OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

New York International Service Center – International Air Mail Records Unit

Audit Report

December 19, 2011

Report Number FT-AR-12-006

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

December 19, 2011

New York International Service Center – International Air Mail Records Unit

Report Number FT-AR-12-006

IMPACT ON:

International mail records processed at the New York International Air Mail Records Unit (records unit).

WHY THE OIG DID THE AUDIT:

Our objective was to determine whether the records unit at the New York International Service Center processed inbound international mail transactions timely and accurately so that bills to foreign postal administrations are correct and timely.

WHAT THE OIG FOUND:

The New York records unit processed international mail transactions to ensure the U.S. Postal Service billed foreign postal administrations timely. However, management did not always perform a complete review of the System for International Revenue and Volume Inbound (SIRVI) test data. Also, the Global Business System (GBS) was not configured to log a user off the network after a predetermined period of inactivity. In addition, the GBS did not reject the manual entry of the same receptacle multiple times.

WHAT THE OIG RECOMMENDED:

We recommended the Statistical Programs manager update the current policy and clearly document the process used to review SIRVI test data. We also recommended the executive director, International Operations, direct GBS management to activate the time-out feature and lock the user session after a designated period of inactivity.

WHAT MANAGEMENT SAID:

Management agreed with our findings and recommendations. They stated Statistical Program Letter Number 2, Fiscal Year 2012, and related training scheduled for December 2011, will include an update to the SIRVI policy. They also plan to activate the GBS time out feature to lock the user session after a designated period of inactivity and prevent the acceptance of manually entered duplicates into the Receipt System by February 2012.

AUDITORS' COMMENTS:

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

Link to review the entire report

December 19, 2011

MEMORANDUM FOR: BRENT A. RANEY
EXECUTIVE DIRECTOR, INTERNATIONAL OPERATIONS

RON POLAND
MANAGER, STATISTICAL PROGRAMS

FROM: John E. Cihota
Deputy Assistant Inspector General
 for Financial Accountability

SUBJECT: Audit Report – New York International Service
Center – International Air Mail Records Unit
(Report Number FT-AR-12-006)

This report presents the results of our audit of the New York International Service
Center – International Air Mail Records Unit (Project Number 11BM002FT003).

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

Attachments

cc: Joseph Corbett
      Steven R. Phelps
      Richard N. Bates
      Charles F. Conti
      Corporate Audit and Response Management

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Introduction

This report presents issues pertaining to inbound international mail at the New York International Service Center (ISC) – International Airmail Records Unit (records unit) (Project Number 11BM002FT003). We identified these issues during our audit of the fiscal year (FY) 2011 U.S. Postal Service Financial Statements – St. Louis Information Technology and Accounting Service Center (Project 11BM002FT001). The objective was to determine whether the records unit processes inbound international mail transactions timely and accurately to ensure the St. Louis International Accounting Branch (accounting branch) can correctly and timely bill the foreign postal administrations.[1] This audit was self-initiated and addresses financial risk. See Appendix A for additional information about this audit.

Inbound international mail or dispatch is foreign-originating mail destined for delivery in the U.S. Foreign postal administrations pay the Postal Service for sorting, dispatching, and delivering inbound international mail at the ISCs. The Postal Service developed the Global Business System (GBS) to assist in streamlining international mail processing, which is comprised of the Receipt System, Dispatch System, and International Reconciliation System.[2] The International Reconciliation System assesses all records based on a set of validation rules and assigns a validation status — pass or fail — to each record. One reason records may fail initial validation status is that scanned data from the Receipt System does not agree with electronic data interface (EDI)[3] data received from the foreign postal administrations. When this occurs, records unit clerks are required to resolve the failed record. Specifically, they must update International Reconciliation System records with the most reliable data source within established timeframes to complete the validation process. Clerks sometimes use verification notes[4] and manifests[5] as tools in this process.

Foreign postal administrations pay terminal dues[6] to the Postal Service to deliver mail to its final U.S. destination. Data from the System for International Revenue and Volume Inbound (SIRVI)[7] is used to calculate inbound terminal dues. The data also support regulatory requirements for revenue, pieces, and weight reporting, as well as cost analysis.

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[1] Posts outside the U.S. that send and receive mail.

[2] The Receipt System captures the initial scan of international mail at the inbound receiving terminals. The Dispatch System captures the scan of outbound mail. The International Reconciliation System aids in tracking international mail records, identifying issues, and reconciling discrepancies.

[3] Foreign postal administrations can provide EDI data to the Postal Service before mail arrives at the ISCs. EDI contains dispatch information, including dispatch date, and is pre-populated into the Receipt System. When the receiving unit clerk scans the 29-character barcode upon arrival at the ISC, the scan retrieves the EDI data and matches it with the receiving unit data.

[4] These notes are formal messages between postal administrations that relay information regarding the exchange of mail, in particular irregularities in the preparation, dispatch, and receipt of mail.

[5] A document used to detail the inbound mail dispatches carried by third parties for delivery through the Postal Service network.

[6] Payment from foreign postal administrations to the Postal Service for a portion of the costs incurred to support, transport, and deliver foreign mail to its final U.S. address.

[7] SIRVI is one of the data collection systems for international mail that captures pieces and weights from foreign origin mail entering the U.S.

Conclusion

The New York records unit processed international mail transactions to ensure the St. Louis accounting branch billed foreign postal administrations timely. However, management did not always completely review SIRVI test data. Also, personnel did not configure the GBS to log a user off the network after a predetermined period of inactivity. In addition, the GBS did not reject manual entry of the same receptacle multiple times.

SIRVI Test Review

Management did not always perform a complete review of SIRVI test data at the ISCs. A complete review consists of evaluating the overall test summary and each test in the receptacle summary for accuracy. We observed one reviewer unable to perform the complete SIRVI test review. This occurred because the policy used to review SIRVI test data was not current and did not clearly document the process needed to perform the review. The Postal Service has identified the review as a key control in financial reporting. An effective management control system includes policies, procedures, and practices that ensure management can achieve their objectives. SIRVI test data that is fully reviewed improves the reporting of accurate country-specific volume estimates, which contributes to the correct billing, recording, and collection of terminal dues.

The SIRVI policy[8] outlines the rules a reviewer must follow to ensure the accuracy and consistency of data collection. However, reviewers were unable to perform a complete review of SIRVI test data when following the policy. For example:

- The reviewer was unaware of how to ensure the number of content pieces were consistent with the given receptacle type and weight because the policy did not clarify how to ensure consistency.

- The reviewer was unaware of how to compare the dispatch number to the receptacle number in GBS, and the policy did not clarify how to complete the comparison.

Data collection is the cornerstone on which vital international statistics are based. Quality data and, ultimately, the ability to make accurate revenue and volume estimations depend on proper data collection techniques. It is important that reviewers perform a complete review of test data the same way, no matter who performs the test. Without policies that provide clear and updated instructions, management cannot ensure SIRVI test data are reviewed accurately and consistently to meet established standards. In addition, management can use clearly documented policies and procedures as a training tool for persons designated to perform the review.

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[8] Computerized Onsite Data Entry System (CODES) Web Base Unit Review Policy for SIRVI, dated, June 2005.

GBS Timeout Requirement

The GBS did not lock user sessions after the designated period of inactivity. We found the system appeared locked but users could access screens used in previous sessions without re-entering a password by using the browser's back button. According to policy, Postal Service information technology resources are required to timeout after a maximum of 30 minutes.[9] Employees use the system to enter, edit, and delete dispatch information, which directly affects international revenue, expenses, receivables, and payables. As a result, there is an increased risk that an unauthorized individual could enter erroneous data or delete dispatch information from the system. Management planned to update GBS in October 2011, but due to the need for an extended testing and validation period, the update was rescheduled for February 2012.

Receipt System Manual Entries

The Receipt System is capable of providing the record unit with incorrect receptacle data.[10] This data can be used to bill foreign postal administrations for the delivery of mail when supporting documentation or EDI is not available. Normally, a clerk scans a 29-character barcode[11] located on every mail receptacle into the Receipt System to capture the data needed to bill foreign postal administrations. During the scanning process, programming logic prevents the acceptance of duplicate entries. However, if the 29-character barcode is missing or the existing barcode is unrecognizable by the scanning equipment, ISC clerks physically weigh the receptacle and then manually enter the information. Once a clerk manually enters the characteristics into the system, the system creates a unique interim 21-character barcode.[12] It is possible for the characteristics of a receptacle to be re-entered in the system multiple times, creating a unique 21-character barcode with each entry. The creation of a different 21-character barcode for the same receptacle makes identification of duplicate receptacles difficult.

Application programmers have not configured the system to reject receptacles[13] manually entered multiple times. A key Sarbanes-Oxley (SOX) control[14] requires that management configure the Receipt System to prevent the duplicate entry of inbound mail into the system within a 15-day period. Data incorrectly entered into the system multiple times may result in the overbilling of foreign postal administrations.

Management plans to take corrective action in February 2012 to prevent the acceptance of manually entered duplicates into the Receipt System; therefore, we are not making a recommendation at this time. We plan to monitor the progress of the application

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[9] Handbook AS-805, *Information Security*, Section 9-7.9.3 Time-out Requirements (Re-Authentication).

[10] Mail receptacle data makes up the 29-character barcode.

[11] Foreign postal administrations place a label containing a 29-character barcode on each receptacle. This barcode captures the characteristics of a receptacle such as origin country code, destination country code, destination city, mail category, dispatch number, receptacle number, and receptacle weight, which the Postal Service uses to determine the cost associated with delivering foreign mail.

[12] With the exception of the destination city, the 21-character barcode does not include any of the 29-character barcode characteristics.

[13] Receptacles include trays, sacks, and boxes that usually contain more than one piece of mail.

[14] SOX key control number 114.CA045.

changes and assess the adequacy of procedures during the FY 2012 financial statements audit.

Recommendations

We recommend the manager, Statistical Programs:

1. Update the current policy and clearly document the process used to review the System for International Revenue and Volume Inbound test data.

We recommend the executive director, International Operations, direct the manager, Global Systems Management, to:

2. Activate the Global Business System time-out feature and lock the user session after a designated period of inactivity.

Management's Comments

Management agreed with our findings and recommendations. They stated that Statistical Program Letter Number 2, Fiscal Year 2012, and related training scheduled for December 2011 will include an update to the SIRVI policy. They also plan to activate the GBS time-out feature and lock the user session after a designated period of inactivity by February 2012. Management also provided additional clarification to our finding on the Receipt System manual entries. See Appendix C for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. The OIG considers recommendation 1 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendix A: Additional Information

Background

Inbound international mail is foreign-originating mail destined for delivery in the U.S. Foreign postal administrations pay the Postal Service for sorting and dispatching inbound international mail at the ISCs.[15] In FY 2010, revenue for inbound international mail was approximately $352 million. Currently, five records units[16] process failed dispatch records for non-exclusion countries[17] before the data is transmitted from the International Reconciliation System to the Foreign Post Settlement System and, subsequently, to the St. Louis International Accounting Branch for billing the appropriate foreign postal administration.

When Receipt System data does not agree with EDI data, clerks are required to update the failed dispatch record within established timeframes. When a record has failed or the records unit has not received billing documents, clerks create a verification note (VN) to request the documentation or note billing changes made by the records unit. The records unit uses the requested billing documents as support in the billing settlement process. Supervisors are responsible for monitoring the failed records process, which includes resolving failed dispatch records, tracking VNs,[18] and auditing these notes.[19]

Quarterly, the accounting branch submits a request to the Eagan Information Technology and Accounting Service Center to generate, print, and mail billing reports to the accounting branch. Annually, the accounting branch prints billing reports when necessary.

SIRVI data are used to calculate terminal dues. By taking the total and average number of items per kilogram, the system arrives at a gross items per kilogram figure that is used to calculate provisional[20] payments and yearly terminal dues that target countries owe the Postal Service.

Data collection technicians conduct SIRVI tests at international exchange offices that receive foreign origin international mail. The technicians must immediately upload all

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[15] Six ISCs in New York, Miami, Chicago, Los Angeles, San Francisco, and Honolulu, as well as the New Jersey Network Distribution Center, process international mail.

[16] Chicago, Los Angeles, New York, Honolulu, and New Jersey.

[17] The records unit is required to fix failed records for the 170 non-exclusion countries that settle using transitional Universal Postal Union (UPU) procedures for mail flows. The records unit is not required to fix failed records for exclusion countries because they agree to settle via EDI messaging. One of the UPU's responsibilities is to establish international mailing procedures.

[18] To track verification notes, supervisors must complete weekly the VN Volume Report, included on the Postal Service's Blue Share. They must indicate the number of notes from foreign postal administrations their clerks worked and are outstanding according to the age of the note.

[19] Weekly, the supervisor audits six notes of adjusted mail data to verify the accuracy and timeliness of notes created and responded to in accordance with UPU and Postal Service policy. The audit results are posted on an internal site called the Blue Share.

[20] Countries can request provisional payments once a year between April and June. Payments are based on the last four accepted quarters and are deducted from the total amount due when accounts are settled.

completed SIRVI tests to the Computerized On-Site Data Entry System (CODES) Web Base Unit.[21] To ensure the Postal Service is collecting all revenue due, management is required to perform a daily review and approve SIRVI tests before they transmit them to the San Mateo mainframe for aggregation with the nation's test.

Inbound foreign receiving unit clerks use the Receipt System to manage the arrival, receipt, and opening of import mail functions. Upon receipt, clerks scan the 29-character barcode attached to each receptacle or manually enter the characteristics of the receptacle into the system. The records unit uses the receiving unit data in the system to resolve failed records when the foreign postal administration's EDI data or billing documents are not available. The accounting branch uses the reconciled records for billing purposes.

Objective, Scope, and Methodology

The objective of this audit was to determine whether the records units processes international mail transactions timely and accurately to ensure that the St. Louis International Accounting Branch can correctly and timely bill foreign postal administrations.

This report addresses work performed at the New York records unit.[22] To accomplish our objective, we traced billing data residing in the Foreign Post Settlement System to inbound international Letter Post, Parcel Post, and Express Mail® source documents; verification notes; and International Reconciliation System data. We used a total unrestricted random sample size of 90 New York ISC dispatch records from October 2010 through March 2011. See Appendix B for our statistical sampling of the Letter Post, Parcel Post, and Express Mail documents.

We used the verification note audit log on the Postal Service's Blue Share to ensure all weekly audits of notes from October 2010 through June 2011 complied with records unit standard operating procedures.

We interviewed management, assessed the CODES Web Base Unit event logs, and analyzed the SIRVI test data reports to determine whether management reviewed and approved SIRVI test data.

We conducted this audit from June through December 2011 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

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[21] CODES Web Base Unit serves as a central gathering place of collected data from a district's data collectors.
[22] We issued separate reports for audit work performed at the Chicago and Los Angeles ISCs.

conclusions with management on October 26, 2011 and included their comments where appropriate.

We relied on computer-generated data from the GBS and the Foreign Post Settlement System to develop our findings. We assessed the reliability of the data on these applications by tracing selected information on inbound international mail volumes to supporting source documents, verification notes, and other system data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
Fiscal Year 2010 Postal Service Financial Statements Audit – St. Louis Information Technology & Accounting Service Center	FT-AR-11-009	3/31/2011	$0	The Chicago records unit supervisor did not review inbound verification notes created by the record unit clerks. We made no recommendations.
Los Angeles International Service Center – Inbound International Mail	FT-AR-10-001	10/13/2009	$163,000	We determined that volume data used to bill foreign postal administrations for inbound international Letter Post, Parcel Post, and Express Mail service was not always accurate and properly supported. Management agreed with our findings and recommendations.
Miami International Service Center – Inbound International Mail	FT-AR-08-012	9/3/2008	$2,084,620	We determined that management did not always bill the foreign postal administration for manually entered dispatches for inbound international Express Mail. We made no recommendations.
New York International Service Center – Inbound International Mail	FT-AR-08-005	1/24/2008	$13,700,604	We identified a high number of discrepancies between supporting documents and billing data for Express Mail and letter post mail. Management agreed with our finding and recommendations.

Appendix B: Statistical Sampling and Projections for Inbound International Letter Post, Parcel Post, and Express Mail at the New York ISC

The objective was to determine whether the records unit processes inbound international mail transactions timely and accurately to ensure that the St. Louis accounting branch can correctly and timely bill foreign postal administrations.

In support of this objective, we employed a simple random sample for all mail types. The sample design allowed statistical projection of the number of mail records with errors.

The audit universe consisted of 35,247 inbound international mail records processed at the New York records unit for the period October 1, 2010, through March 31, 2011. We used unrestricted random sampling of records for the New York ISC. We based our sample sizes on hypothesis testing sampling theory, which is a type of simple random attribute sampling. Our sample size for the New York ISC is shown below.

The New York records unit audit consisted of the following universe of inbound dispatches.

ISC	Total Records	Parcel Post	Express Mail Service	Empty Receptacles	Letter Post
New York	35,247	7,288	9,670	171	18,118

We pulled random samples of 90 records of inbound dispatches for the New York ISC Following are the details regarding the samples.

ISC	Sample Size	Parcel Post	Express Mail Service	Empty Receptacles	Letter Post
New York	90	17	21	0	52

Based on the sample results, we estimate that the error rate is 3.33 percent. We are 95 percent confident that the error rate is between 0.7 and 9.43 percent.

ISC	Universe	Sample Size	Number of Errors	Error Rate (Percentage)
New York	35,247	90	3	3.33

Appendix C: Management's Comments

NETWORK OPERATIONS

UNITED STATES
POSTAL SERVICE

November 29, 2011

SHIRIAN B. HOLLAND
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: New York International Service Center – International Air Mail Records Unit—Draft
          Audit Report FT-AR-12-DRAFT

Management agrees with the GBS System Timeout Requirement finding.

Recommendation 2:

Activate the Global Business System time out feature and lock the user session after a
designated period of inactivity.

Management Response/Action Plan:

Management plans to take corrective action by activating the Global Business System time out
feature and lock the user session after a designated period of inactivity.

Target Implementation Date:

February 2012.

Responsible Official:

Richard Bates, Manager, Global Systems Management.

This report and management's response do not contain information that may be exempt from
disclosure under the FOIA.

Please address any questions concerning this issue to Richard Bates at 202-268-6431.

Brent Raney
Executive Director, International Operations

cc: Dave Williams
     Giselle Valera
     Franca Davis
     Ron Polland
     Richard Loutsch
     Sally K. Haring

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Finance
UNITED STATES
POSTAL SERVICE

December 5, 2011

SHIRIAN B. HOLLAND
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: New York International Service Draft Audit Report
(Report Number FT-AR-12-DRAFT)

Management agrees with the findings in the subject report and responds as follows:

Recommendation 1:
Update the current policy and clearly document the process used to review the System for
International Revenue and Volume Inbound test data.

Management Response/Action Plan:
Management agrees to update the current policy and document the process to review the System
for International Revenue and Volume Inbound test data. The upcoming SP Letter #2, FY2012
and the related training scheduled for December, 2011 will include an update to the F-95 for the
System for International Revenue and Volume Inbound (SIRVI) Test Review and Approval Policy.

Target Implementation Date:
December, 2011

Responsible Official:
J. Ron Poland, Manager, Statistical Programs

Recommendation 2:
Activate the Global Business System time out feature and lock the user session after a
designated period of inactivity.

Management Response/Action Plan:
Management plans to take corrective action by activating the Global Business System time out
feature and lock the user session after a designated period of inactivity.

Target Implementation Date:
February, 2012

Responsible Official:
Richard Bates, Manager, Global Systems Management.

Management would also like to provide clarification to the Receipt Manual Entries observation.

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Currently, Global Business System (GBS) enforces the duplicate logic for receptacles if the 29 character Universal Postal Union (UPU) barcode is scanned into the system. Additionally, if the barcode cannot be read by a scanner but the 29 character barcode is human readable, the user can enter the full 29 characters into GBS receipt and all duplicate logic will be applied. In the scenario where both the barcode cannot be scanned and the user cannot read the full 29 character barcode, duplicate entries are currently allowed through the manual entry process. This is the only case where this will occur. As documented, the system is aware of each entry and tracks them uniquely in the system.

Additionally, there are validations and tolerances in place in the Internal Revenue Service (IRS) application that are completed before any data is sent to the Foreign Post Settlement (FPS) system for settlement.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.

For

J. Ron Poland
Manager, Statistical Programs

For

Richard Bates
Manager, Global Systems Management

cc: Joseph Corbett
    Joe Moeller
    Brad Pafford
    Brent A. Raney
    Steven R. Phelps
    Richard N. Bates
    Charles F. Conti
    Sally K. Haring