from the time the sender presents the mail to the Postal Service to the point of delivery. An accountable individual must sign for the mailpiece each time it changes hands and each intermediary office prepares control logs and secures the mailpiece. Registered Mail pieces also require specific packaging and sealing methods for security and protection. When not in transit, employees are required to store mailpieces in a locked drawer, cabinet, safe, or registry section separate from other mail. Some post offices are equipped with a safe or secure area, such as a cage or a room to store accountable items, such as Registered Mail. The Postal Service electronically tracks Registered Mail with a barcode that a mail clerk attaches to the package at the time of receipt. Electronic tracking allows customers to see the date, time, and location of mailpiece delivery.

We used geographical information system (GIS) mapping to judgmentally selected Postal Service facilities for review based on insurance claims and Registered Mail volume. As a result, we visited 15 post offices and two registry sections located within the four areas as shown in Figure 1. We reviewed and discussed current operational controls with postmasters and supervisors, followed-up on prior recommendations to determine whether corrective actions taken addressed prior issues noted, and identified potential process improvements and efficiencies over Registered Mail.

**Figure 1. Post Offices and Registry Section Site Visits**



Source: Enterprise Data Warehouse (EDW),<sup>1</sup> GIS mapping, and U.S. Postal Service Office of Inspector General (OIG) site visits.

<sup>1</sup> A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to the EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

***Postal Service operational controls over Registered Mail at the 15 post offices we visited were not always adequate, effective, or followed.***

***The Postal Service did not implement corrective actions at all sites as recommended and agreed to in a prior audit report.***

## Summary

The first part of our objective was to review current operational controls for effectiveness. Postal Service operational controls over Registered Mail at the 15 post offices we visited were not always adequate, effective, or followed. Some of the post offices had multiple issues, such as:

- Six post offices had safes storing Registered Mail and other accountable items that were open and unattended during business hours.
- Two post offices had room doors or cages that were open and unlocked when not in use, and the safe key was not secured at one post office.
- One post office had Registered Mail for the daily bank deposit that was not kept secured routinely while awaiting dispatch and remittance.
- Six post offices left Registered Mail pieces unattended in open areas.
- Four post offices did not maintain logs recording personnel access to the registry room or cage.
- Fourteen post offices did not complete required training courses relating to handling Registered Mail.

As a result, the Postal Service is at an increased risk of delayed mail, theft, or loss which could also increase insurance claims and customer dissatisfaction with the Registered Mail service, potentially impacting its brand.

We also followed-up on prior recommendations to determine whether the Postal Service took corrective actions to address prior issues. We found the Postal Service did not implement corrective actions at all sites as recommended and agreed to in a prior audit report.<sup>2</sup> Specifically:

- Employees responsible for Registered Mail were not provided a copy of the Registered Mail tool kit, and the Standard Operating Procedures (SOP) compliance checklist (dated May 31, 2011) was not completed at two post offices.
- Management did not complete the Vulnerability and Risk Assessment Tool (VRAT)<sup>3</sup> report at two post offices.

As a result, employees are not aware of proper procedures to handle Registered Mail. Further, there remains a risk of mail theft or loss, which could negatively impact the Postal Service brand.

The third part of our objective was to identify potential process improvements and efficiencies concerning Registered Mail. Postal Service operation at post offices and registry section offices have room for improvements. We visited 15 post offices and two registry section offices. We found:

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<sup>2</sup> *Postal Service Mail Security* (Report Number HR-AR-12-002, dated March 30, 2012).

<sup>3</sup> Vulnerability and Risk Assessment Tool replaced the annually required Facility Security Survey in 2012 as the new review process. Security control officers, in most cases the postmaster, are responsible and accountable for completion.

***The use of these technologies  
could also minimize the risk  
associated with unlocked cages,  
cabinets, or safes.***

- Post offices were using manual forms for the Registered Mail process. Post offices could move to automated documentation to eliminate duplication of entries, the use of carbon paper, and to facilitate better information sharing.
- The Postal Service could replace the manual 'no Registered Mail articles and no remittance' (Nil-Bill) process, possession signatures, and control logs with electronic notifications to improve efficiency.
- Global trends and competitors that could potentially improve technologies and strategies to simplify the Registered Mail process, capture more revenue from technology-savvy customers, and make the process more efficient.

The use of these technologies could also minimize the risk associated with unlocked cages, cabinets, or safes. Further, these capabilities may lead to additional cost savings from fewer insurance claims.



## Operational Controls

Postal Service operational controls over Registered Mail at 14 of the 15 post offices we visited were not always adequate, effective, or followed (see Table 1).

**Table 1. Summary of Issues**

Issue		Capital Metro Area			Pacific Area			Southern Area			Western Area						
		Capital District			San Francisco District			Suncoast District			Northland District			Portland District			
		Post Offices															
		National Capital, Washington, DC	Spencerville, MD	Westlake, Bethesda, MD	Burlingame, CA	Macy's Station, San Francisco, CA	Sutter Retail, San Francisco, CA	Ehrlich, Tampa, FL	Oldsmar, FL	Tampa, FL	Bloomington, MN	Eagan, MN	Normandale, MN	Aloha, Beaverton, OR	Central Station, Portland, OR	Lake Grove, Lake Oswego, OR	Total
Operational Controls	Safes were open	✓								✓	✓	✓	✓				6
	Registry room or cage were kept open, unlocked and key was not secured							✓		✓		✓					3
	Unsecure Registered Mail for bank deposit										✓						1
	Unattended Registered Mail	✓	✓	✓				✓			✓	✓					6
	Access log was not maintained for registry room or cage			✓				✓				✓	✓				4
	Required training courses were not completed	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		14
Total		3	2	3	1	1	1	4	1	3	4	5	3	2	1	0	

Source: OIG analysis.

***We found five security issues with Registered Mail and found that training was not up-to-date for employees responsible for Registered Mail.***

We found five security issues with Registered Mail and found that training was not up-to-date for employees responsible for Registered Mail.

Specifically:

- Employees at six post offices left safes used to store Registered Mail and other accountable items open and unattended during business hours. Postal Service policy<sup>4</sup> requires all safes to remain closed and day-locked during business hours (see Figure 2).

**Figure 2. Open Safe**



Source: OIG photograph taken January 30, 2017.

<sup>4</sup> Handbook PO-209, *Retail Operations Handbook*, Section 6-11.3.1, October 2012; and Handbook F-101, *Field Accounting Procedures*, Section 3-9.1, June 2016.



- Employees at two post offices kept doors to the registry room or cage open and unlocked when not in use (six sites visited had a separate registry room or cage). In addition, the responsible employee did not secure the safe key at one post office. Registered Mail regulations<sup>5</sup> require all facilities with a separate registry room or cage to maintain security and accountability. In addition, policy requires strict key-access (see Figures 3 and 4).

### Figure 3. Open Registry Cage



Source: OIG photograph taken February 2, 2017.

### Figure 4. Unsecured Keys



Source: OIG photograph taken March 16, 2017.

- An employee at one post office did not routinely secure Registered Mail, which included the daily bank deposit,<sup>6</sup> while awaiting dispatch and remittance. Postal Service policy requires individual responsibility to be assigned at all times and that Postal Service funds be maintained when they are not continuously observed<sup>7</sup> (see [Figure 5](#)).

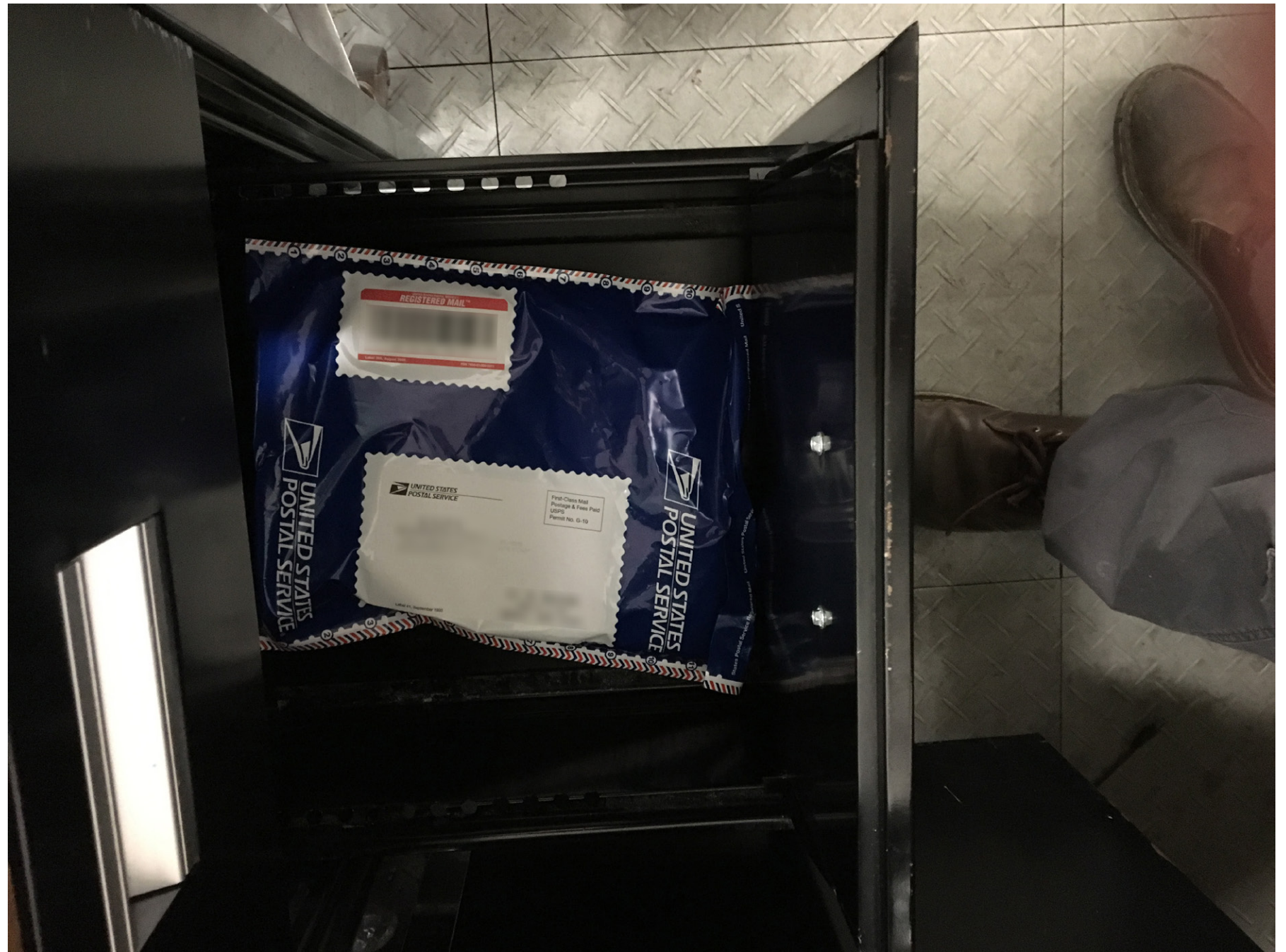
5 Handbook DM-901, *Registered Mail*, Section 7-1.2, January 2016.

6 Bank deposit is sent by Registered Mail per DM-902, *Procedures for Handling Registered Postal Bank Remittance Mail*, Section 2-1, April 2010.

DM-901, Section 7-3.2.2, Handbook F-101, Section 3-2.2 c.



**Figure 5. Unsecured Bank Deposit**



Source: OIG photograph taken February 3, 2017.

- Employees left Registered Mail unattended in the open area at six post offices. Postal Service policy<sup>8</sup> requires employees to keep Registered Mail in a secure place, such as locked drawer, cabinet, safe, or registry section, until accountability is transferred hand-to-hand to the designated dispatch employee (see [Figure 6](#)).

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<sup>8</sup> Handbook DM-901, Section 3-3.3.



**Figure 6. Unsecured Registered Mail**



Source: OIG photograph taken February 3, 2017.

- Employees did not maintain registry room or cage access logs<sup>9</sup> at four of six post offices visited with a separate registry room or cage. Postal Service policy<sup>10</sup> requires all employees and visitors to sign in and out of the registry room or cage.

<sup>9</sup> Postal Service (PS) Form 1625, Record of Entry into Registry Section.

<sup>10</sup> Handbook DM-901, Section 7-1.3.1.

***There is an increased risk of delayed mail, theft, loss, or tampering, which could negatively impact the Postal Service brand and increase insurance claims.***

- Employees did not complete required training courses for acceptance, transfer, and security of Registered Mail at 14 post offices. We also identified this issue during a prior OIG audit.<sup>11</sup> Postal Service policy requires management to arrange training for employees who handle Registered Mail functions.<sup>12</sup> Because of our audit, each of the areas visited had taken or planned to complete training.<sup>13</sup>

The Postal Service did not always properly secure Registered Mail and maintain individual accountability due to unclear responsibilities, insufficient communication between postmasters and employees regarding security of Registered Mail, and inadequate management oversight to ensure proper training of employees responsible for Registered Mail. Additionally, there was no standardized process to ensure employees working with Registered Mail have successfully completed required training.

As a result, there is an increased risk of delayed mail, theft, loss, or tampering, which could negatively impact the Postal Service brand and increase insurance claims. In fact, we observed two registry section offices that were not always dispatching Registered Mail daily due to other priorities.

### Prior Recommendations

The Postal Service did not always complete corrective actions on prior OIG report recommendations related to Registered Mail.<sup>14</sup> Specifically, we reviewed corrective actions for developing and implementing training in the Southern, Capital Metro, and Western areas. In addition, we reviewed corrective actions for establishing policies and procedures requiring responsible personnel to follow mail safeguarding and accountability requirements. We found that:

- Southern Area management agreed to provide a copy of the toolkit with step-by-step instruction on handling Registered Mail to employees responsible for Registered Mail and require each postmaster to complete the Standard Operating Procedures (SOP) compliance checklist to confirm that all required actions were taken for securing and processing Registered Mail. However, two of three post offices in the Southern Area did not have the toolkit, and two of three post offices did not complete the SOP compliance checklist (see Table 2).

**Table 2. Summary of Toolkit and SOP - Corrective Actions**

Issue	Southern Area			Total
	Suncoast District			
	Post Office			
	Ehrlich, Tampa, FL	Oldsmar, FL	Tampa, FL	
Registered Mail toolkit not provided	✓		✓	2
SOP compliance checklist not completed		✓	✓	2

Source: OIG analysis.

<sup>11</sup> *Postal Service Mail Security* (Report Number HR-AR-12-002, dated March 30, 2012).

<sup>12</sup> Handbook DM-901, Section 1-1.1.3.2 d; and Handbook DM-902, Section 1-1.3.

<sup>13</sup> The Capital District and Portland District expect to complete training by June 30 2017.

<sup>14</sup> *Postal Service Mail Security* (Report Number HR-AR-12-002, dated March 30, 2012).

**Two of the nine post offices in the Capital Metro and Western areas visited did not complete the VRAT report.**

- Capital Metro and Western areas mandated completion of the Vulnerability and Risk Assessment Tool (VRAT)<sup>15</sup> report at each of their post offices by July 31, 2012. However, two of the nine post offices in the Capital Metro and Western areas visited did not complete the VRAT report (see Table 3).

**Table 3. Summary of VRAT Report – Corrective Actions**

Issue	Capital Metro Area			Western Area						
	Capital District			Northland District			Portland District			
	Post Offices									
	National Capital, Washington, DC	Spencerville, MD	Westlake, Bethesda, MD	Bloomington, MN	Eagan, MN	Normandale, MN	Aloha, Beaverton, OR	Central Station, Portland, OR	Lake Grove, Lake Oswego, OR	Total
VRAT report was not completed.				✓	✓					2

Source: OIG analysis.

Because of our audit, two post offices<sup>16</sup> took corrective action and completed the SOP compliance check list, and one post office<sup>17</sup> completed the VRAT report. However, the remaining post offices did not address the prior recommendations as agreed.

This occurred because district management did not always properly communicate required corrective actions to local management, and some managers were new or temporarily assigned to the post office and not aware of the requirements. As a result, the risk of mishandling, theft, or loss of mail increased.

<sup>15</sup> VRAT replaced the annually required Facility Security Survey in 2012 as the new review process. Security control officers, in most cases the postmaster, are responsible and accountable for completion. This report assesses vulnerabilities and risks associated with facilities, including those related to Registered Mail.

<sup>16</sup> Oldsmar and Tampa Post Offices.

<sup>17</sup> Eagan Post Office.

*This would eliminate the need for paper forms and duplicative entry of customer information, saving the customer and the clerk time at the retail counter.*

Process Improvements and Efficiencies (Other Issues)

Postal Service operations at post offices and registry section offices have opportunities to improve the Registered Mail process by implementing innovative technology. Based on our site visits, we found that:

- Registered Mail customers manually select additional required services and insurance and complete the sender (From) and recipient (To) addresses on PS Form 3806, Registered Mail Receipt (see Figure 7). At the retail counter, the clerk manually enters the information and registers the number in the Retail Systems Software (RSS) application<sup>18</sup> and prints the postage receipt onto the same form initially completed by the customer. PS Form 3806 is the first of several manual paper forms used to track Registered Mail. In addition, the clerk places postmarks all around the envelope seal and package openings to prevent unauthorized opening. Although the hard copy paper trail and barcode scans provide the last documented location, it would be difficult for the Postal Service to locate missing Registered Mail lost in transit, misplaced in a large mail facility, or removed from designated secured areas without authority.

The Postal Service could provide the ability to complete forms online, similar to Priority and Express Mail, through services such as USPS.com, Click-N-Ship,<sup>19</sup> self-service kiosks,<sup>20</sup> or Postal Service ePostage program partner platforms like Shippo.<sup>21</sup> Integrating Registered Mail Forms 3806 to these services could be relatively simple.

In addition to providing the “From” and “To” addresses on PS Form 3806 through these services, customers could select additional services and insurance for their Registered Mail. With the data already digitally provided, the retail clerk would just need to compute the postage amount based on the Registered Mail customer’s entries. This would eliminate the need for paper forms and duplicative entry of customer information, saving the customer and the clerk time at the retail counter.

Figure 7. PS Form 3806

Registered No.		Date Stamp
To Be Completed By Post Office	Postage \$	Extra Services & Fees (continued)
	Extra Services & Fees	<input type="checkbox"/> Signature Confirmation \$
	<input type="checkbox"/> Registered Mail \$	<input type="checkbox"/> Signature Confirmation Restricted Delivery \$
	<input type="checkbox"/> Return Receipt (hard copy) \$	
	<input type="checkbox"/> Return Receipt (electronic) \$	
	<input type="checkbox"/> Restricted Delivery \$	Total Postage & Fees \$
	Customer Must Declare Full Value \$	Received by
		Domestic Insurance up to \$50,000 is included based upon the declared value. International indemnity is limited. (See Reverse).
OFFICIAL USE		
To Be Completed By Customer (Please Print) All Entries Must Be in Ballpoint or Typed	FROM	
	TO	
PS Form 3806, Registered Mail Receipt		Copy 1 - Customer
April 2015, PSN 7530-02-000-9051		(See Information on Reverse)
For domestic delivery information, visit our website at www.usps.com®		

Source: Postal Service.

18 RSS is a commercial off-the-shelf, single software solution that provides point-of-sale business functionalities for retail associates.  
19 Click-N-Ship is an easy way to send mail from home. It allows customer to pay postage by credit card, create labels, purchase insurance, and view shipping history.  
20 Also known as Automated Postal Centers.  
21 A leading application program interface and dashboard for shipping. Its platform provides customers instant access to multiple shipping carriers for real-time rates, label creation, automated international mail paperwork, package tracking, and facilitating returns.



- Post offices use PS Form 3854, Manifold Registry Dispatch Book, to track Registered Mail (see Figure 8). Manual forms are time-consuming because everything needs to be entered with each new form and information cannot be easily shared or outdated because rather than printing copies, the Post Service uses carbon paper for multiple copies. Further, at five of 15 post offices we visited, the forms were not properly completed. Post offices could automate this form to modernize and improve the efficiencies of processing Registered Mail and facilitate better information sharing.

**Figure 8. PS Form 3854**

Sup Mary 1-7665 Relout

Lock No. \_\_\_\_\_ Rotary No. \_\_\_\_\_ Jacket No. \_\_\_\_\_ Control No. \_\_\_\_\_  
 Bill No. \_\_\_\_\_ Page No. \_\_\_\_\_ Airmail \_\_\_\_\_ Seal No. N-660505  
 To Registry Seat St Paul MN 5512  
 (P.O. or R.P.O. and Tr. No.)

Reg. No., Jacket, Lock or Seal Nos. Office or ZIP of Origin. Use only for Jacket, Lock, or Seal Numbers. Not required for individual Reg. Nos. Reg. No., Jacket, Lock or Seal Nos. Office or ZIP of Origin. Use only for Jacket, Lock, or Seal Numbers. Not required for individual Reg. Nos.

1.		16.	
2.		17.	
3.		18.	
4.		19.	
5.		20.	
6.		21.	
7.		22.	
8.		23.	
9.		24.	
10.		25.	
11.		26.	
12.		27.	
13.		28.	
14.		29.	
15.		30.	

A total of 9 articles sent by this dispatch  
 A total of \_\_\_\_\_ articles received in this dispatch

POSTMASTER, \_\_\_\_\_  
 POSTMASTER, \_\_\_\_\_

1800 M. Dispatching Clerk.  
 \_\_\_\_\_ M. Receiving Clerk.

Postmark of \_\_\_\_\_  
 Postmark of \_\_\_\_\_

Postmark of \_\_\_\_\_  
 Postmark of \_\_\_\_\_

PS Form 3854, April 1985

Source: OIG photograph taken February 1, 2017.



- Post offices manually complete PS Form 3854-A, Registered Mail Dispatch Bill, for the Nil-Bill process, accountability signatures, and control logs (see Figure 9). Personnel insert the form in the Registered Mail pouch and send it to the registry section even though there is no Registered Mail. The Postal Service could replace this form with an electronic notification to improve efficiency by eliminating manual forms and processes.

# Registered Mail Dispatch Bill

Nil-Bill

(Use area to the right of the perforated line to report irregularities and discrepancies.)

Lock No.: \_\_\_\_\_

Rotary No.: \_\_\_\_\_

Seal No.: 505122453

Jacket No.: \_\_\_\_\_

Bulk Count: 0

Weight: 0#

Air Mail: \_\_\_\_\_

To: NORMANDEALE 55435-0000

(Post Office)

REGISTERS

Postmark of  
MPLS  
REGISTRY SECTION  
55401-2002

01/30/2017  
Dispatching Office

Postmark of  
MPLS  
REGISTRY SECTION  
55401-2002

01/30/2017  
Dispatching Office

Article Number	Origin/Destination	Article Number	Origin/Destination
1.		16.	
2.		17.	
3.		18.	
4.		19.	
5.		20.	
6.		21.	
7.		22.	
8.		23.	
9.		24.	
10.		25.	
11.		26.	
12.		27.	
13.		28.	
14.		29.	
15.		30.	

Nil-Bill

Form ID:

53030SHKF15318145647

AM Rte. & Fit No.

Lock No.: \_\_\_\_\_

Rotary No.: \_\_\_\_\_

Seal No.: 505122453

Jacket No.: \_\_\_\_\_

Received  
articles described on above  
specified bill from dispatching  
office shown on postmark

(Receiving Clerk)

0  
Total Number of Articles

Total Number of Articles

Total Number of Articles

Total Number of Articles

K3HBH0 (Dispatching Clerk)

(HCR/MVS Driver)

(Other Driver)

(Receiving Clerk)

Time

Time

Time

Time

Postmark of

JAN 30 2017

Receiving Office

USPS

Postmark of

JAN 30 2017

Receiving Office

USPS

PS Form 3854-A, July 2007  
Form ID: 53030SHKF15318145647  
Printed: 01/30/2017 00:17

5303 0SHK F153 1814 5647

Page 1 of 1

Form ID: 53030SHKF15318145647  
Printed: 01/30/2017 00:17


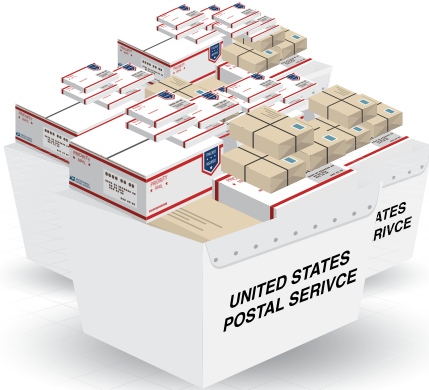

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*Opportunities exist for the Postal Service to connect with various start-up companies to find products available to assist with updating and modernizing the Registered Mail process.*

**Modernizing Registered Mail (Use of Innovative Technology)**

Changes in consumer habits have led to changes in demand for services across the Postal Service network. Registered Mail volume and revenue have declined from [REDACTED] pieces and [REDACTED] in revenue in fiscal year (FY) 2012, to [REDACTED] pieces and [REDACTED] in revenue in FY 2016. This is a [REDACTED] percent decrease in volume and [REDACTED] percent decrease in revenue in a 4-year timeframe (see Table 4).

**Table 4. Registered Mail Volume and Revenue**



FISCAL YEAR	VOLUME	REVENUE
2012	[REDACTED]	[REDACTED]
2013	[REDACTED]	[REDACTED]
2014	[REDACTED]	[REDACTED]
2015	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]

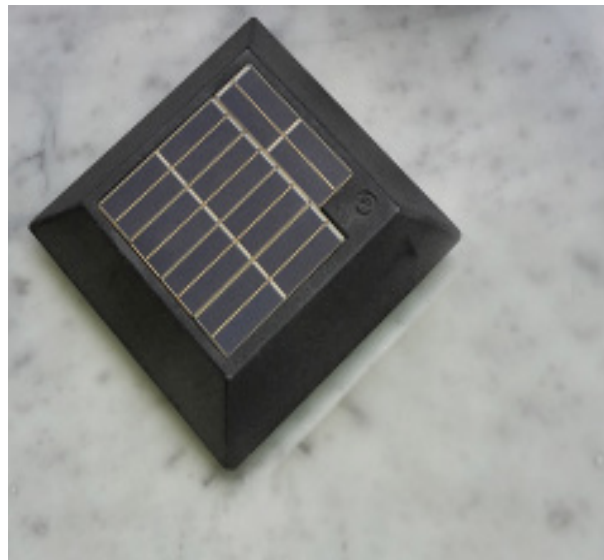
Source: Revenue, Pieces & Weight report from [USPS.com](https://usps.com).

The Postal Service offers Registered Mail to provide protection for valuable and irreplaceable items customers send through the mail. Currently the entire Registered Mail process is manual. Due to hand-to-hand transfer, delivery to the final destination takes longer.

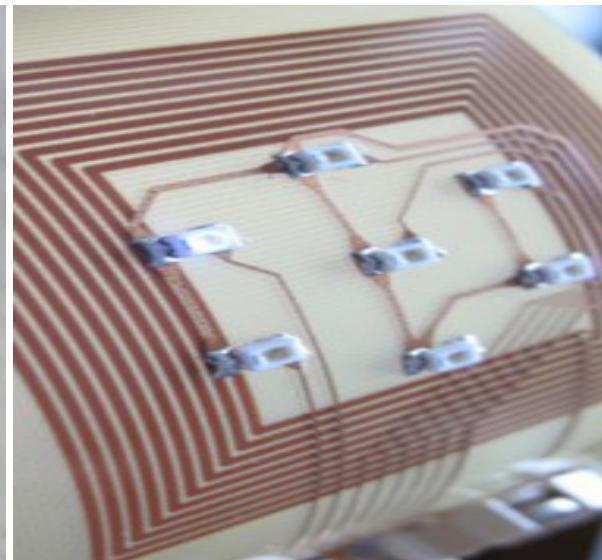
Opportunities exist for the Postal Service to connect with various start-up companies to find products available to assist with updating and modernizing the Registered Mail process. We researched global trends to identify technologies and strategies that may simplify the Registered Mail process, capture more revenue from technology-savvy customers, and make processing more efficient without impacting the security that Registered Mail promises. Advantages of electronic innovations that the OIG identified as possibilities for modernizing the Registered Mail process include automated trackers, sensors, or tamper-proof seals. These devices can:

- Be portable, reusable or disposable, water-resistant, and easy to use.
- Operate with wide area networks, global positioning systems, cellular networks, or Wi-Fi.
- Be energy efficient and powered by ambient light, solar power, vibration, or thermal energy.
- Allow additional tracking of high-value or important items and improve transit time while providing maximum security.
- Provide real-time, in-transit visibility to follow the chain of custody, including employee identification and worldwide package location.
- Record, store, and transmit a variety of information such as temperature, humidity, moisture, light, pressure, motion, shock, or tilt; and can offer encrypted data throughout the process.
- Be the size of a credit card or as small as a postage stamp with adhesive backing that can be easily hidden under the mailing label, embedded into envelopes or precious cargo boxes.<sup>22</sup>
- Allow 100 percent package tracking (see Figures 10, 11, and 12).

**Figure 10. Tracker**



**Figure 11. Sensor**



**Figure 12. Tamper-Proof Seal**



Source: OIG research.

However, there are also some disadvantages to using automated trackers, sensors, and tamper-proof seals, such as:

- Ranges vary depending on product.
- Cost can range from \$0.40 to \$3.00 per device, and the Postal Service would have to pass the additional cost to its customers.

<sup>22</sup> The Postal Service is introducing three new Priority Mail Flat Rate Precious Cargo Boxes to allow customers to ship their valuable items (precious cargo) in a secure and reliable manner.



***Although the Postal Service has evaluated some of these technologies, it has not implemented any of them due to its current high cost; however, updating and modernizing is critical to meeting the needs of customers to remain competitive.***

- Customers may need additional equipment to fully integrate the product (for example, cell phones, and hubs).
- Customers may need to integrate technology with existing or new software.
- Technology may create privacy concerns. For example, the beacon should be deactivated before a customer opens a package to prevent possible invasion of privacy.

Although the Postal Service has evaluated some of these technologies, it has not implemented any of them due to its current high cost; however, updating and modernizing is critical to meeting the needs of customers to remain competitive. As consumers continue to explore the convenience of e-Commerce,<sup>23</sup> the Postal Service needs to find new and innovative ways to effectively compete with its primary competitors, United Parcel Service (UPS) and Federal Express (FedEx), in order to grow its shipping and package services and increase revenue. UPS unveiled plans to install electronic beacons to notify workers if they placed an item in the wrong delivery vehicle, and a subsidiary of FedEx is using sensors that provide real-time tracking of packages from beginning to end.

In a recent customer inquiry involving an undelivered Registered Mail piece, the Postal Service learned that there was no delivery driver's signature on the accountability form, an omission that compromised the chain of custody.<sup>24</sup> Additionally, the return address the customer prepared was not correctly documented, thereby preventing the package from being returned to the sender. While we did not visit this particular facility or include this inquiry in the scope of our audit, it does provide an example of the problems surrounding the manual Registered Mail process. As discussed in our report, manual paper forms and processes inhibit the ability of the Postal Service to locate missing Registered Mail packages. Moving toward automated processes and tracking systems may enhance the deliverability of future Registered Mail packages and mailpieces and improve customer satisfaction.

The Postal Service could modify its existing infrastructure with minimal effort to accommodate some of the available products on the market today. Automated trackers, sensors, or tamper-proof seals could eliminate paper forms and manual procedures associated with the current Registered Mail process. Through collaboration with technology-based startup companies, the Postal Service's enhanced service could potentially appeal to a greater customer base, including rural communities. Additionally, the Postal Service could minimize risks associated with unlocked cages, cabinets, or safes, which would lead to lower losses on insurance claims.

## **Security Issues over Other Accountable Items**

During our audit of Registered Mail, we observed the following security issues related to accountable items that were outside the scope of our audit:

- Employees at two post offices did not safeguard the arrow keys used to open mail receptacles<sup>25</sup> (see [Figure 13](#)). Postal Service policy<sup>26</sup> requires arrow lock keys to be deposited in a secure location.

<sup>23</sup> Electronic commerce, better known as eCommerce, is activity related to buying and selling goods and services over the Internet.

<sup>24</sup> PS Form 2854-A, Registered Mail Dispatch Bill.

<sup>25</sup> Eagan Post Office in the Northland District and Westlake-Bethesda Branch in the Capital District.

<sup>26</sup> *Postal Operation Manual*, Section 633.42, July 7, 2016.

**Figure 13. Unsecured Arrow Key Box**



Source: OIG photograph taken March 15, 2017.



- ### Figure 14. Unsecured Voyager Cards



- Employees at two post offices did not maintain arrow key logs or conduct semiannual inventory counts.<sup>29</sup> Postal Service policy<sup>30</sup> requires postmasters to keep an accurate inventory of all building keys and signed receipts for all assigned keys.

27 Eagan Post Office in the Northland District and Westlake-Bethesda Branch in the Capital District.

28 Handbook AS-709, *Local Buying and Purchase Card Policies and Procedures*, Section 3-1, February 2015.

29 Normandale and Eagan Post Offices in the Northland District.

Registered Mail  
Report Number FT-AR-17-008

# Recommendations

We recommend the Vice President, Retail and Customer Service Operations, coordinate with district management to:

1. Periodically verify that personnel responsible for Registered Mail, including new or temporarily assigned employees, complete required training and understand their responsibilities.
2. Monitor Registered Mail operations to ensure responsible personnel comply with policies and procedures, including providing the Registered Mail toolkit and completing Vulnerability and Risk Assessment Tool reports and the Standard Operating Procedures compliance checklist.
3. Update the manual portions of the Registered Mail process, considering the options discussed in this report.

We recommend the Vice President, Retail and Customer Service Operations, coordinate with the Vice President, New Products and Innovation, to:

4. Monitor technology to modernize the Registered Mail process, considering the options discussed in this report.

## Management's Comments

Management agreed with the findings and recommendations. Management is committed to having all Registered Mail arrive safely. While management has considered and evaluated some of the improvements discussed in this report, they are concerned with implementation costs, additional equipment, and possible privacy concerns from software changes. However, management does understand that opportunities exist for improvements.

Regarding recommendation 1, management will issue instructions requiring responsible employees to review a required training course annually and will track compliance. Management will implement these changes by August 31, 2017.

Regarding recommendation 2, management will disseminate instructions to follow policies and procedures of Registered Mail, post Registered Mail reference materials on its website, and track completion of reports and checklists. Management will implement these changes by August 31, 2017.

Regarding recommendation 3, management will review the manual Registered Mail process and consider implementing the options identified in this report. Management will complete this assessment by January 31, 2018.

Regarding recommendation 4, management will monitor and reconsider options discussed in this report to update Registered Mail technology. Management plans to complete this evaluation by May 31, 2018.

See [Appendix B](#) for management's comments in their entirety.

## Evaluation of Management's Comments

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

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All 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.

# Appendices

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## Appendix A: Additional Information

### Background

The Postal Service offers Registered Mail for customers sending valuable or irreplaceable items through the mail. Registered Mail provides added protection for important customer and internal mail with evidence of mailing and delivery. Registered Mail provides the most secure method for mailing valuable items through the Postal Service. Registered Mail prices begin at \$11.70. Registered Mail can be used with other mail classes and services, such as First-Class Mail, Priority Mail, Collect-on-Delivery, USPS Tracking (packages only), Restricted Delivery, Return Receipt, and Signature Confirmation (packages only). In addition to postage, postal insurance is provided against loss, damage, or rifling up to \$50,000. During FY 2016, Postal Service processed 2,013,000 pieces of Registered Mail and collected revenue of \$31,637,000.

Registered Mail customers manually select additional services and insurance at the post office and complete the sender (From) and recipient (To) addresses on PS Form 3806. At the retail counter, the clerk enters the information from the form, attaches a Registered Mail barcode label, scans the Registered Mail number into the RSS system, and files the form locally. The clerk prints the Registered Mail postage receipt and places postmarks all around the envelope seal and package openings to prevent the unauthorized opening.

The Postal Service places Registered Mail under tight security from the point-of-entry at the post office to delivery, relying on many manual processes and evidenced by a hard copy paper trail, starting with the PS Form 3806. The accountable individual must also log the mailpieces on a PS Form 3854, Manifold Registry Dispatch Book, at each intermediary office. One copy of the form is kept with the mailpiece and one has to be filed. Each time the Registered Mail item changes hands in the chain of custody, the accountable individual must sign PS Form 3854. When not in transit, mailed items must be stored in a locked safe, room, or cage separated from other mail.

### Objectives, Scope, and Methodology

Our objectives were to review current operational controls over Registered Mail for effectiveness, follow-up on prior recommendations to determine whether corrective actions addressed prior issues, and identify potential process improvements and efficiencies. To achieve our objectives, we:

- Reviewed Postal Service policies and procedures of Registered Mail.
- Gained an understanding of existing operational controls of Registered Mail.
- Reviewed a prior OIG audit report<sup>31</sup> to gain an understanding of issues and recommendations related to Registered Mail.
- Obtained Postal Service data from EDW related to registered indemnity claims and volume for the last five years to determine trends.
- Judgmentally sampled postal facilities using GIS mapping and the volume of Registered Mail to review current operational controls for effectiveness.
- Followed-up on prior recommendations to determine whether corrective actions addressed prior issues.

---

31 *Postal Service Mail Security* (Report Number HR-AR-12-002, dated March 30, 2012).

- Identified potential process improvements and efficiencies over Registered Mail.

We visited 15 post offices and two registry sections as shown in Table 5.

**Table 5. Areas, Districts, and Postal Facilities Visited**

Area	District	Postal Facility	Address
Capital Metro	Capital	National Capitol Branch	2 Mass Ave NE, Washington, DC
Capital Metro	Capital	Spencerville Post Office	2145 Spencerville Road, Spencerville, MD
Capital Metro	Capital	Westlake-Bethesda Branch	10421 Motor City Drive, Bethesda, MD
Pacific	San Francisco	Burlingame Carrier Annex	1625 Rollins Road, Burlingame, CA
Pacific	San Francisco	Macy's Station	Stockton & O'Farrell St., San Francisco, CA
Pacific	San Francisco	Sutter Retail Store	150 Sutter St, San Francisco, CA
Southern	Suncoast	Ehrlich Post Office	14910 N Dale Mabry Highway, Tampa, FL
Southern	Suncoast	Oldsmar Post Office	3905 Tampa Road, Oldsmar, FL
Southern	Suncoast	Tampa Post Office	3501 Bessie Coleman Blvd., Tampa, FL
Southern	Suncoast	Tampa, FL Processing and Distribution Center – Registry Section	5201 W Spruce Street, Tampa, FL
Western	Northland	Bloomington Post Office	9641 Garfield Ave S., Bloomington, MN
Western	Northland	Eagan Post Office	3145 Lexington Ave S., Eagan, MN
Western	Northland	Normandale Post Office	5108 74 <sup>th</sup> St W., Normandale, MN
Western	Northland	St. Paul Processing and Distribution Center - Registry Section	3232 Denmark Ave., Eagan, MN
Western	Portland	Aloha Branch	3800 SW 185 <sup>th</sup> Ave, Beaverton, OR
Western	Portland	Central Station	204 SW 5 <sup>th</sup> Avenue, Portland, OR
Western	Portland	Lake Grove Station	15875 Boones Ferry Road, Lake Oswego, OR

Source: OIG site visits.

- Conducted site visits in the Capital Metro, Pacific, Southern, and Western areas and assessed operational controls, effectiveness and impact of recommendations made during the prior audit of postal service mail security.
- Interviewed Postal Service personnel to determine the process and controls in place for Registered Mail.

We conducted this performance audit from January through July 2017 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on June 12, 2017, and included their comments where appropriate.

We relied on Registered Mail volume data from the EDW. We assessed the reliability of EDW data by conducting interviews with those responsible for Registered Mail at individual post offices and registry sections and comparing results against EDW data. We determined the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Postal Service Mail Security</i>	To determine whether Postal Service mail security is effective to prevent unauthorized access to the mail.	HR-AR-12-002	3/30/2012	None

## Appendix B: Management's Comments

KELLY M. SIGMON  
VICE PRESIDENT, RETAIL AND CUSTOMER SERVICE OPERATIONS



July 7, 2017

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: DRAFT Audit Report- Registered Mail  
(Project Number DR 17BG006FT000)

Management acknowledges the importance of following acceptance and handling policies for Registered Mail and ensuring that these procedures are not circumvented by employees. The stringent guidelines established for Registered Mail are meant to maintain the integrity and security of valuable/replaceable items sent by customers through the mail.

While the OIG report calls out numerous recommendations for improvement, some of those options have already been evaluated and considered by the Postal Service. However, high costs associated with implementation, additional equipment potentially needed by customers for integration and the possible of privacy concerns from software changes, are all deterring factors for incorporating modifications to date.

Management understands however, that opportunities may still exist at some Post Offices and Registry Sections for improving Registered Mail efficiencies and is committed to having all Registered Mail pieces arrive safely at their final destination.

**Recommendation 1: Management Agrees**

Periodically verify that personnel responsible for Registered mail, including new or temporarily assigned employees, complete required training and understand their responsibilities.

**Management Response/Action Plan:**

Management will issue instructions to all Delivery & Retail units requiring employees responsible for the acceptance and handling of Registered mail to review Learning Management Course (LMS) #10020996 MKTG: Registered Mail on an annual basis. Compliance will be tracked via the Delivery Unit Required Activity Tracking (DURAT) application.

475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260  
202-268-2252  
Fax: 202-268-3331  
WWW.USPS.COM

**Target Implementation Date:**

August 31, 2017

**Responsible Official:**

Vice President Retail and Customer Service Operations

**Recommendation 2: Management Agrees**

Monitor Registered Mail operations to ensure responsible personnel comply with policies and procedures, including providing the Registered Mail toolkit and completing Vulnerability and Risk Assessment Tool reports and the Standard Operating Procedures compliance checklist.

**Management Response/Action Plan: Management Agrees**

Management will disseminate instructions through Area Vice Presidents requiring employees to follow policy and procedural processes of Registered Mail, regularly complete Vulnerability and Risk Assessment Tool reports and implement the Standard Operating Procedures for the Compliance Checklist. In addition, Management will post the Registered Mail Toolkit on the RSCO website as a reference for employees. Postal Service will track completion via the DURAT application.

**Target Implementation Date:**

August 31, 2017

**Responsible Official:**

Vice President Retail and Customer Service Operations

**Recommendation 3: Management Agrees**

Update the manual portions of the Registered Mail process, considering the options discussed in this report.

**Management Response/Action Plan:**

Management will review the manual Registered Mail process, consider the options identified in the OIG report and determine if any recommendations can be implemented.

**Target Implementation Date:**

January 31, 2018.

**Responsible Official:**

Vice President Retail and Customer Service Operations



**Recommendation 4:**

Monitor technology to modernize the Registered Mail process, considering the options discussed in this report.

**Management Response/Action Plan:**

Management will monitor and reconsider the options for updating Registered Mail technology as discussed in the OIG report.

**Target Implementation Date:**

May 31, 2018


**Responsible Official:**

Vice President New Products and Innovations

Vice President Retail and Customer Service Operations



Kelly M. Sigmon  
VP, Retail and Customer Service Operations

 KRIPTI VICHAR  
on behalf  
of  
GARY  
REBLIN

Gary C. Reblin  
VP, Product Innovation

cc: Manager, Corporate Audit Response Management



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UNITED STATES POSTAL SERVICE

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