

Postal Automated Redirection System

AUDIT REPORT

Report Number 25-029-R25 | April 10, 2025

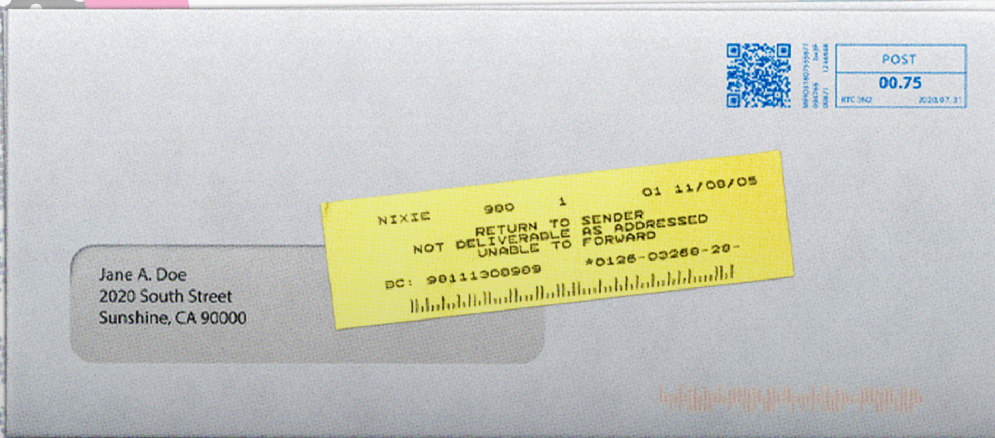


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Highlights

Background

The Postal Automated Redirection System (PARS) was deployed in 2007 to handle letter mail that cannot be delivered to the name and address on the mailpiece. Mail sorting equipment can automatically intercept mail with an active Change of Address (COA), and PARS sorting equipment can forward it to the new destination, reducing additional mail handling. If mail that is undeliverable as addressed is not intercepted during the automated process, a carrier at the delivery unit can identify it as either forwardable – with a valid COA – or as return to sender and send it back to the plant for further processing. With the average American moving 11.7 times in their lifetime, the Postal Service must effectively handle PARS mail to ensure timely delivery of essential communications, such as bills, checks, and court documents.

What We Did

Our objective was to assess the effectiveness of procedures for processing and handling PARS mail. To accomplish our objective, we conducted interviews with U.S. Postal Service Headquarters management, obtained and analyzed PARS related data for fiscal years (FY) 2023 and 2024, and determined avoidable costs incurred due to identified issues.

What We Found

The Postal Service PARS mail does not have a service standard, which reduces the accountability and visibility for processing and delivering this mail to customers. Additionally, in FYs 2023 and 2024, delivery units improperly returned large volumes of undeliverable Marketing Mail (over 178 million), which should have been disposed of at the delivery unit, back to processing plants. They also improperly returned mail without a valid COA (over 449 million) back to processing plants – and since no updated address was identified when the mailpiece was run through the PARS sorting equipment, it was cycled back to the same delivery unit. These actions cost the Postal Service about \$17.2 million and \$95.5 million, respectively. Without further improvements to processes, we forecast an additional \$124.5 million will be incurred in FYs 2025 and 2026. Finally, the Postal Service's publicly available data for PARS mail was based on outdated information and was not reliable.

Recommendations and Management's Comments

We made 11 recommendations to address the issues identified in the report. Postal Service management agreed with 10 recommendations and disagreed with one. Management's comments and our evaluation are at the end of each finding and recommendation. Regardless of the disagreement, the U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to all recommendations as corrective actions should resolve the issues. See [Appendix B](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 10, 2025

MEMORANDUM FOR: STEPHEN B. HAGENSTEIN
EXECUTIVE DIRECTOR, LOGISTICS MODELING AND PLANNING

JOHN S. MORGAN
VICE PRESIDENT, DELIVERY OPERATIONS

JENNIFER VO
VICE PRESIDENT, RETAIL AND POST OFFICE OPERATIONS

SHARON D. OWENS
VICE PRESIDENT, PRICING AND COSTING

Mary K. Lloyd

FROM: Mary K. Lloyd
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Postal Automated Redirection System
(Report Number 25-029-R25)

This report presents the results of our audit of the Postal Automated Redirection System.

All recommendations require U.S. Postal Service Office of Inspector General's (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 3, 4, 6, 7, 8, 9, 10, and 11 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. We consider recommendations 1 and 5 closed with issuance of this report. We consider recommendation 2 closed but not implemented by the Postal Service.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

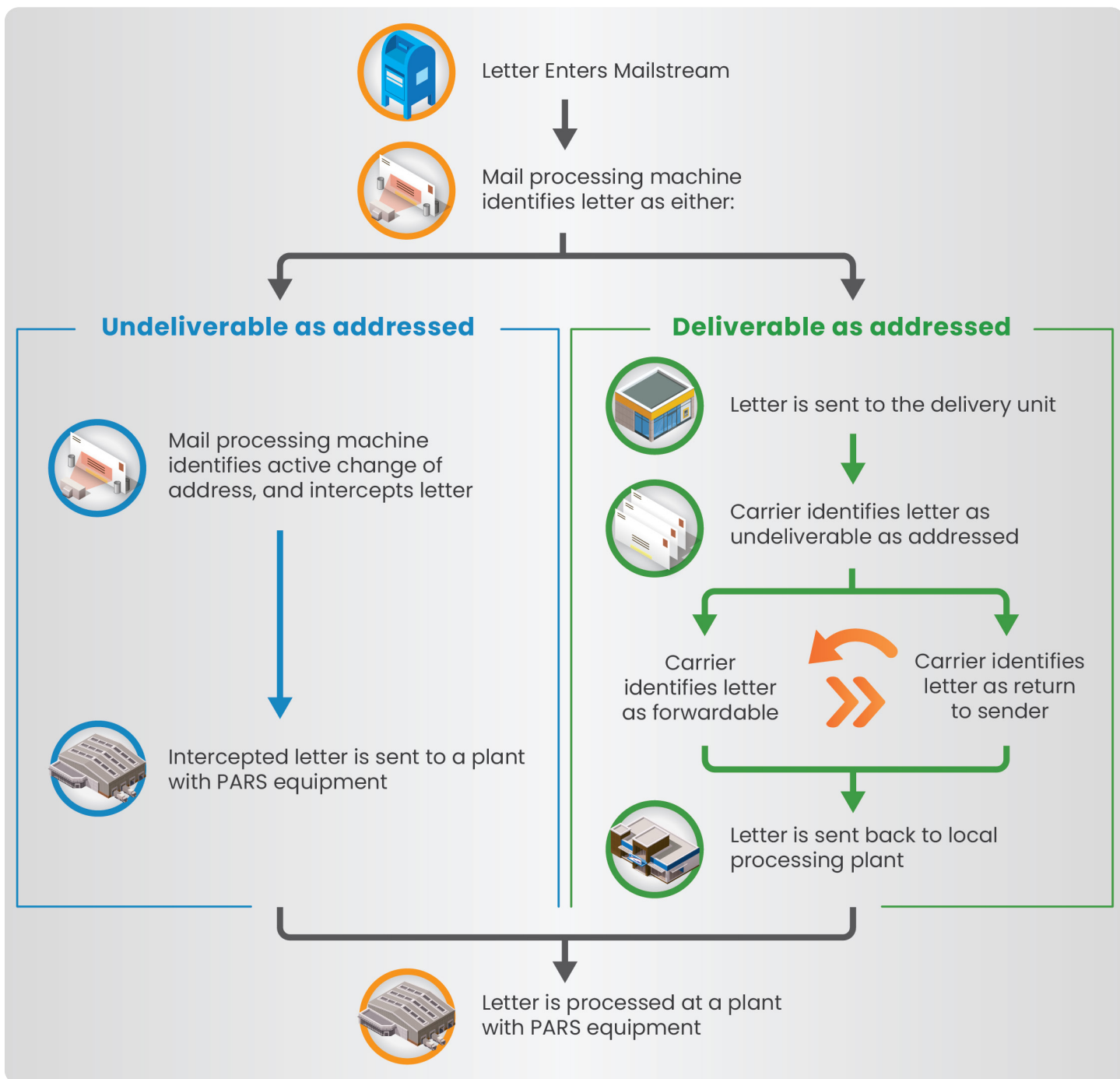
Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Postal Automated Redirection System (PARS) mail (Project Number 25-029). Our objective was to

assess the effectiveness of procedures for processing and handling Postal Automated Redirection System (PARS) mail. See [Appendix A](#) for additional information about this audit.

Figure 1. PARS Mail Cycle



Source: U.S. Postal Service Office of Inspector General (OIG) developed flowchart from Postal Service presentation.

Background

PARS primary role is to process Undeliverable as Addressed (UAA)¹ machinable letter mail. The PARS process determines if the UAA mailpiece is to be forwarded to a new address, returned to the sender, treated as dead² or wasted,³ or be securely destroyed,⁴ and apply a corresponding label to the mailpiece for its correct handling. There are two distinct ways in which machinable letter mail is removed from the mailstream and entered into the PARS process (see Figure 1 above): through automation by mail processing equipment, or through manual removal by a carrier.

1. **Intercept Mail:** Mail identified by automated mail processing equipment early in the mailstream as having a valid Change of Address (COA) on file. A COA is a request to the Postal Service to reroute mail for all or selected individuals at a specified address, and is valid for 18 months unless the customer requests an extension. Once identified, the mailpiece is removed from the mailstream and sent to a processing plant capable of applying a mail forwarding label.

In processing plants, certain mail processing equipment⁵ reads mailpiece addresses and barcodes to identify valid COAs. If a valid COA is found, the mailpiece will be automatically intercepted and redirected to be processed at

a plant with PARS mail processing equipment.⁶ PARS mail processing equipment prints new addresses on yellow forwarding labels and applies them on the mailpieces

“If the customer has an invalid or expired COA, the mailpiece will be delivered as addressed.”

(see Figure 2) to indicate correct handling (e.g., forward, return to sender, etc.). If the customer has an invalid or expired COA, the mailpiece will be delivered as addressed.

Figure 2. Example of PARS Labeling



Source: OIG developed example of PARS labeling.

2. **Carrier Identified UAA:** Mail not successfully intercepted at a processing plant and sent to a delivery unit. When the carrier identifies a mailpiece that cannot be delivered as addressed, they manually classify it as either “Carrier Identified Forward” or “Return to Sender,” then returns it to the processing plant for PARS sortation.
 - **Carrier Identified Forward:** Letter mail that a carrier identifies as having a valid COA.
 - **Return to Sender:** Letter mail that a carrier identifies and separates as undeliverable for various reasons, such as an address being illegible, refusal, no such street, or no mail receptacle.

PARS identifies and redirects forwardable mail during processing, a significant advancement over the previous system⁷ that required the transport of forwardable mail to centralized sites for redirection.

1 UAA mail is all mail that cannot be delivered to the name and address specified on the mailpiece, and must be forwarded, returned to the sender, or properly treated as waste.
2 Mail that cannot be delivered to the intended recipient and cannot be returned to the sender.
3 Mail that should be disposed at delivery units upon identification as UAA.
4 The use of Intelligent Mail barcode technology enables the Postal Service to identify, intercept, and securely shred UAA First-Class letters with personal protected information that would otherwise be returned to the sender.
5 Such as the Delivery Bar Code Sorter and Delivery Barcode Sorter Input/Output Sub-System.
6 Combined Input/Output Sub-System.
7 Before PARS, the COA service required the transport of forwardable mail to Computer Forwarding System (CFS) units for redirection. Now, only non-machinable mail or unreadable PARS rejects are sent to CFS for manual processing.

As PARS technology improved, the centralized sites were consolidated, and in 2007, initial PARS deployment was completed at 283 processing facilities nationwide. That same year, the Postal Regulatory Commission issued statements⁸ about improving PARS service-related issues for forwarded or returned mail, describing the issue as significant. The Postal Regulatory Commission also suggested the Postal Service establish service standards⁹ for forwardable PARS mail.

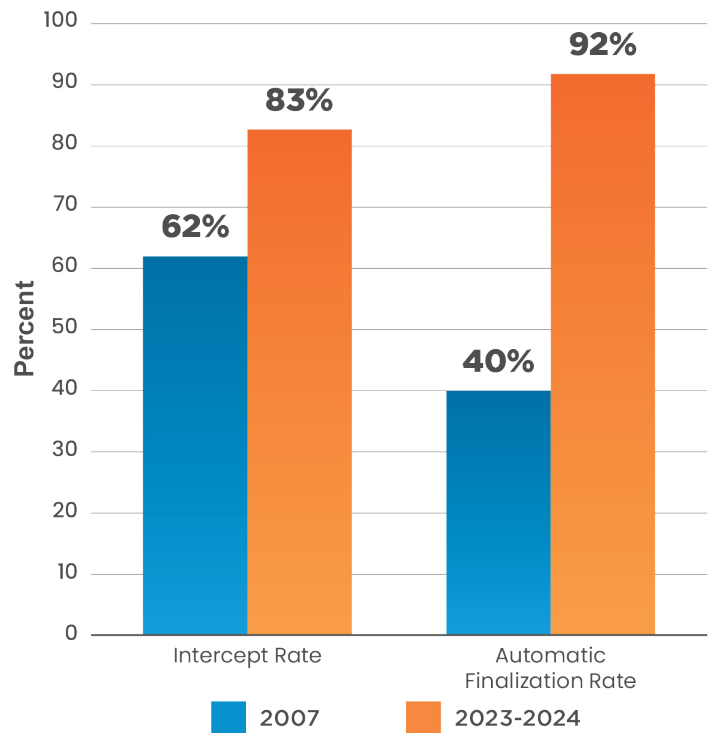
Since the nationwide deployment of PARS in 2007, the Postal Service made improvements in PARS mail processing and handling through continual software updates and upgrades to PARS mail processing machines. One upgrade included the capability for the machines to both read and label UAA mail during the same operation. As a result, in fiscal years (FY) 2023 and 2024, Postal Service mail processing machines successfully intercepted the majority of UAA mail with valid COAs on file and finalized most PARS mail through automation.

Specifically, in FYs 2023 and 2024, 1.6 out of 1.9 billion (about 83 percent) UAA mailpieces with valid COAs on file were successfully intercepted by mail processing machines. Of those mailpieces, over 92 percent were automatically finalized¹⁰ by PARS mail processing machines. This was an improvement from 2007, where the intercept rate was about 62 percent, and the automatic finalization rate was 40 percent (see Figure 3).

Having effective procedures for processing and handling PARS mail, ensures seamless mail delivery, especially for those customers who move and file a COA. With the average American moving 11.7 times in their lifetime, this is crucial in preventing missed bills, delayed

important legal documents, and potential disruptions in communication with service providers, all while maintaining access to necessary information.

Figure 3. PARS Intercept and Finalization Rate Improvements



Source: Docket No. R2006-1, USPS-LR-L-62, *Volumes Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail*, dated March 8, 2008; and Mail Image and Reporting System (MIRS).

“In FYs 2023 and 2024, 1.6 out of 1.9 billion (about 83 percent) UAA mailpieces with valid COAs on file were successfully intercepted by mail processing machines.”

Findings Summary

The Postal Service has yet to create a service standard for PARS mail, despite the 2007 Postal Regulatory Commission recommendation. In addition, improvements still need to be made to the PARS process at delivery units. Specifically, delivery units incorrectly sent over 178 million mailpieces of undeliverable Marketing Mail, which should have been

⁸ Docket PI2007-1, *Comments of the Postal Regulatory Commission on Modern Service Standards for Market Dominant Products*, dated November 19, 2007.

⁹ Service standards are measured by the number of days the Postal Service handles the mail — from point of entry into the Postal Service network to final delivery. The Postal Service establishes service standards as one of its primary operational goals, or benchmarks, against which service performance can be measured.

¹⁰ The percentage of UAA mail successfully forwarded by the PARS mail processing equipment, without the need for human intervention.

disposed of at the delivery unit, back to processing plants. They also improperly returned over 449 million mailpieces without a valid COA back to processing plants – and since no updated address was identified when the mailpiece was run through the PARS sorting equipment, it was cycled back to the same delivery unit. The improper handling of this mail at the delivery units cost the Postal Service about \$17.2 million for undeliverable Marketing Mail, and \$95.5 million for

mail with no valid COA. Without further improvements to delivery unit handling, we forecast an additional \$124.5 million will be incurred in FYs 2025 and 2026. Lastly, the published UAA mail volumes and costing data were inaccurate and outdated. As this data is used by internal and external customers alike, management could be making decisions based on unreliable information.

Finding #1: No PARS Mail Service Standards

PARS mail does not have established service standards and is excluded from Service Performance Measurement (SPM).¹¹ Service standards are important as they are the Postal Service’s primary method for setting customer expectations and providing accountability for quality of service. In 2007,¹² the Postal Regulatory Commission recommended the Postal Service devote resources to develop suitable service standards for PARS mail. In 2009, the Postal Service concluded that it was not feasible to establish service standards under the measurement system in place at the time. They further stated that estimated costs and challenges were compelling barriers to measure forward and return mail service performance. However, in FY 2019, SPM became the official measurement system replacing the prior measurement system. As of January 2025, PARS mail was still excluded from measurement.

“As of January 2025, PARS mail was still excluded from measurement.”

Headquarters management stated they are not legally obligated to establish a service standard for PARS mail. They further explained that there are numerous difficulties within the PARS process, and without performing a cost-benefit analysis, the feasibility of establishing a service standard under SPM is unknown. Headquarters management expressed the following difficulties with the PARS process:

- The processing of carrier identified forwardable mail and return to sender mail includes many factors outside of the Postal Service’s control. For example, a customer may keep mail for an extended period before returning it to the Postal Service to be sent to the correct customer.

- Postal Service data systems used for SPM are not designed to track whether intercept mailpieces are forwardable.
- Mail can be intercepted at feeder¹³ and host¹⁴ sites, which makes it challenging to create a single service standard as each site processes mail differently.

We acknowledge the difficulties that may exist with creating a service standard for certain types of PARS mail. We also understand the data needed to perform service measurement is not currently in SPM; however, the Postal Service can leverage other existing data systems to obtain this information. Further, the Postal Service has opportunities to establish separate service standards for feeder and host sites, to consider the different entry points.

The lack of service standards for PARS mail reduces the accountability and visibility for processing and delivering PARS mail. Without proper accountability of forwarded mailpieces, PARS mail may experience a higher likelihood of loss or delays, adversely impacting customer service. For example:¹⁵

- A PARS feeder site in Charleston, West Virginia, took on average over eight days (200 hours) for intercepted letters to be finalized, despite the nationwide average being about two days (53 hours).
- Carrier identified forwardable mail took over five days (140 hours) on average to return to a processing plant.
- PARS mail takes, on average, at least eight days (203 hours) to deliver. However, there is great variability in service (see [Figure 4](#)). In contrast, non-PARS mail takes an average of about three days to deliver.

¹¹ SPM is used to measure mail from collection to delivery, and to assess the speed and reliability of mail services. SPM is operated by the Postal Service and samples over three million mailpieces in collections, 28 million mailpieces in delivery, and captures the processing time for another 20 billion mailpieces each quarter.

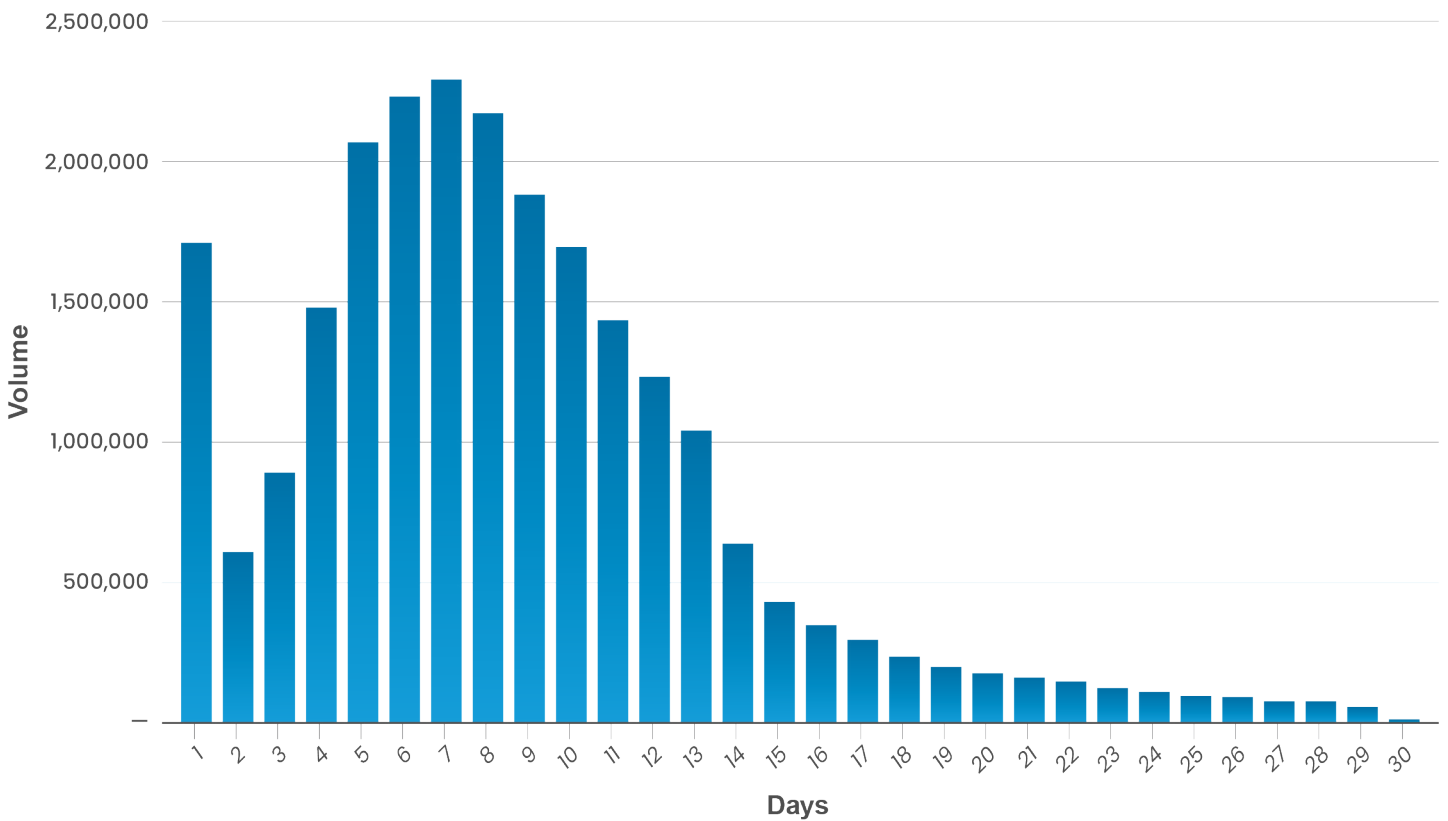
¹² Docket PI2007-1, *Comments of the Postal Regulatory Commission on Modern Service Standards for Market Dominant Products*, dated November 19, 2007.

¹³ Processing facilities without the capability of finalizing PARS mail with a yellow forwarding label. These facilities must send PARS mail to PARS host sites to finalize mail.

¹⁴ Processing facilities capable of finalizing PARS mail with a yellow forwarding label.

¹⁵ Data analysis from December 2024 to January 2025.

Figure 4. Age of PARS Mail in Processing Plants



Source: Mail History Tracking System (MHTS) and OIG analysis.

In two previous audits,¹⁶ we reported instances where PARS mail sat untouched and had not been processed for longer than two months, delaying the delivery of customers’ mail. As the Postal Service implements future changes to the network, clear and dependable service standards and transparent measurement and reporting of how it is achieving those standards are essential for it to deliver on its mission to provide prompt, reliable, and efficient service nationwide.

Recommendation #1

We recommend the **Executive Director, Logistics Modeling and Planning** assess the practicality and value of establishing service standards for Postal Automated Redirection System forwarded intercept mail under Service Performance Measurement.

Recommendation #2

We recommend the **Executive Director, Logistics Modeling and Planning**, based on the results of the assessment completed in recommendation 1, if appropriate, establish service standards for Postal Automated Redirection System forwarded intercept mail.

Postal Service Response

Management agreed with the finding and with recommendation 1 and disagreed with recommendation 2.

Regarding recommendation 1, management stated the Processing, Legal, and Service Performance Measurement teams reviewed and assessed the practicality and value of establishing PARS Intercept service standards and determined it was not valuable to establish service standards for this mail. A summary of

¹⁶ Effectiveness of the New Regional Processing and Distribution Center in Atlanta, GA (Report Number 24-074-R24), dated August 28, 2024, and Election Mail Readiness for the 2024 General Election (Report Number 24-016-R24), dated July 30, 2024.

these findings was shared with the OIG audit team after the completion of our fieldwork. While management provided a target implementation date of April 30, 2025, it also requested closure of this recommendation at final report issuance.

Regarding recommendation 2, management stated it was determined that establishing service standards and a system of measurement for PARS Intercept mail would require a high level of effort, both in time and resources. In addition, establishing service standards would result in little overall benefit as PARS is 0.44 percent of total First-Class Mail. Management also stated there is a PARS cycle time report in Informed Visibility to measure each PARS site cycle time.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 1 and 2. Regarding recommendation 1, management and OIG discussed that the practicality of developing service standards would require high level of effort including creating and filing business rules and establishing a new data system to measure performance. While management disagreed with recommendation 2, this recommendation was based on the results of the assessment completed in recommendation 1. As management assessed and provided evidence reviewed by OIG that establishing these service standards would require a high level of effort for low overall First-Class Mail volume, we consider recommendations 1 and 2 closed with issuance of this report.

Finding #2: Improper Handling of Undeliverable Marketing Mail

The Postal Service incorrectly reprocessed undeliverable Marketing Mail that did not have printed requests for forwarding, return, or address correction services. According to Postal Service policy,¹⁷ undeliverable Marketing Mail should be “wasted” at the delivery unit. It should never be sent back to processing plants and reprocessed as PARS mail. However, in FYs 2023 and 2024, about 178.5 million mailpieces were incorrectly sent from delivery units back to processing plants and reprocessed on PARS mail processing machines (see Table 1).

Table 1. Undeliverable Marketing Mail Incorrectly Reprocessed as PARS Mail

Fiscal Year	Undeliverable Marketing Mail Volume
2023	87,005,368
2024	91,485,590
Total	178,490,958

Source: MIRS.

Headquarters management stated supervisors and carriers did not follow policy¹⁸ for handling that type of mail. Delivery unit supervisors must review undeliverable Marketing Mail daily to identify errors and maximize efficient handling procedures. Headquarters management added new carriers did not receive proper training on how to handle undeliverable Marketing Mail.

Incorrectly sending mail back to the processing plant to be reprocessed as PARS mail incurred additional, unnecessary costs for the Postal Service, such as transportation costs, workhours, and operating costs. In FYs 2023 and 2024, we estimated the Postal Service incurred additional costs of about \$17.2 million. Without addressing these issues, we forecast about \$17.0 million more will be incurred by the Postal Service for FYs 2025 and 2026.

Recommendation #3

We recommend the **Vice President, Retail & Post Office Operation** in coordination with **Vice President, Delivery Operations**, identify, address, and monitor delivery unit supervisors and carriers not following undeliverable Marketing Mail policy.

Recommendation #4

We recommend the **Vice President, Retail & Post Office Operation** in coordination with **Vice President, Delivery Operations**, determine the frequency in which supervisors perform and document reviews of carrier handling and disposal of undeliverable Marketing Mail, and implement accordingly.

Recommendation #5

We recommend the **Vice President, Delivery Operations**, require all new carriers to receive formal training on the proper identification and disposal of undeliverable Marketing Mail, and track compliance.

Postal Service Response

Management agreed with the finding and recommendations 3, 4, and 5.

Regarding recommendation 3, management stated it will provide additional refresher training to ensure delivery unit supervisors and carriers comply with undeliverable Marketing Mail policy. The target implementation date is October 31, 2025.

Regarding recommendation 4, management stated that prior to disposal, it will ensure supervisors perform reviews and document compliance with the handling of undeliverable Marketing Mail. The target implementation date is October 31, 2025.

¹⁷ PARS/FPARS Waste Mail Policy and Procedures, dated March 12, 2018.

¹⁸ Postal Service Handbook M-39, *Management of Delivery Services*, dated June 2019.

Regarding recommendation 5, management stated carriers receive formal training on the proper identification of undeliverable Marketing Mail. While management provided a target implementation date of June 30, 2025, it also requested closure of this recommendation at final report issuance.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 3, 4, and 5. Corrective actions listed for recommendation 3 and 4 should resolve the issues identified in the report. Based on our review of the documentation submitted as evidence that new carriers receive formal training for undeliverable Marketing Mail, we consider recommendation 5 closed with issuance of this report.

Finding #3: Carriers Not Validating Change of Address for Identified Forwardable Mailpieces

When carriers identify mail as forwardable but do not verify or complete COAs for the forwardable mail, the mailpieces are reprocessed as PARS mail. However, since the PARS machines will be unable to process this mail, it is classified as no record mail (NRM), or mail that was identified by a carrier to be forwarded and sent to the plant for processing, but did not have a valid COA on file. The Postal Service exceeded its nationwide threshold of 11 percent¹⁹ for NRM. Specifically, in FYs 2023 and 2024, 57.7 and 63.2 percent of mail identified by a carrier to be forwarded, respectively, did not have a valid COA and was classified as NRM (see Table 2). This resulted in mail being sent for PARS processing then sent back to the same carrier for delivery.

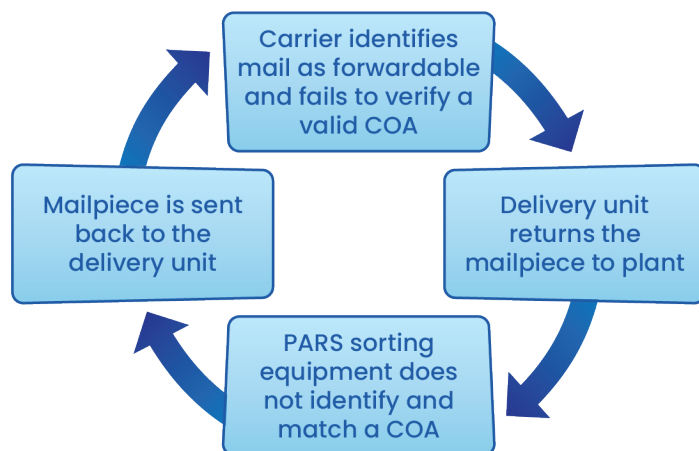
NRM could occur due to mail processing errors during PARS operations. For example, mail that a carrier identifies and separates as undeliverable for various reasons, such as an address being illegible or no mail receptacle could be incorrectly processed as forwardable. However, according to Headquarters management, NRM occurred primarily due to a carrier misidentifying and mishandling mail. This could include a carrier sending mail back to the plant for PARS processing when:

- The COA order had expired, or when no valid COA order was on file. According to Postal Service guidance,²⁰ when a carrier identifies a mailpiece as UAA, they must determine if a valid COA is on file before sending it for PARS processing.

- A COA should be completed but is not. According to Postal Service guidance,²¹ if a COA is not received from the customer after 10 days, the carrier must complete a COA to indicate that the customer has moved and left no forwarding address. This mail is then returned to sender or processed for proper disposal.
- A mailpiece is actually deliverable to the address or should be returned to sender.

However, since no updated address is identified when the mailpiece is run through the PARS process again, it is returned to the same delivery unit. This cycle causes mail to be delayed by, on average, almost six days (138 hours)²² (see Figure 5).

Figure 5. NRM Cycle



Source: OIG developed flowchart from USPS-LR-L-61, *Christiansen Associates Study of Undeliverable-As-Addressed Mail and Personal-Knowledge-Required Mail*, dated FY 2004.

Table 2. Carrier Identified Forwardable Mail and NRM Volumes

Fiscal Year	Carrier Identified Forwardable Mailpieces	NRM Volume	Percent Classified as NRM	NRM Volume Above 11% Threshold
2023	380,784,064	219,670,098	57.7%	177,783,851
2024	363,656,501	229,641,083	63.2%	189,638,868
Total	744,440,565	449,311,181	60.4%	367,422,719

Source: MIRS and OIG calculation.

¹⁹ Target threshold for NRM provided in MIRS.

²⁰ Handbook M-41, *City Carrier Duties and Responsibilities*, dated June 2019.

²¹ Handbook M-39, *Management of Delivery Services*, dated June 2019.

²² Data analysis from December 2024 to January 2025.

When a mailpiece is stuck in the NRM cycle, but should be returned to sender, the sender is unaware that their mailpiece has not been delivered, and may not receive the mailpiece back timely.

As a result of the Postal Service significantly exceeding the 11 percent targeted threshold for NRM, the Postal Service incurred additional costs (including transportation, processing, and handling costs) of about \$95.5 million for FYs 2023 and 2024. Without addressing these issues, we forecast the Postal Service will incur an additional \$107.4 million for FYs 2025 and 2026 in costs for carrier identified forwardable mail without COAs.

Recommendation #6

We recommend the **Vice President, Retail & Post Office Operation** in coordination with **Vice President, Delivery Operations**, identify, address, and monitor delivery units with elevated rates of No Record Mail to achieve the nationwide target.

Recommendation #7

We recommend the **Vice President, Retail & Post Office Operation** in coordination with **Vice President, Delivery Operations**, determine the frequency in which supervisors perform and document reviews on proper handling of Carrier Identified Forward mail and verification of Change of Address forms, and implement accordingly.

Postal Service Response

Management disagreed with the finding and the monetary impact but agreed with recommendations 6 and 7. Management stated there are many uncontrollable variables that influence NRM, and the finding appears to conclude that all NRM volume is identified by the carrier.

Regarding recommendation 6, management stated it uses available dashboard information to monitor delivery units with elevated rates of

NRM pieces and, based on that information, will instruct and certify that all delivery units are aware of the proper steps to reduce NRM. The target implementation date is January 31, 2026.

Regarding recommendation 7, management stated carriers are responsible for adhering to their handbooks and manuals with respect to forwarding mail and COAs. Additionally, supervisors are responsible for periodic reviews and enforcing adherence. The target implementation date is January 31, 2026.

Regarding the monetary impact, management stated there are many uncontrollable variables that influence NRM. Additionally, it stated the finding appears to conclude that all NRM volume is identified by the carrier.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 6 and 7, as corrective actions should resolve the issues identified in the report.

Regarding finding 3, the OIG did not attribute all NRM to carrier error. However, during our audit we found that the vast majority of NRM errors were due to carrier error.

Regarding the monetary impact, the OIG used our standard regression model methodology to forecast NRM. We reviewed NRM data from FY 2021 through FY 2024, and the data confirmed an annual increase of approximately 5 percent. This supports our projection of NRM percentage for FYs 2025 and 2026. Further, the OIG considered the Postal Service's uncontrollable variables and its determined threshold of 11 percent for errors, and did not include that 11 percent in the monetary impact. Improper addressing of mail or inaccurate COAs, while a valid reason for a mailpiece not to be intercepted, are not valid reasons for NRM.

Finding #4: Inaccurate Reporting of PARS Mail Data

The Postal Service reported inaccurate and outdated PARS data on PostalPro, a Postal Service website designed to improve communication and promote transparency among internal and external stakeholders. Specifically, certain data sets, such as the UAA volume tables, have been inaccurate since 2006. As indicated in Postal Service’s Data Governance Policy,²³ accurate and timely data are key for business success, and to maintain the trust of customers and stakeholders.

Headquarters management was unaware of the OIG-identified inaccuracies in the PostalPro UAA data, including significant differences in the volume of intercept mail manually finalized, NRM mail volume, and costs to process UAA mail. For example, if NRM volumes were accurately reported on the PostalPro website, the overall processing cost would change from about \$8.7 million to \$85.3 million, an almost 885 percent increase. Postal Service Headquarters management confirmed OIG-identified inaccuracies, which show the cost and volume data of subclasses of UAA mail would change significantly if updates were made (see Table 3).

Headquarters management was unaware of these inaccuracies because they did not periodically review cost and volume data, to ensure the UAA data was free of error. In addition, Headquarters management stated PostalPro UAA data is populated by a third-party contractor using a proprietary model from 2006. However, PARS operations have changed since 2006, and the Postal Service now maintains automated data systems for PARS mail finalization and NRM rates, as these systems provide more accurate mailpiece counts. The PostalPro UAA data model has not accounted for these changes in PARS.

As a result of not verifying the accuracy and reliability of PostalPro UAA data, the Postal Service is liable to unknowingly affect management decisions, adversely affect regulatory reporting, and possibly mislead internal and external stakeholders. For example, the National Customer Support Center²⁴ used PostalPro UAA data to determine the return-on-investment of various initiatives. The National Customer Support Center stated they assumed PostalPro data was accurate and reliable. This data has also been used in numerous Postal Regulatory Commission filings²⁵ and is used in the Annual Compliance Report.²⁶

Table 3. PostalPro Volume and Cost Inaccuracies

FY 2024 Data	Manually Finalized Intercept Mail Volume	Manually Finalized Intercept Mail Cost	NRM Volume	NRM Cost	Intercepted COA Mail Forwarded Cost	Intercepted Non-Forwardable Waste Cost
	(in millions)				(cost per mailpiece)	
PostalPro	613.5	\$45.7	23.3	\$8.7	\$0.29	\$0.13
Identified Discrepancy*	102.2	\$7.6	229.6	\$85.3	\$0.24	\$0.08
Difference	(511.2)**	(\$38.1)	206.4**	\$76.6	(\$0.05)	(\$0.06)**
	(83%)		885%		(17%)	(42%)

Source: FY 2024 PostalPro UAA Data and Postal Service Headquarters management.

Notes: *Headquarters management confirmed OIG-identified inaccuracies for FY 2024 through a sensitivity analysis.

***Difference amounts presented may be off due to rounding.

²³ Data Governance Policy, dated December 2024.

²⁴ The National Customer Support Center works closely with the mailing industry, vendors, and internal postal customers to improve address quality.

²⁵ Docket No. R2006-1, USPS-LR-L-62, *Volumes Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail*, dated March 8, 2008; Docket No. ACR2024, *FY 2024 Annual Compliance Report*, dated January 10, 2025, and FY 2024 ACR Schedule, Resp Quarter 2, dated January 15, 2024.

²⁶ The Postal Service files an Annual Compliance Report on the costs, revenues, rates, and quality of service associated with its products.

Recommendation #8

We recommend the **Vice President, Pricing and Costing**, perform a root cause analysis on the inaccuracy of the PostalPro Undeliverable-as-Addressed data.

Recommendation #9

We recommend the **Vice President, Pricing and Costing**, revise Undeliverable-as-Addressed data shared to PostalPro in fiscal years 2023 and 2024 to ensure it is accurate and reliable.

Recommendation #10

We recommend the **Vice President, Pricing and Costing**, at a minimum, conduct annual reviews of cost and volume inputs for the PostalPro Undeliverable-as-Addressed data model to verify they are accurate and up-to-date.

Recommendation #11

We recommend the **Vice President, Pricing and Costing**, collaborate with the National Customer Support Center to identify primary customers of PostalPro Undeliverable-as-Addressed data, evaluate the impact of inaccuracies on customers, and make necessary corrections.

Postal Service Response

Management disagreed with finding 4 but agreed with recommendations 8, 9, 10, and 11.

Regarding finding 4, management stated that one of over 122 tables on its PostalPro website had not been formatted correctly since 2006. However, the data in that table has no impact on the unit cost estimates in other tables. Further, management stated it conducted a sensitivity analysis, which showed that updating the parameters would only have an overall 3 percent impact on total costs in FY 2024.

Regarding recommendation 8, management stated it will work with the Postal Service's support teams that oversee MIRS and other data systems to determine what additional modeling parameters and controls can be used to update

the model that produces the UAA tables posted on PostalPro. The target implementation date is August 31, 2025.

Regarding recommendation 9 — following the data review identified in recommendation 8 — management stated it will revise the UAA data tables, as needed, post the data on PostalPro for FYs 2023 and 2024, and broadcast an Industry Alert that describes those revisions. The target implementation date is October 31, 2025.

Regarding recommendation 10, management stated it will create a verification checklist to accompany the data that will indicate the updated inputs and their sources and be incorporated into the Annual Compliance Report production schedule. The target implementation date is December 31, 2025.

Regarding recommendation 11, management stated it will meet with National Customer Support Center personnel to better understand the uses of UAA. The target implementation date is August 31, 2025.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 8, 9, 10, and 11, as corrective actions should resolve the issues identified in the report.

Regarding finding 4, Postal Service management admitted the PostalPro data was inaccurate. Although management stated only one of the 122 tables was formatted incorrectly, that one table was the main data summary provided to the Postal Regulatory Commission.

Regarding management's sensitivity analysis, although total impact may be 3 percent, the subsets of this data are incorrect by a far wider margin and partially offset. For example, as illustrated in Table 3, the inaccuracies in the NRM volume and cost totals an 885 percent difference. Users of this data rely on the accuracy of the costs for all subclasses of UAA mail.

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Appendix A: Additional Information

Scope and Methodology

Our objective was to assess the effectiveness of procedures for processing and handling PARS mail from FY 2023 to FY 2024.

To accomplish our objective, we:

- Interviewed Postal Service Headquarters personnel to better understand PARS processes and procedures and its exclusion from service performance measurement.
- Observed PARS processes at the Harrisburg, PA, Processing and Distribution Center and interviewed a subject matter expert to obtain an initial understanding of PARS.
- Identified, obtained, and analyzed PARS data within MIRS; Informed Visibility (IV); MHTS; and UAA Mail Statistics | PostalPro.
- Reviewed Postal Service policies, procedures, related documents and tools to identify guidance, and systems used to monitor PARS.
- Obtained and analyzed NRM volumes and costs and compared the percentage of NRM to Postal Service goals.
- Obtained and analyzed undeliverable Marketing Mail incorrectly routed to PARS from delivery units.
- Obtained and analyzed PARS cycle time metrics.
- Obtained and analyzed PARS intercept rate and automatic finalization rate.

We conducted this performance audit from November 2024 through April 2025 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings

and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 17, 2025, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the PARS internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the system and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following five components were significant to our audit objective:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information and Communication; and
- Monitoring.

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

We assessed the reliability of PARS data obtained through the MIRS, IV, MHTS, and the PostalPro website. We also conducted interviews to obtain additional clarification on the data. We determined MIRS, IV, and MHTS data were sufficiently reliable for the purposes of this report. However, we found PostalPro data was not sufficiently reliable. Specifically, inaccuracies in PostalPro data, such as the volume of intercept mail manually finalized, NRM mail volume, and costs to process UAA mail, were identified during the audit and could not be used as a basis for drawing reliable conclusions. We addressed this issue in *"Finding #4: Inaccurate Reporting of PARS Mail Data"* of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years.

Appendix B: Management's Comments



April 4, 2025

VICTORIA SMITH
ACTING DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Postal Automated Redirection System (25-029-DRAFT)*

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Postal Automated Redirection System (PARS)*.

Finding #1: Finding #1: No PARS Mail Service Standards

PARS mail does not have established service standards and is excluded from Service Performance Measurement (SPM). Management agrees with this finding.

Finding #2: Improper Handling of Undeliverable Marketing Mail

Management generally agrees with this finding. The OIG stated that the Postal Service incorrectly reprocessed undeliverable marketing mail that did not have printed requests for forwarding, return, or address correction services. According to Postal Service policy, undeliverable marketing mail should be "wasted" at the delivery unit. It should never be sent back to processing plants and reprocessed as PARS mail. While Undeliverable Bulk Business Mail (UBBM) should not be processed with the PARS mail, some RDC receive UBBM mail with Placard 97 - as not all mail is wasted locally.

Finding #3: Carriers Not Validating Change of Address for Identified Forwardable Mail pieces.

When carriers identify mail as forwardable but do not verify or complete COAs for the forwardable mail, the mail pieces are reprocessed as PARS mail.

Management Disagrees: There are many uncontrollable variables that influence NRM, such as customer error (spelling errors, transposing of numbers, invalid address formats or other), misdirection of volumes, and mailer improper addressing along with mail piece hygiene. This finding appears to conclude that all No Record Mail (NRM) volume is identified by the carrier - which is not the case for the reasons mentioned above.

Finding #4: Inaccurate Reporting of PARS Mail Data

The Postal Service reported inaccurate and outdated PARS data on PostalPro. Management disagrees with this finding. Management concedes that one of over 122 tables had not been formatted correctly since 2006. However, the data in that table have no impact on the unit cost estimates in other tables.

Management acknowledges that data sources may exist that could improve the Undeliverable as Addressed (UAA) cost model posted on Postal Pro. Management believes new data sources need to be thoroughly vetted and understood before incorporating them into cost models.

Moreover, Management wants to clarify that Mail Image Reporting Systems (MIRS) annual national control totals by class are used to update the PostalPro UAA tables, a process that has been in place since 2009. The OIG was informed of these national controls but failed to mention this process in the report. Therefore, the OIG statement that the Postal Service reported inaccurate and outdated PARS data is specifically referring to a subset of MIRS data used for modeling parameters and controls, namely the Advanced Forwarding Reader (AFR) finalization rate and the NRM volume control total.

Management conducted a sensitivity analysis, which was shared with the OIG but not mentioned in the report, to determine the net cost impact of using an updated AFR finalization rate and NRM control total. This analysis demonstrated that these data updates would have reduced the model's total cost by less than 3 percent in FY 2024.

In sum, Management believes that this OIG finding is greatly overstated. Management's view is buttressed by both the use of MIRS national control totals and the results of its sensitivity analysis. Management is puzzled that its efforts to explain and defend the current data inputs in its UAA model were not mentioned in the report.

**Monetary Impact:
Management Disagrees**

The OIG admittedly used a faulty linear analysis to project NRM volumes for 2025/2026. Their trajectory path artificially inflated the total volume for future years in scope and could have possibly overstated projections by more than \$14.2M. In addition to the faulty projections, the OIG likewise failed to factor in uncontrollable variables that certainly could also have influenced NRM volumes such as improper addressing of mail and faulty completion of Change of Address Forms (COA) by customers and mail piece hygiene.

Following are our comments on each of the eleven recommendations.

Recommendation 1: We recommend the Executive Director, Logistics Modeling and Planning assess the practicality and value of establishing service standards for Postal Automated Redirection System forwarded intercept mail under Service Performance Measurement.

Management Response/Action Plan:
Management **agrees** with this recommendation.

PARS delays and on-hand volumes are reported every day, from all sites, in the Mail Condition Visualization report. There is also a PARS cycle time report in Informed Visibility (IV) to measure each PARS site cycle times. However, Logistics Modeling and Planning collaborated with the Processing, Legal, and Service Performance Measurement teams to review and assess the practicality and value of establishing PARS Intercept service standards. A summary of our findings was shared with the OIG audit team at the exit meeting, and the OIG audit team stated that the summary sufficiently addressed the recommendations. Management requests, therefore, closure of this recommendation with the issuance of the final report.

Target Implementation Date: 04/30/2025

Responsible Official: Executive Director, Logistics Modeling and Planning

Recommendation 2: We recommend the Executive Director, Logistics Modeling and Planning, based on the results of the assessment completed in recommendation 1, if appropriate, establish service standards for Postal Automated Redirection System forwarded intercept mail.

Management Response/Action Plan:

Management **disagrees** with this recommendation.

The assessment from Recommendation 1 determined that pursuing a process to establish service standards and a system of measurement for PARS Intercept mail would require a high level of effort, both in time and resources, for little overall benefit for the organization. PARS Intercept First-Class Mail (FCM) is 0.44% of total FCM. The Postal Service currently has adequate metrics in place to measure performance of PARS processes. PARS delays and on-hand volumes are reported every day, from all sites, in the Mail Condition Visualization (MCV) report. There is also a PARS cycle time report in Informed Visibility (IV) to measure each PARS site cycle times. Management, therefore, disagrees with the need for this recommendation and requests closure of this recommendation with the issuance of the final report.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 3: We recommend the Vice President, Retail & Post Office Operations, in coordination with Vice President, Delivery Operations, identify, address, and monitor delivery unit supervisors and carriers not following Undeliverable Marketing Mail policy.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management will provide additional refresher training to ensure compliance with policies.

Target Implementation Date: 10/31/2025

Responsible Official: Vice President Delivery Operations

Recommendation 4: We recommend the Vice President, Retail & Post Office Operations, in coordination with Vice President, Delivery Operations, determine the frequency in which supervisors perform and document reviews of carrier handling and disposal of Undeliverable Marketing Mail, and implement accordingly.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management will ensure supervisors perform reviews and document compliance with the handling of Undeliverable Marketing Mail, prior to its disposal.

Target Implementation Date: 10/31/2025

Responsible Official: Vice President Delivery Operations

Recommendation 5: We recommend the Vice President, Delivery Operations, require all new carriers to receive formal training on the proper identification and disposal of Undeliverable Marketing Mail, and track compliance.

Management Response/Action Plan:

Management **agrees** with this recommendation.

As part of required On the Job Instruction (OJI) Training, carriers receive formal training on the proper identification of Undeliverable Marketing Mail. Management requests closure of this recommendation.

Target Implementation Date: 06/30/2025

Responsible Official: Vice President Delivery Operations

Recommendation 6: We recommend the Vice President, Retail & Post Office Operations, in coordination with Vice President, Delivery Operations, identify, address, and monitor delivery units with elevated rates of No Record Mail to achieve the nationwide target.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management utilizes Dashboard information available from Function 1 to monitor units with elevated rates of NRM pieces. We will instruct and certify that all DDU and Delivery Units are aware of the proper steps to reduce NRM.

Target Implementation Date: 1/31/2026

Responsible Official: Vice President Delivery Operations and Vice President Retail & Post Office Operations

Recommendation 7: We recommend the Vice President, Retail & Post Office Operations, in coordination with Vice President, Delivery Operations, determine the frequency in which supervisors perform and *document* reviews on proper handling of Carrier Identified Forward mail and verification of Change of Address forms, and implement accordingly.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management contends Carriers are responsible for adhering to their handbooks and manuals with respect to forwarding mail and COAs. Supervisors are responsible for periodic reviews and enforcing adherence.

Target Implementation Date: 1/31/2026

Responsible Official: Vice President Delivery Operations and Vice President Retail & Post Office Operations

Recommendation 8: We recommend the Vice President, Pricing and Costing, perform a root cause analysis on the inaccuracy of the PostalPro Undeliverable-as-Addressed data.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management will work with the Postal Service's support teams that oversee MIRS and other data systems to determine what additional modeling parameters and control totals can be used to update the model that produces the UAA tables posted on PostalPro.

Target Implementation Date: 8/31/2025

Responsible Official:
Director, Cost Attribution

Recommendation 9: We recommend the Vice President, Pricing and Costing, revise all Undeliverable-as-Addressed data shared to PostalPro in fiscal years 2023 and 2024 to ensure it is accurate and reliable.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Following the data review from Recommendation 8, Management will revise the UAA data tables, as needed, posted on PostalPro for FY 2023 and FY 2024 and will broadcast an Industry Alert that describes those revisions.

Target Implementation Date: 10/31/2025

Responsible Official:
Director, Cost Attribution

Recommendation 10: We recommend the Vice President, Pricing and Costing, at a minimum, conduct annual reviews of cost and volume inputs for the PostalPro UAA data model to verify they are accurate and up-to-date.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management will create a verification checklist to accompany the model that produces the data in the PostalPro UAA tables. The checklist will indicate the updated inputs and their sources. This checklist will be incorporated into the ACR production schedule.

Target Implementation Date: 12/31/2025

Responsible Official:

Director, Cost Attribution

Recommendation 11: We recommend the Vice President, Pricing and Costing, collaborate with the National Customer Support Center to identify primary customers of PostalPro UAA data, evaluate the impact of inaccuracies on customers, and make necessary corrections.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management will meet with NCSC personnel to better understand the uses of UAA data.

Target Implementation Date: 8/31/2025

Responsible Official:

Director, Cost Attribution

E-SIGNED by STEPHEN B HAGENSTEIN
on 2025-04-04 13:03:08 EDT

Stephen B. Hagenstein
EXECUTIVE DIRECTOR, LOGISTICS MODELING AND PLANNING
E-SIGNED by JOHN.S MORGAN
on 2025-04-04 14:14:39 EDT

John S. Morgan
VICE PRESIDENT, DELIVERY OPERATIONS
E-SIGNED by ANTHONY.A IMPRONGO
on 2025-04-04 11:12:04 EDT

for Jennifer Vo

Jennifer Vo
VICE PRESIDENT, RETAIL AND POST OFFICE OPERATIONS
E-SIGNED by Sharon Owens
on 2025-04-04 13:49:00 EDT

Sharon D. Owens
VICE PRESIDENT, PRICING AND COSTING

cc: *Corporate Audit & Response Management*

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UNITED STATES



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1735 North Lynn Street, Arlington, VA 22209-2020

(703) 248-2100

For media inquiries, please email press@uspsig.gov or call (703) 248-2100