

# Accuracy of Reported Service Performance

## AUDIT REPORT

Report Number 23-168-R24 | June 26, 2024



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# Highlights

## Background

The Postal Service announced its intent to improve nationwide service performance as part of its Delivering for America plan. Service performance is defined by the Postal Service as the time it takes to deliver a mailpiece or package from its acceptance through its delivery. The delivery time is tracked in the Service Performance Measurement (SPM) system. The Postal Service is required to publish nationwide, regional, and local delivery performance information that reflects the most granular geographic level of performance information available. Additionally, the Postal Regulatory Commission requires the Postal Service to hire an external auditor to conduct an independent verification and validation of the SPM data. Accurate service measurement and transparency to the public is critical to providing information on how the Postal Service and its new Delivering for America initiatives are performing.

## What We Did

Our objective was to assess the accuracy and reliability of the Postal Service's reported service performance. For this audit, we reviewed the SPM statistical sampling plan, methodology, and business rules. We also reviewed the Postal Service's external audit on the SPM and validated the accuracy of publicly reported service performance scores.

## What We Found

The SPM system accurately calculates service performance scores using data gathered from scans made by clerks at collection, mail carriers at delivery, and automated scans from mail-processing equipment. However, we found that the data collected from scans during collections and delivery may not be representative of the universe due to limitations with technology and carrier non-compliance with scanning. Additionally, we found package performance metrics publicized by the Postal Service are missing important context and could mislead readers. We also identified multiple concerns regarding the independence, accuracy, reliability, and completeness of the external auditor's quarterly assessments of the SPM system and found issues with compliance with generally accepted government auditing standards (GAGAS).

## Recommendations

We made seven recommendations to address issues with reported service performance. Management agreed with recommendations 1, 2, and 5 and disagreed with recommendations 3, 4, 6, and 7. Management's comments and our evaluation are at the end of each finding and recommendation. The U.S. Postal Service Office of Inspector General considers management's comments responsive to recommendations 1 and 2 and corrective actions should resolve the issues identified in the report. We consider management's comments unresponsive to recommendations 3, 4, 5, 6, and 7 and will continue to work with management through the formal audit resolution process. See [Appendix C](#) for management's comments in their entirety.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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June 26, 2024

**MEMORANDUM FOR:** STEPHEN M. DEARING  
VICE PRESIDENT, CHIEF DATA AND ANALYTICS OFFICER  
  
ANGELA CURTIS  
VICE PRESIDENT, DELIVERY OPERATIONS

*Mary K. Lloyd*

**FROM:** Mary Lloyd  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Accuracy of Reported Service Performance  
(Report Number 23-168-R24)

This report presents the results of our audit of Accuracy of Reported Service Performance.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations one, three, four, five, six, and seven 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 recommendation two closed with issuance of this report.

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

cc: Postmaster General  
Corporate Audit Response Management  
Secretary of the Board of Governors  
Postal Regulatory Commission

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of the Accuracy of Reported Service Performance (Project Number 23-168). Our objective was to assess the accuracy and reliability of the Postal Service's reported service performance. See [Appendix A](#) for additional information about this audit.

## Background

As part of the Delivering for America (10-Year Plan) released in March 2021, the Postal Service announced its intent to improve nationwide service performance. Service performance is defined by the Postal Service as the time it takes to deliver a mailpiece or package from its acceptance through its delivery. Mail is considered delivered on time when it arrives by the published service standard<sup>1</sup> for that mail type and product.

The Postal Service uses the Service Performance Measurement (SPM) system to measure how long it takes for market-dominant<sup>2</sup> mail to be delivered. SPM became the official measurement system in fiscal year (FY) 2019, replacing the External First-Class measurement system. The External First-Class measurement system, operated by a third-party, sampled over 563,000 mailpieces to calculate service performance, while the SPM system, operated by the Postal Service, samples over three million mailpieces

in collections and 28 million mailpieces in delivery and captures the processing time for another 20 billion pieces of mail each quarter. The SPM system uses Full Service Intelligent Mail Barcodes<sup>3</sup> (IMB) to

determine the time mail was accepted (start-the-clock), processed (machine scans), and delivered (stop-the-clock). Only Full-Service mail with IMBs is included in SPM as other mail, such as letters and postcards mailed by an individual, do not have barcodes that can be scanned and tracked.

“SPM became the official measurement system in fiscal year (FY) 2019, replacing the External First-Class measurement system.”

The Postal Service collects data used to measure service performance by scanning mailpieces at three key points (see [Figure 1](#)):

1. Collections/Acceptance – Employees scan pieces when mail enters the mailstream, often referred to as the First-Mile.
2. Processing – Processing machines automatically scan pieces when it is processed.
3. Delivery – Carriers sample and scan pieces when mail is delivered.

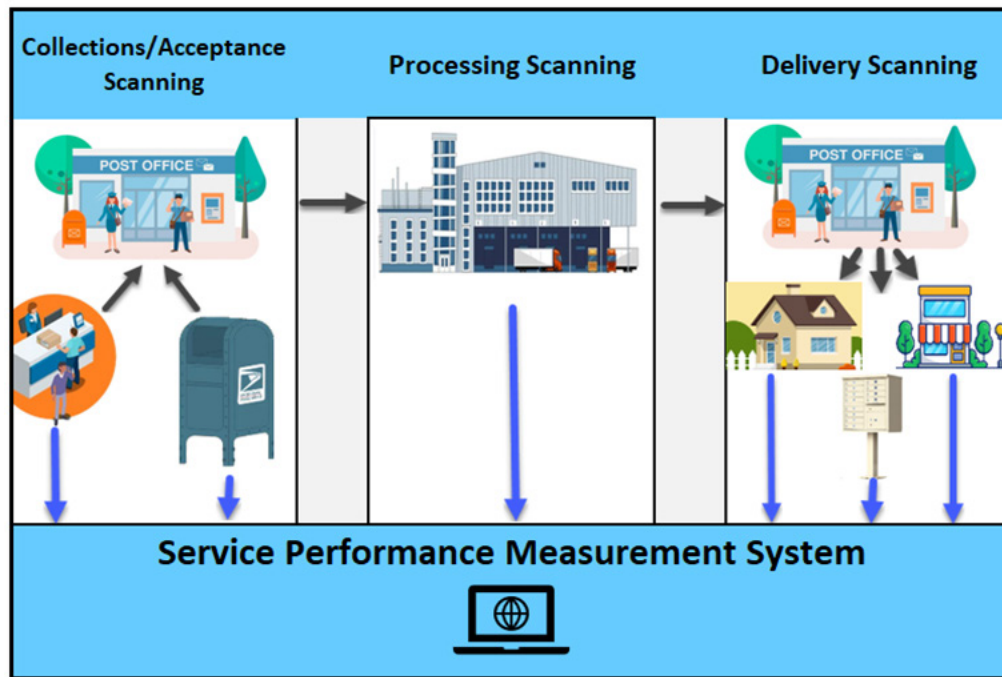
According to the Postal Service, the processing time for nearly 78 percent of all commercial Full-Service mail is captured and included in SPM. Further, 92 percent of delivery points had at least one piece of mail measured in the processing segment of measuring service.

<sup>1</sup> The stated days-to-deliver service goal for each mail class. Depending on distance, it can be between two to five days for First-Class Mail and between two to seven days for packages.

<sup>2</sup> Market-dominant refers to products which have no alternative to the Postal Service for physical delivery such as First-Class Mail and Marketing Mail.

<sup>3</sup> The Intelligent Mail Barcode (IMB) is a 65-bar Postal Service barcode used to sort and track letters and flats.

Figure 1. Service Performance Scans



Source: USPS Service Performance Measurement Plan dated November 23, 2022.

The Postal Service's SPM system combines sample scans made by clerks at collection and mail carriers at delivery with automated scans from mail-processing equipment as mailpieces move through the postal network. For example, during delivery, carriers receive a work order on their scanners to complete a sampling request at a certain location, which includes the number of mail pieces that are expected to be scanned. These scans are fed into the USPS SPM system, which will collect, process, and transform raw data into service performance scores. This sampling is part of the Postal Service's methodology to calculate service performance.

As required by the Postal Regulatory Commission,<sup>4</sup> the Postal Service hires an external auditor to conduct an independent verification and validation of the service performance measurement data.

The objective of the external audit is to evaluate the accuracy, reliability, and representativeness of the service performance measurement results.

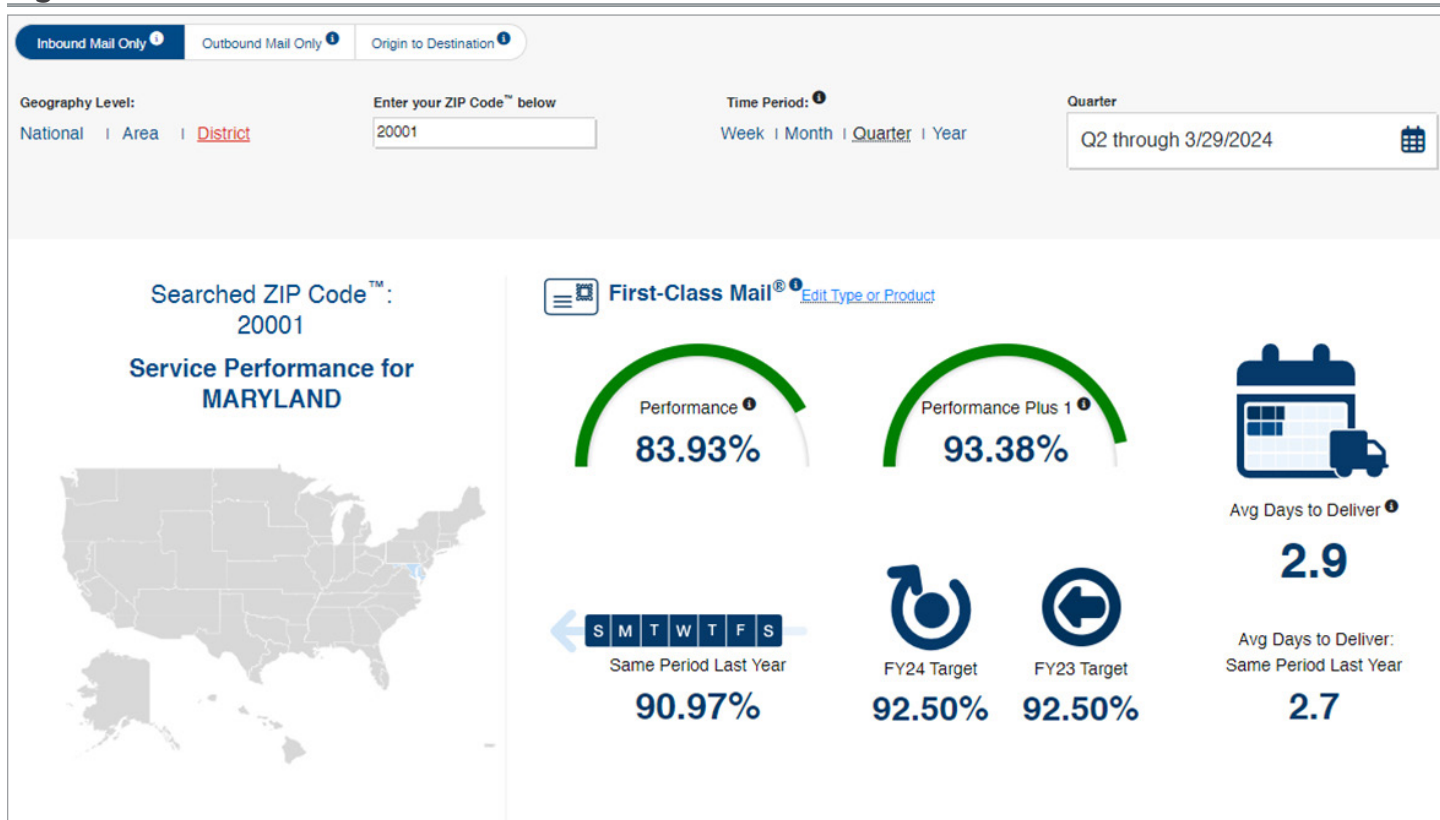
The Postal Service Reform Act of 2022 requires the Postal Service to develop its own public, interactive, service performance dashboard that presents data in a manner that is searchable and can be downloaded. The Postal Service is required to publish nationwide, regional, and local delivery performance information that reflects the most granular geographic level of performance information available. In response, the Postal Service developed and launched the USPS Service Performance Dashboard<sup>5</sup> (see Figure 2) that allows the public to search for metrics such as service performance and service performance plus one,<sup>6</sup> FY targets, and average days to deliver by mail type and region.

<sup>4</sup> The Postal Regulatory Commission is an independent agency with regulatory oversight over the Postal Service.

<sup>5</sup> [Service Performance Dashboard \(usps.com\)](https://usps.com).

<sup>6</sup> Service performance plus one is mail that was delivered within the service standard, plus one day.

Figure 2. Postal Service SPM Dashboard



Source: USPS Service Performance Dashboard.

In addition to reporting its mandated service performance metrics, the Postal Service also tracks service performance of packages using its Product Tracking System.<sup>7</sup> The Postal Service has stated package service performance metrics to key stakeholders to show performance of its network. Specifically, in the Delivering for America, Second-Year Progress Report, the Postal Service publicized<sup>8</sup> that 95.6 percent of packages were delivered on time; and on average, 99.9 percent of packages were delivered in an average of less than three days in FY 2022. Additionally, during the Postmaster General briefing to the Board of Governors on February 8, 2024,<sup>9</sup> the Postal Service stated that 95.2 percent of packages were delivered on time in FY 2023.

This audit assessed the accuracy and reliability of the SPM system, USPS Service Performance

“This audit assessed the accuracy and reliability of the SPM system, USPS Service Performance Dashboard, and the other package performance metrics reported by the Postal Service.”

Dashboard, and the other package performance metrics reported by the Postal Service. Accurate service measurement and transparency to the public is critical to providing information on how the Postal Service and its Delivering for America initiatives are performing.

<sup>7</sup> Database that stores tracking scan data for all barcoded packages and extra services products.

<sup>8</sup> Delivering for America, Second-Year Progress Report, dated April 2023.

<sup>9</sup> Postmaster General and CEO Louis DeJoy’s Remarks During Feb. 8, 2024, Postal Service Board of Governors Meeting - Newsroom - About.usps.com

“Postal Service has an opportunity to make the dashboard more transparent and provide service performance scores for more specific geographic locations than what is currently presented.”

### Findings Summary

The SPM system accurately calculates service performance scores using data gathered from scans made by clerks at collection, mail carriers at delivery, and automated scans from mail-processing equipment. However, we found that the data collected from scans during collections and delivery may not be representative of the universe<sup>10</sup> due to limitations with technology and carrier non-compliance with scanning. Additionally, the performance metrics the Postal Service publicized in its Delivering for America Second Year Progress Update and February 2024 Report to the Board of Governors are missing important context and could mislead readers.

We also validated that the data presented on the public USPS Service Performance Dashboard matches the data in the SPM system and that the dashboard is up to date and in compliance with the required rules and regulations. However, we believe the Postal Service has an opportunity to make the dashboard more transparent and provide service performance scores for more specific geographic locations than what is currently presented. Finally, we identified multiple concerns regarding the independence, accuracy, reliability, and completeness of the external auditor’s quarterly assessments of the SPM system and found issues with compliance with generally accepted government auditing standards (GAGAS).

<sup>10</sup> Universe is all market dominant mail nationwide.



# Finding #1: Postal Service Can Strengthen Controls Over Sampling Procedures for Acceptance and Delivery Data

We found that the sampling plan, methodology, and business rules used to calculate service performance in the SPM system were reasonable, and the service performance scores are accurately reported based on our analysis of the data in the SPM system. However, we identified limitations in acceptance and delivery sampling that may impact the representativeness of the data. This occurred due to limitations in SPM methodology, limitations in technology, potential issues with carrier scanning compliance during delivery, and carriers scanning more or fewer pieces than requested. Due to these limitations, neither the Postal Service nor the OIG could determine the impact on the overall accuracy of the reported service performance scores.

## Reasonableness of Sampling, Methodology, and Business Rules

We reviewed and analyzed the Postal Service’s sampling plan, methodology and business rules for calculating service performance. We determined the plans, methodology and business rules were complete, reasonable, and followed statistical sampling best practices. We also determined reported service performance scores are accurate based on our analysis of the data in the SPM system.

## Limitations in Service Performance Measurement Collection/Acceptance Sampling

Collection/Acceptance scans of individual pieces of mail are done at collection boxes<sup>11</sup> and for pieces mailed over the counter at retail locations with Special Services,<sup>12</sup> such as Certified Mail. The SPM cannot initiate sampling work orders for mail collected on carrier routes because the Postal Service does not know these pieces exist. The Postal Service assumes these pieces behave identically to pieces picked up by the carrier from collection boxes. However, mail collected by carriers may not be

treated or behave the same as mail dropped off at the retail unit as Certified Mail. These assumptions limit the representativeness of collections data.

During our audit, the Postal Service noted a “measuring error” in how it tracks first-mile mail. The Postal Service stated it has not updated its reference methodology for determining collection/acceptance sampling points, and this no longer accurately reflects the decline in mail volume and changes in customer behavior that occurred in the past decade. In March 2024, the Postal Service notified the Postal Regulatory Commission of proposed changes to its SPM measuring, including enhancing its collections

sampling. On May 7, 2024, the Postal Regulatory Commission approved the proposed changes, noting it is an improvement to the current methodology. Therefore, the OIG is not making a recommendation at this time.

Additionally, the Postal Service stated it believes the issue is impacting service performance measurement, potentially as much as 10 percent in adverse reporting for First Class Mail. We

asked management to provide support showing this impact, however, management did not provide support and we were unable to validate this information.

## Limitations in Technology

The scanners used to notify carriers when to complete sample requests and to capture scans rely on cell phone or GPS signal. When there is an area without cell service, the scanners will not work, or the request for sampling may not be sent until after the carrier has already delivered for that address. This results in sample requests not being completed and included in SPM.

“Reported service performance scores are accurate based on our analysis of the data in the SPM system.”

<sup>11</sup> A free-standing, blue-painted street box that is used by the public to deposit outgoing prepaid letters, flats, and lightweight parcels.

<sup>12</sup> Special Services are any service available for a fee that supplements or enhances mail or mail services.

### Carrier Compliance with Delivery Scanning

Carriers did not always complete requested sampling for delivery scans. While the Postal Service met its target for completing 80 percent of sampling requests sent to carriers, we found that some sampling classifications were not included when calculating whether it met this target. For example, if carriers do not complete a sampling request, they must enter a reason into the scanning device why the scan was not completed. When the carrier enters “Passed Address,” “No Trigger,” “Other,” and “Denied,” the Postal Service excludes these missed scans when determining if it met its target

for completing sampling requests. When carriers routinely mark sampling request as “Passed Address,” “No Trigger,” “Other,” and “Denied” it can limit the representativeness of delivery data collected.

The most common reason carriers entered for not completing a sampling request was “Passed Address,” which they select when they receive an alert from their scanner with a request to scan selected pieces, but the carrier is already beyond the delivery point. This occurred in over 20 percent of the requested delivery samples (see Table 1).

**Table 1: FY 2023 Delivery Sampling for the Service Performance Measurement System**

Included For Audit Measure Compliance	Delivery Sample Data Included in SPM System	Sampling Classification	Sampling Explanation	Total Number of Scans	Percentage of Scans
Y	Y	All Scans Completed	Carrier completed all scans	26,427,637	40.28%
		Partial	Scanner alerted, Work Order initiated, and carrier scanned fewer pieces than requested.	5,668,492	8.64%
		Delivery sample data included in SPM		32,096,129	48.92%
Y	N	Expected Pieces with No Scans	Carrier did not scan, but pieces were expected	4,798,504	7.31%
		No Pieces to Scan	Scanner alerted, Work Order initiated, and carrier completed Work Order by indicating there were no pieces to scan.	6,157,178	9.39%
		Ignored	Scanner alerted and carrier did not complete Work Order.	907,841	1.38%
N	N	No Trigger	Sample was scheduled by the system, but the scanner did not alert.	5,251,224	8.00%
		Other	Other	590,068	0.90%
		Denied	Scanner alerted and carrier denied the scan request.	2,475,360	3.77%
		Passed Address	Scanner alerted, Work Order initiated, and carrier completed Work Order by indicating they had already passed the delivery point.	13,330,036	20.32%
		Delivery sample data not included in SPM		33,510,211	51.08%
<b>Grand Total</b>				<b>65,606,340</b>	<b>100%</b>

Source: Informed Visibility.

While there are times when it is valid for carriers to not complete sampling requests, we found routes with significantly elevated amounts of sampling requests not completed. Specifically, we found 24,544 or (10 percent) of all routes entered “Passed Address,” “Denied,” or “Ignored” for more than 50 percent of the sample requests received. There is no way to determine if the issues with scanning were caused by carrier non-compliance or limitations with the scanner; however, by excluding these scan classifications and not evaluating if carriers are complying with delivery scanning policies, there is an increased risk routes are not being represented equally in the data.

### Carriers Scanning More Pieces of Mail Than Requested

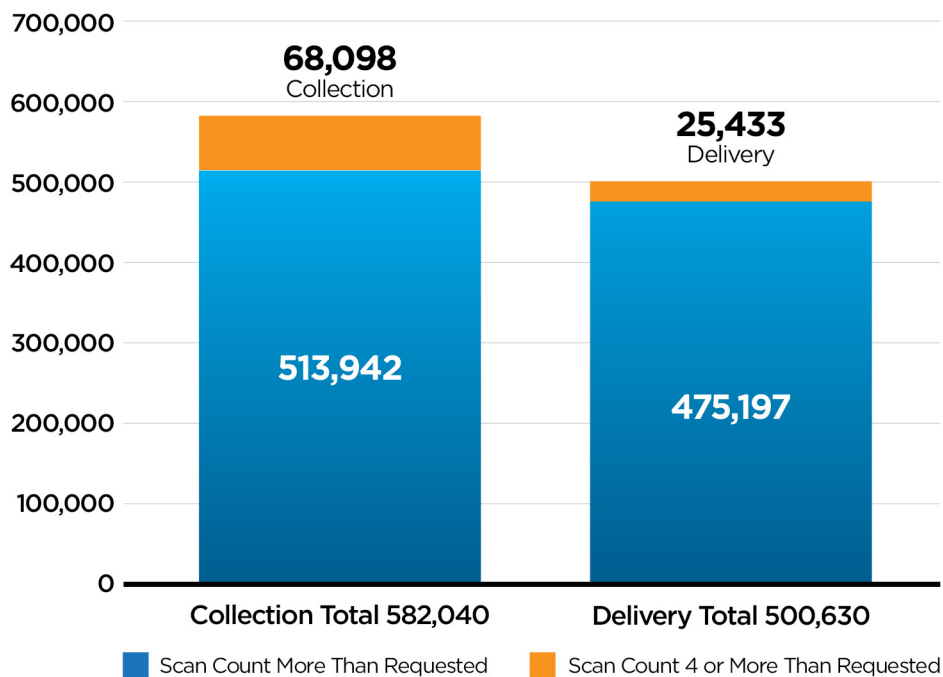
We found over 1 million sampling events (or about 2 percent of the total) where the number of pieces scanned was greater than the number requested.<sup>13</sup> Management stated that they had implemented a system to limit the scans to only allow four more than the requested number of scans. However, nearly 100,000 sampling events included carriers

over-scanning by four or more pieces (see Figure 3) indicating that the system the Postal Service developed to prevent carriers from over-scanning is not working properly. Over-scanning is both a waste of resources and can be a potential source of bias in the SPM system.

### Scanning Fewer Pieces of Mail Than Requested

Inversely, we identified 46,481 (.008 percent) of 5.7 million partially completed samples where Postal Service employees were expected to scan at least 20 or more mailpieces than they did. For example, we identified a sample request where a carrier scanned only two pieces, when the sampling request expected 45. While the number of pieces expected is only an estimate of the number of mailpieces that will arrive that day, the extreme disparity between the number of pieces expected and the number of pieces scanned in these instances indicates that either employees were not scanning all pieces or there is an error in the calculation of pieces expected.

**Figure 3. FY 2023 Scanning More Pieces Than Requested.**



Source: Informed Visibility.

<sup>13</sup> For each requested sample, the hand-held scanner prompts an employee to complete 7 scans for collection samples and 15 scans for delivery samples.

The SPM system requires a certain number of samples be conducted nationwide each quarter. If Postal employees do not complete the samples as requested, the system will continue to request the samples from other employees until enough samples have been completed. This results in missing performance data on certain routes. Additionally, when employees over or under-scan it can impact the overall representativeness and reliability of the data by artificially increasing or decreasing the data for those routes. Therefore, carrier non-compliance with requested sampling can cause the data to not be equally weighted and representative of the population.

#### **Recommendation #1**

We recommend the **Vice President, Chief Data and Analytics Officer**, in conjunction with the **Vice President, Delivery Operations**, develop a system to track carrier scanning remarks, such as “passed address” or “partially completed,” identify what percent is carrier non-compliance, and take necessary action to increase carrier compliance.

#### **Recommendation #2**

We recommend the **Vice President, Chief Data and Analytics Officer**, develop a program that limits scanning devices to allow only the requested number of pieces to be scanned.

### **Postal Service Response**

Management partially agreed with this finding. The Postal Service disagreed that when employees over or under-scan, it can impact the overall representativeness and reliability of the data by artificially increasing or decreasing the data for those routes. Additionally, the Chief Data and Analytics Officer does not agree with the data depicted in [Figure 3](#).

Management agreed with recommendations 1 and 2 and provided a target implementation date for recommendation 1 of September 30, 2024. For recommendation 2, management provided documentation for OIG to consider closing the recommendation upon issuance of the report.

### **OIG Evaluation**

Regarding management’s partial disagreement with finding 1, we recognize the Service Performance System is a substantial and robust system, and as noted in our report we identified limitations in acceptance and delivery sampling that may impact the representativeness of the data.

Management’s comments were responsive to recommendation 1, as they stated they will determine the cost to develop a system to track carrier compliance and will implement if feasible and practicable. Management’s comments were also responsive to recommendation 2, as the Postal Service has implemented a system which limits scanning by carriers. If additional scanning is attempted, the scanner displays a warning pop-up and prevents further scanning. Based on our review of the evidence provided, the OIG considers this recommendation closed upon issuance of the report.

## Finding #2: Postal Service’s Publicized Package Performance Metrics Lacked Important Context

The Postal Service tracks and reports package service performance using its Product Tracking System, which is separate from SPM. Overall, we found the reported package service performance scores that were published in the two recent Postal Service reports to be accurate based on the Postal Service’s methodology for calculating those scores.

However, the Postal Service publicized its package performance metrics without providing context for the public to fully understand the reported results.

“In FY 2022, same day package services accounted for over [REDACTED] of the package volume and was delivered in an average of [REDACTED]”

Specifically, the Postal Service is including same day delivery package services<sup>14</sup> in their metrics, which are dropped at delivery units by large mailers and delivered the same day. This does not represent an individual mailer’s experience, as same day packages do not move through the entire network (processing, transportation, and delivery). In FY 2022, same day package services accounted for over [REDACTED] of the package volume and was delivered in an average of [REDACTED]

We evaluated the following metrics publicized in the *Delivering for America 2nd Year Progress Report*, dated April 2023, and the Postal News, dated February 8, 2024, as these were the most recent publicized package performance metrics:

- 95.6 percent of packages delivered on time in FY 2022.

Excluding same day delivery package services, we found only [REDACTED] of packages were delivered on time in FY 2022.

- “On average, 99.9 percent of packages were delivered in an average of less than three days in FY 2022.”

Excluding same day delivery packages, we found only [REDACTED] of packages were delivered in less than three days. Furthermore, while the Postal Service said 99.9 percent of packages were delivered in an average of less than three days, it did not calculate the percent of packages but rather the percent of delivery points that had average package delivery in less than three days. Had they calculated packages delivered in less than three days, the percentage even including same day packages would have been [REDACTED]

- Citing a third party, the Postal Service shared “95.2 percent of packages were delivered on time in FY 2023.”

This metric was calculated by a third party and shared by the Postmaster General at the Board of Governors Open Session on February 8, 2024. However, the Postal Service could not validate its accuracy. The Postal Service tracks its own service performance and generally does not rely on third parties to calculate service performance.

<sup>14</sup> In FY 2022, this was known as Parcel Select Destination Delivery Unit (“DDU packages”) and was rebranded to be part of Ground Advantage in July 2023.

When the Postal Service doesn't provide context on its publicized package service performance metrics, it can mislead the public overall on the timeliness of package delivery service. By being more transparent with their reported metrics, the Postal Service can build upon their reputation and gain trust from key stakeholders.

#### **Recommendation #3**

We recommend the **Vice President, Chief Data and Analytics Officer**, include performance metrics representative of the end-to-end process, which does not include same day delivery package services, when reporting service performance scores for packages.

#### **Recommendation #4**

We recommend the **Vice President, Chief Data and Analytics Officer**, only publicize Postal Service tracked and validated metrics.

### **Postal Service Response**

Management disagreed with this finding. Management stated that suggesting USPS data are skewed by failure to exclude "same day delivery packages" from reporting and calculations is incorrect. Management added the Postal Service reports the performance of package products akin to their competitors.

Management disagreed with recommendations 3 and 4, stating that the Postal Service reports the performance of all package products and excluding same day delivery products would lead to incomplete results and put the Postal Service at a competitive disadvantage. Management also stated it is not feasible for the Postal Service to validate all external entities that share performance insights.

### **OIG Evaluation**

Regarding management's disagreement with finding 2, the OIG understands that excluding same day delivery products would decrease reported service performance scores and put the Postal Service at a competitive disadvantage. However, including that score helps provide transparency for customers and is more representative of the actual performance an individual mailer would receive.

Regarding the recommendations, we consider management's comments for recommendations 3 and 4 unresolved and will work with management through the formal audit resolution process. Regarding recommendation 3, the OIG requested Postal Service provide an additional service performance score, absent of same day deliveries, to provide a more transparent score that represents the true customer experience. Additionally, for recommendation 4, as discussed at the exit conference, the OIG is not asking the Postal Service to validate external entities and their performance scores. Rather, the Postal Service has a robust package reporting system that tracks, and reports service performance scores; therefore, we are asking the Postal Service to publicize their own data and reported service performance, rather than third party performance scores.

# Finding #3: Postal Service has an Opportunity to Provide More Local Service Results with its Service Performance Dashboard

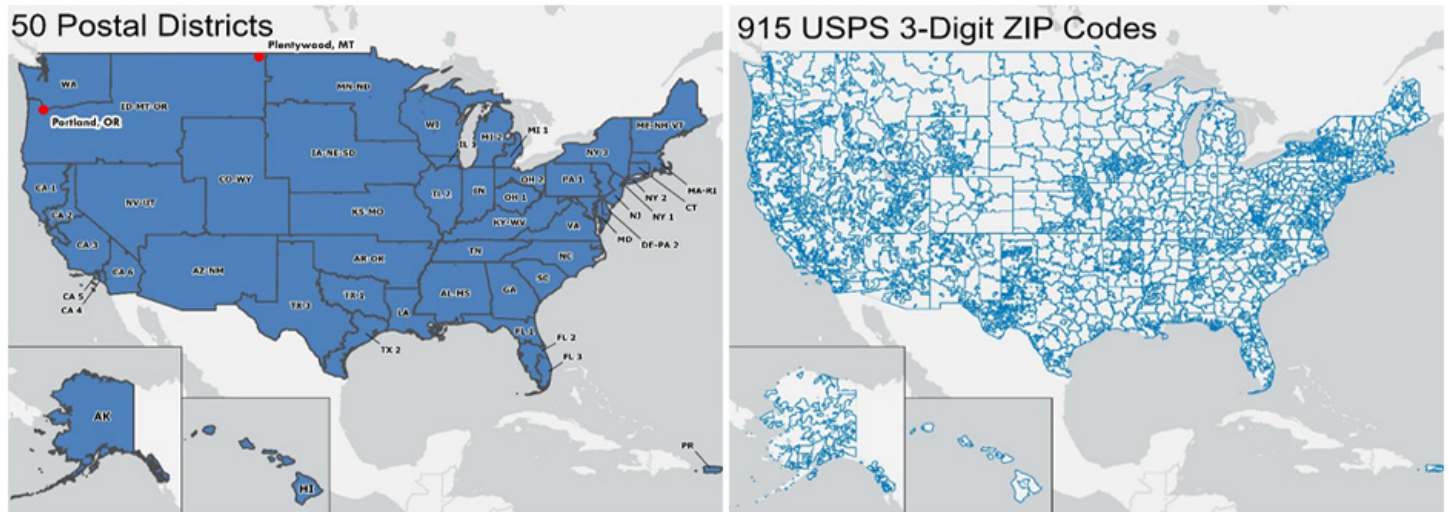
The Postal Service’s public Service Performance Dashboard matches data in SPM and complies with the Postal Service Reform Act of 2022. However, there is an opportunity for the Postal Service to make the dashboard more easily accessible to the public and to provide more granular geographic performance information.

“The Postal Service’s public Service Performance Dashboard matches data in SPM and complies with the Postal Service Reform Act of 2022.”

Specifically, the Dashboard is not easily accessible from the USPS.com homepage, as a user must navigate through five different screens to access the Service Performance Dashboard. Furthermore, while the dashboard allows the user to input their ZIP Code to search service performance scores, the score provided to the user is at the Postal District level, which can include large geographical areas,

such as multiple states (see Figure 4). For example, a customer in a rural town in Plentywood, Montana, would see the same score as a customer over 1,100 miles away in Portland, Oregon, because both are in the same Postal district. There is an opportunity for the Postal Service to provide scores for each 3-digit ZIP Code, which will allow key stakeholders and customers to see service performance at a more granular geographic location (see Figure 4).

Figure 4. Comparison of Postal Districts to 3-Digit-ZIP



Source: OIG created map based on Enterprise Data Warehouse.

The Postal Service Reform Act of 2022 requires the Postal Regulatory Commission to provide requirements for the Postal Service to publish the most granular geographic level of performance information available for the Postal Service.<sup>15</sup> Postal Service management stated that reporting service performance by 5-digit ZIP would not be feasible and requested an exemption from the Postal

Regulatory Commission but did not mention the feasibility of reporting by 3-digit ZIP. Management stated reporting data at the 5-digit ZIP Code level would require a reengineering of the internal service performance system and require the Postal Service to redefine sampling methodology to ensure that the system continues to produce scores according to its current statistical precision.<sup>16</sup> The Postal Regulatory

<sup>15</sup> Public Law 117-108, April 6, 2022.

<sup>16</sup> The Postal Service reports scores with a with 95 percent confidence level of +/-1 percent margin of error.

“The Postal Service could potentially report service scores for 915 3-digit ZIP Code locations compared to the current 50 District locations, which would provide users much more relevant scores based on their geographic location.”

Commission agreed with the Postal Service and granted an exemption that allowed Postal Service to report at the district level. However, the Commission noted that District level service performance may not be representative of ZIP Code-level service performance and therefore less useful to the public and recommended the Postal Service modify its measurement systems to make ZIP Code-level service performance information available on the Dashboard as soon as practicable.

It appears the Postal Service did not consider reporting scores at the 3-digit Zip Code level. The Postal Service claims that reporting scores at the 5-digit Zip Code level would require 25 times more carrier sampling than at the district level and would increase annual sampling costs by [REDACTED]. Specifically, the Postal Service stated that 445 million sample scans of Marketing Mail would need to be completed annually, though only 35 million are completed currently. However, we found that based on current sampling volumes, the Postal Service might not need to increase their current sampling at all to report at the 3-digit ZIP Code level for Marketing Mail or First-Class Mail, which are categories that many users would be most interested in seeing. Additionally, if the Postal Service relaxed its statistical precision standards<sup>17</sup> for Periodicals and Bound Printed Matter (“BPM”) mail, it could also report those scores at the 3-digit Zip Code level. Additional context on the reliability of the figures reported would be needed if standards are relaxed, but the benefits of increased transparency by providing users with more specific service data would be significant. The

Postal Service could potentially report service scores for 915 3-digit ZIP Code locations compared to the current 50 District locations, which would provide users much more relevant scores based on their geographic location.

Making the dashboard more accessible on its website and providing more specific local service performance results will help provide transparency and allow customers to pinpoint performance issues in particular locations, facilitating swift action by the Postal Service to enhance service quality.

#### Recommendation #5

We recommend the **Vice President, Chief Data and Analytics Officer**, evaluate the feasibility of updating the Service Performance Dashboard to report service performance scores at the 3-digit ZIP Code level.

### Postal Service Response

Management agreed with this finding, stating that an assessment of reporting service performance at the 3-Digit-Zip was already completed using the 1 percent margin of error and 95 percent confidence interval. Management also agreed with recommendation 5 and stated that the assessment has been completed and provided a breakdown of the costs associated with reporting to the 3-Digit-Zip rather than at the District Level.

### OIG Evaluation

Regarding recommendation 5, we understand costs can be substantial to change from reporting at the district level to reporting at the 3-Digit-Zip if they continue to report at +/-1 percent margin of error and 95 percent confidence interval. However, we believe the Postal Service could report to the 3-Digit-Zip without incurring the additional costs if they relaxed their current standards, as they currently do at the district level to +/-2 and +/-3 percent to report certain mail classes. We consider management’s comments for recommendation 5 unresolved and will work with management through the formal audit resolution process.

<sup>17</sup> The Postal Service may need to relax standards due to lower volumes of mail for these products.



## Finding #4: Required Audits of the Postal Service’s Service Performance Measurement Did Not Follow Generally Accepted Government Auditing Standards (GAGAS)

The external audits of the Postal Service’s quarterly SPM reports, which are required by the Postal Regulatory Commission to ensure accuracy of reported service performance, were not always independent, accurate, reliable, or completed in accordance with GAGAS. Specifically, we found:

- The Postal Service determined the audit measures to be tested and the benchmarks for determining if an audit measure passed or failed. An external auditor should determine these measures and benchmarks independent of the auditee.
- The external auditor is reliant on the Postal Service to provide SPM data for evaluation and lacks access to independently validate the data.
- The audit reports are published with GAGAS compliance statements, but the external auditor did not comply with 27 out of 48 (56 percent) of the GAGAS requirements tested, such as independence, peer reviews, management oversight, and data reliability. (See [Appendix B](#) for GAGAS requirements tested and results).
- Due to lack of oversight and peer review, the auditor inaccurately published second quarter audit results in the FY 2023 third quarter report.

This occurred because the contract between the Postal Service and the external auditor did not require the audits to be conducted in accordance with government auditing standards. The external auditor does not have a specialized auditing department, rather they are a management consulting firm that specializes in strategic consulting and communications. In addition, there appears to be a lack of oversight and peer reviews of the external auditor’s work.

“The contract between the Postal Service and the external auditor did not require the audits to be conducted in accordance with government auditing standards.”

GAGAS sets out the principles and standards that auditors must follow when performing audits of government entities. Auditors of government entities or that receive government awards must comply with GAGAS, ensuring the integrity, objectivity, and independence of their audits.<sup>18</sup> To ensure the reliability of data, auditors should obtain a sufficient understanding of information systems controls necessary to assess audit risk and plan the audit program and evaluation criteria.<sup>19</sup> Additionally, auditors are required to develop an audit program that effectively assesses the organization’s operations, compliance, and reporting.<sup>20</sup> Supervisory review is essential to ensure that the audit reports are accurate, complete, and in compliance with GAGAS.<sup>21</sup>

Auditors must remain independent, and audits must align with the most recent GAGAS to ensure the accuracy, reliability, and completeness of assessments. Furthermore, the limited role of the external auditor undermines the integrity of the audit process, as it introduces a potential conflict of interest and compromises the impartiality required for accurate assessments.

<sup>18</sup> *Generally Accepted Government Auditing Standards*, 2018 Update April 2021, Section 1.06.  
<sup>19</sup> *Generally Accepted Government Auditing Standards*, 2018 Update April 2021, Section 8.60.  
<sup>20</sup> *Generally Accepted Government Auditing Standards*, 2018 Update April 2021, Section 8.35.  
<sup>21</sup> *Generally Accepted Government Auditing Standards*, 2018 Update April 2021, Section 8.135.

### Recommendation #6

We recommend the **Vice President, Chief Data and Analytics Officer**, take immediate measures to remove mention of Generally Accepted Government Auditing Standards compliance from prior third-party audit reports on the performance measurement system filed with the Postal Regulatory Commission.

### Recommendation #7

We recommend the **Vice President, Chief Data and Analytics Officer**, update the contract with the external auditor to require adherence to *Generally Accepted Government Auditing Standards*.

## Postal Service Response

Management partially agreed with this finding. The Postal Service stated the external auditor reported that they did not follow 12 of the government auditing standards instead of the 27 the OIG identified. Management also stated that GAGAS states, "Auditors of government entities or that receive government awards may comply with GAGAS, ensuring the integrity, objectivity, and independence of their audits. Postal Service argues that since it says may, they do not need to follow GAGAS standards to ensure the integrity, objectivity, and independence of the SPM audits.

Management disagreed with recommendations 6 and 7. For recommendation 6, management stated that they agree to remove GAGAS compliant

language in reports going forward but will not go back to modify prior reports that were published stating compliance with GAGAS. For recommendation 7, management stated that they are not required to adhere to GAGAS, but going forward will include language in the report to reflect adherence to a modified GAGAS, disclosing requirements not followed and how that may impact the assurance of the audit.

## OIG Evaluation

Regarding management's disagreement with finding 3, the external auditor, admitted to not following 12 of the GAGAS standards. Additionally, management's decision to not follow the GAGAS standards will impact the overall value of the audit reports, as there are no assurances of integrity, objectivity, or independence.

Regarding recommendation 6, the OIG views management's comments as partially responsive as management agreed to remove the GAGAS compliance statement from future external reports on the Postal Service's SPM. We will continue to work with management through the formal audit resolution process regarding management's disagreement to remove GAGAS compliant statements from previously published external reports on the Postal Service's SPM. Regarding recommendation 7, we view management's disagreement as unresolved and will work with management through the formal audit resolution process.

# Other Matters: Service Performance Measurement Systems Used by the Mailing Industry

In addition to the SPM system tracking service performance, large volume mailers often independently track the service performance of their mailpieces. Mailers have mentioned there can be discrepancies between the Postal Service's reported performance and their own measuring. We identified several differences between the Postal Service and industry mailers methodologies used to measure and track mailpieces. These differences include:

- The Postal Service will exclude mail that does not receive a start-the-clock scan, or that misses a scan during processing or delivery, among other exclusions, causing these pieces of mail to be out of measurement, while the industry mailers will use substitute data, such as confirmation of mail delivery from third-party drivers, to track and measure those pieces.
- The Postal Service doesn't start the measurement clock on commercial mail until it is dropped on the dock of a Postal Service facility. Sometimes the trucks dropping off this mail must wait in line until a dock door is available for them to drop off the mail, the time spent by the truck waiting in line is not included in the Postal Service's calculation of SPM. Industry Mailers use substitute data to determine when a truck arrives at a facility.
- The Postal Service uses sample delivery scans by carriers to determine the delivery date, whereas the industry mailers sometimes use the last scan at the Postal facility prior to the mail going out for delivery with the carriers as the expected delivery date.

“We identified several differences between the Postal Service and industry mailers methodologies used to measure and track mailpieces.”

- The Postal Service uses the SPM system to measure and report service performance, while the industry mailers can use multiple proprietary systems that pull raw data from the Postal Service to interpret for their clients.

The Postal Service and industry mailers have a common goal to measure, track, and calculate service performance of mailpieces. However, these scores cannot be directly compared to one another based on the differences in measurement, tracking, and population of mailpieces. We encourage the Postal Service to continue working with industry mailers to include more mail in

measurement and provide the best performance tracking possible. This will help build trust and credibility with industry mailers and key stakeholders.

## Looking Forward

Accurate service measurement and transparency to the public is critical to providing information on how the Postal Service and its new Delivering for America initiatives are performing. The SPM system and dashboard are key components for the Postal Service in accomplishing their goal to accurately measure and report service performance scores. By implementing recommendations identified in this report, the Postal Service can be more transparent with their service performance scores and continue to build trust with key stakeholders.

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# Appendix A: Additional Information

## Scope and Methodology

The scope of this project is to evaluate the accuracy, reliability, and representativeness of Postal Service reported service performance, the SPM data, and the quality controls over the data. To accomplish our objective, we:

- Interviewed Postal Service Headquarters officials to discuss the purpose and background of the SPM dashboard.
- Analyzed the SPM system sampling plan, methodologies, and business rules.
- Reviewed the public dashboard to conduct data profiling of SPM data, comparing the dashboard with the independently calculated metrics.
- Reviewed the External Audit Contract to determine the accuracy, reliability, and completeness of the audit conducted by the external auditor.
- Validated reported service performance numbers in official Postal Service publications.

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

- Control Environment
- 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 activities and monitoring that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We conducted this performance audit from October 2023 through June 2024 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 May 28, 2024, and included their comments where appropriate.

We assessed the reliability of the SPM system data by interviewing agency officials knowledgeable about the data, performing reviews of the sampling plans and methodologies, and performing data comparisons by duplicating data pulls to ensure accuracy and completeness of the data. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Mail Excluded from Service Performance Measurement</i>	To determine the reasons certain full-service mail volume is excluded from the Postal Service's service performance measurement.	19XG009NO000-R20	December 19, 2019	N/A
<i>Progress Made to Reduce Mail Excluded from Service Measurement</i>	To evaluate the progress made to reduce mail excluded from service performance measurement	23-035-R23	September 14, 2023	N/A

# Appendix B: GAGAS Requirements

We tested the Postal Service’s external audit for 48 Government Auditing Standards. Based on our review, we found the external audit was not compliant with 27 of the 48 standards.

**Table 5. Auditing Standards Tested for Compliance**

Government Auditing Standard	Test Conducted	Standard Not Compliant
3.27-3.33, 3.84, 3.90, 3.107	1. Did the auditors document the independence considerations as appropriate, including identifying threats to independence, evaluating the significance of the threats identified, and applying safeguards, as necessary, to eliminate the threats or reduce them to an acceptable level?	X
3.18-3.20, 3.23, 3.109	2. Taken as a whole, does the audit documentation show that the auditors were independent of the audited entity during the period of the professional engagement, and that professional judgment was used in planning and performing the audit and reporting the results?	X
4.02, 4.03, 8.31	3. Did the staff assigned to the engagement collectively have the competence needed for their assigned roles to address the engagement objectives and perform the work?	X
4.16	4. Did staff who planned, directed, and performed the audit and reported the results develop and maintain their professional competencies by completing required continuing professional education hours?	X
8.32, 8.82	5. If applicable, document the nature and scope of the work to be performed by specialists and their independence?	
8.33	6. Prepare a written audit plan and make necessary changes to adjust for significant changes made during the audit?	
8.05	7. An assessment of significance and audit risk?	X
8.30	8. Asking management to identify previous engagements and studies applicable to the audit objectives, and to determine whether the previous work and the implementation of the corrective actions is applicable to the current objectives?	X
8.36	9. Obtaining an understanding of the nature of the program under audit and the potential use that will be made of the results or report?	
8.60	10. Obtaining a sufficient understanding of the information systems controls necessary to assess audit risk and plan the work in the context of the engagement objectives?	X
8.68	11. Identifying any provisions of laws, regulations, contracts, and grant agreements that are significant in the context of the engagement objectives, and assessing the risk that noncompliance with provisions of laws, regulations, contracts, and grant agreements could occur?	X
8.71	12. Assessing the risks of fraud occurring that are significant in the context of the engagement objectives, and gathering and identifying the risks and discussing fraud risks, including incentives or pressures to commit fraud, the opportunity for fraud to occur, and rationalizations or attitudes that could increase the risk of fraud?	X
8.06	13. Did the auditors design the methodology to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the engagement objectives and to reduce audit risk to an acceptably low level?	
8.07	14. Did the auditors identify and use suitable criteria based on the audit objectives?	
8.20	15. Did the auditors communicate an overview of the objectives, scope, methodology, and the timing of the engagement and planned reporting with appropriate parties, including management of the audited entity, those charged with governance, individuals contracting for or requesting the engagement, and cognizant legislative committees?	

Government Auditing Standard	Test Conducted	Standard Not Compliant
8.21-8.22	16. Did the auditors retain written documentation of the communications with the audited entity and, if applicable, the process followed, and conclusions reached in identifying the appropriate individuals to receive the required communications?	
8.31	17. Was adequate staff assigned to the engagement?	
8.30	18. If findings and recommendations from prior engagements are significant in the context of the audit objectives, did the auditors evaluate whether the audited entity took appropriate corrective actions to address them?	X
8.39	19. Did the auditors determine whether internal control is significant to the audit objectives?	X
8.49	20. Plan and perform audit procedures to assess internal control to the extent necessary to address the objectives?	X
8.59	21. Determine whether it is necessary to evaluate information systems controls?	X
8.60	22. Evaluate the design, implementation, and operating effectiveness of information systems controls, including other information systems controls that affect the effectiveness of the significant controls or the reliability of information used in performing the significant controls?	X
8.68	23. If provisions of laws, regulations, contracts, and grant agreements are significant in the context of the engagement objectives, did the auditors design and perform procedures to obtain reasonable assurance of detecting instances of noncompliance?	X
8.71	24. Gather and assess information to identify risks of fraud that could affect the findings and conclusions?	X
8.91	25. Did the auditors assess whether the evidence is relevant, valid, and reliable?	X
8.93	26. When auditors used information provided by the audited entity as part of their evidence, did they determine what the officials or other auditors had done to obtain assurance over the reliability of the information?	X
8.116	27. For findings, did the auditors develop the criteria, condition, cause, and effect to the extent that these elements are relevant and necessary to achieve the engagement objective?	X
8.133-8.134	28. Did the auditors prepare the engagement documentation in reasonable form and content for the circumstances of the audit, which contained evidence supporting the findings, conclusions, and recommendations before the report was issued?	X
8.135	29. Supervisory review, before the report was issued, of the evidence supporting the findings, conclusions, and recommendations contained in the report?	X
2.03-2.04, 2.19, 8.136	30. If auditors did not comply with applicable GAGAS requirements, did they document the departure from GAGAS, the impact on the engagement, and the auditors' conclusions?	X
2.17a, 9.03	31. When the auditors complied with all applicable GAGAS requirements, did they use the unmodified GAGAS compliance statement in the report?	X
2.17b, 2.18, 3.84, 9.05	32. When the auditors did not comply with all applicable GAGAS requirements, did they include a modified GAGAS compliance statement in the report that the requirements were not followed or that the auditors did not follow GAGAS?	X
2.18, 3.84	33. When a modified GAGAS statement is used, did the auditors disclose the applicable requirements not followed, the reasons for not following the requirements, and how not following the requirements affected, or could have affected, the engagement and the assurance provided?	X
9.06	34. Did the auditors issue a report on the results of the engagement?	
9.07	35. Did the auditors use a form of the report appropriate for its intended use and in writing or some other retrievable form?	



Government Auditing Standard	Test Conducted	Standard Not Compliant
9.11	36. Communicating the engagement objectives in a clear, specific, neutral, and unbiased manner, including relevant assumptions and, if applicable, certain issues that were outside the engagement's scope?	
9.12	37. Describing the scope of the work performed and any limitations so that report users can reasonably interpret the findings, conclusions, and recommendations in the report without being misled, and report any significant constraints imposed on the audit approach, including denials of, or excessive delays in, access to records or individuals?	
9.13	38. Explaining the relationship between the population and the items tested; identifying entities, geographic locations, and the period covered; reporting the kinds and sources of evidence; and explaining any significant limitations or uncertainties based on the auditors' overall assessment of the sufficiency and appropriateness of the evidence in the aggregate?	
9.14	39. Describing the audit methodology and how the completed work supports the audit objectives in sufficient detail to allow knowledgeable users of the reports to understand how the auditors addressed the objectives, including evidence-gathering and evidence-analysis techniques; significant assumptions made; comparative techniques applied; the criteria used; and the sample design and why the design was chosen, including whether the results can be projected to the intended population?	
9.18	40. Did the auditors provide recommendations for corrective action if findings were significant in the context of the objectives?	
9.19	41. Did the auditor report conclusions based on the audit objectives and findings?	
9.20	42. If applicable, did the auditors describe limitations or uncertainties with the reliability or validity of evidence if (1) the evidence is significant to the findings and conclusions in the context of the audit objectives and (2) such disclosure is necessary to avoid misleading the report users about the findings and conclusions?	
9.21	43. Did the auditors put their findings in perspective by describing the nature and extent of the issues being reported and the extent of the work performed that resulted in the findings?	
9.23	44. Did the auditors' recommendations flow logically from the findings and conclusions?	
9.23	45. Were the recommendations directed at resolving the cause of identified deficiencies and findings?	X
9.23	46. Did the recommendations clearly state actions?	
9.10, 9.50-9.51	47. If the auditors received written comments from the responsible officials, did they include in the report a copy of the officials' written comments, or a summary of the comments received?	X
9.58	48. Did the OIG distribute the audit report to those charged with governance, the appropriate audited entity officials, the appropriate oversight bodies, organizations requiring or arranging for the audits, other officials who have legal oversight authority or who may be responsible for acting on findings and recommendations, and others authorized to receive such reports?	

Source: OIG analysis in accordance with Government Auditing Standards.

# Appendix C: Management's Comments



6/21/2024

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Accuracy of Reported Service Performance  
(23-168)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report titled: *Accuracy of Reported Service Performance*.

Finding #1: Postal Service Can Strengthen Controls Over Sampling Procedures for Acceptance and Delivery Data

*"We [OIG] identified limitations in acceptance and delivery sampling that may impact the representativeness of the data..."*

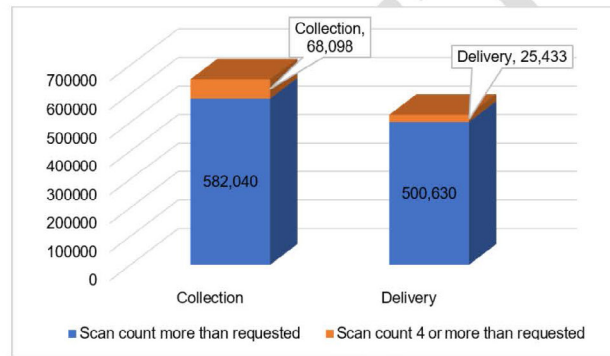
The Chief Data and Analytics Office (CDAO) does not agree with this part of Finding #1. Although the OIG incorporated the below statistics into this report, OIG maintains that the data may not be representative. The following statistics indicate that the amount of data collected and used to determine service performance is substantial, robust, and representative. On average:

- 20 billion mail pieces are measured every quarter
- 3 million mail pieces are sampled in First Mile every quarter
- 28 million pieces are sampled in Last Mile every quarter
- 78% of commercial full-service mail pieces are in measurement every quarter
- 92% of the nation's delivery points have mail in measurement<sup>1</sup>
- SPM system generates accurate and reliable scores with lower than a 1% margin of error at a 95% confidence interval<sup>2</sup>

<sup>1</sup> Analysis for September 2023 showed that 153.3M of 165.9M postal delivery points had at least one piece in measurement.

<sup>2</sup> Margin of error on average at national level is below 0.20% and for some products, its below 0.10%.

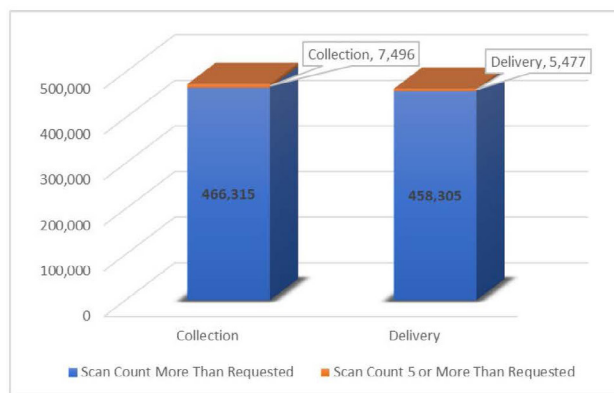
**Figure 3. FY 2023 Scanning More Pieces Than Requested.**



Source: Informed Visibility.

The Chief Data and Analytics Office (CDAO) does not agree with the data depicted in Figure 3. USPS was able to replicate the numbers represented in the graphic, however, the orange portion of the bars represent “Scan count greater than 4 beyond number requested” and *not* “4 or more” as indicated. In addition, the total represented in blue of “Scan count more than requested” *includes* the values in orange for both Collection and Delivery. To be accurate, the numbers in orange should be subtracted from the numbers in blue, e.g.  $582,040 - 68,098 = 513,942$ .

USPS reiterates that the OIG obtained data from a database table that contained raw scan data which could include duplicate label barcodes. Below is chart containing the correct data.



Below is a chart showing the percentages of responses where the number of scans exceeded the built-in limit of four. For both Collection and Delivery, the percentages are negligible – less than ½ of one percent and practically zero, respectively.

Based on USPS's Calculation	Sample Type	Percentage of Responses with Scans That have more than 4+ the number of requested scans
	Collection	0.45%
Delivery	0.02%	
Based on OIG's Calculation	Sample Type	Percentage of Responses with Scans That have more than 4+ the number of requested scans
	Collection	4.06%
Delivery	0.08%	

*“The SPM system requires a certain number of samples be conducted nationwide each quarter. If Postal employees do not complete the samples as requested, the system will continue to request the samples from other employees until enough samples have been completed. This results in missing performance data on certain routes. Additionally, when employees over or under-scan it can impact the overall representativeness and reliability of the data by artificially increasing or decreasing the data for those routes. Therefore, carrier non-compliance with requested sampling can cause the data to not be equally weighted and representative of the population.”*

The Chief Data and Analytics Office (CDAO) does not agree with this part of Finding #1, the SPM system is designed to be statistically accurate and representative at the district level, not at the route level.

This audit report does not contain any specifics as to how the data is not statistically representative or the impact to the overall accuracy of the reported service performance.

**Finding #2: Postal Service’s Publicized Package Performance Metrics Lacked Important Context**

*“...the Postal Service is including same day delivery package services<sup>16</sup> in their metrics, which are dropped at delivery units by large mailers and delivered the same day. This does not represent an individual mailer’s experience, as same day packages do not move through the entire network (processing, transportation, and delivery). In FY 2022, same day package services accounted for over [REDACTED] of the package volume and was delivered in an average of [REDACTED]”*

*“Excluding same day delivery package services, we found only [REDACTED] of packages were delivered on time in FY 2022.”*

*“Excluding same day delivery packages, we found only [REDACTED] of packages were delivered in less than three days. Furthermore, while the Postal Service said 99.9 percent of packages were delivered in an average of less than three days, it did not calculate the percent of packages but rather the percent of delivery points that had average package*

*delivery in less than three days. Had they calculated packages delivered in less than three days, the percentage even including same day packages would have been [REDACTED]*

The Chief Data and Analytics Office (CDAO) does not agree with Finding #2. Suggestions that USPS data are skewed by failure to exclude “same day delivery packages” from reporting and calculations is incorrect. USPS reports the performance of these products, akin to our competitors. Excluding certain products would result in incomplete results and put USPS at a competitive disadvantage.

Finding #4: Required Audits of the Postal Service’s Service Performance Measurement Did Not Follow Generally Accepted Government Auditing Standards (GAGAS)

*“The Postal Service determined the audit measures to be tested and the benchmarks for determining if an audit measure passed or failed. An external auditor should determine these measures and benchmarks independent of the auditee.”*

The Chief Data and Analytics Office (CDAO) does not agree with this part of Finding #4. The Postal Service did not develop the audit measures and benchmarks. An external third-party entity was contracted to develop the audit measures and benchmarks.

*“...the external auditor did not comply with 27 out of 48 (56 percent) of the GAGAS requirements tested, such as independence, peer reviews, management oversight, and data reliability.”*

The Chief Data and Analytics Office (CDAO) does not agree with this part of Finding #4. The external auditor states that only 12 out of the 48 Government Auditing Standards were not followed. Of the 12, a total of 8 standards are considered out of scope due to not being required for the audit. Four of the standards were not in compliance with the GAGAS principles.

*“GAGAS sets out the principles and standards that auditors must follow when performing audits of government entities. Auditors of government entities or that receive government awards must comply with GAGAS, ensuring the integrity, objectivity, and independence of their audits.”<sup>20</sup>*

<sup>20</sup>Generally Accepted Government Auditing Standards, 2018 Update April 2021, Section 1.06.

The Chief Data and Analytics Office (CDAO) does not agree with this part of Finding #4. The cited authority says “may” not “must”, per the GAO’s Government Auditing Standards 2018 Revision section 1.06 “Auditors of government entities, entities that receive government awards, and other entities, as required by law or regulation or as they elect, may use these standards.” Moreover, we have found no statutory requirements nor the OIG could provide one that specifically requires that the SPM system audit report (39 CFR 3055.31(i)) be performed in accordance with GAGAS. We continue to request that OIG identify such authority so that we can assess its applicability to management and to this particular context.

*“Other Matters: Service Performance Measurement Systems Used by the Mailing Industry*

The Chief Data and Analytics Office (CDAO) does not agree with this. This entire section is out of scope and should be removed. The scope of this audit is to assess the accuracy and reliability of the Postal Service's reported service performance.

Below are management's comments on each of the seven recommendations:

Recommendation 1: We recommend the Vice President, Chief Data and Analytics Officer, in conjunction with the Vice President, Delivery Operations, develop a system to track carrier scanning remarks, such as “passed address” or “partially completed,” identify what percent is carrier non-compliance, and take necessary action to increase carrier compliance.

Management Response/Action Plan:

Management **agrees** with this recommendation.

The Vice President, Chief Data and Analytics Officer, in conjunction with the Vice President, Delivery Operations will work together with USPS Engineering to determine the cost of development of such a system and will implement if feasible and practicable.

Target Implementation Date: 9/30/2024

Responsible Official:

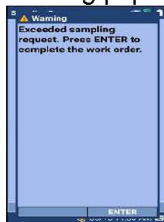
Vice President, Chief Data and Analytics Officer

Recommendation 2: We recommend the Vice President, Chief Data and Analytics Officer, develop a program that limits scanning devices to allow only the requested number of pieces to be scanned.

Management Response/Action Plan:

Management **agrees** with this recommendation.

This limitation is already in place: carriers can scan a maximum of the required number of pieces plus 4. If they attempt to scan more than this maximum, the scanner displays a warning pop-up and prevents further scanning. Requesting closure upon issuance.



Target Implementation Date: N/A

Responsible Official:

Vice President, Chief Data and Analytics Officer

Recommendation 3: We recommend the Vice President, Chief Data and Analytics Officer, include performance metrics representative of the end-to-end process, which does not include same day delivery package services, when reporting service performance scores for packages.

Management Response/Action Plan:

Management **disagrees** with this recommendation.

The United States Postal Service (USPS) reports the performance of all package products. Excluding same day delivery products would lead to incomplete results and put USPS at a competitive disadvantage.

Target Implementation Date: N/A

Responsible Official:

Vice President, Chief Data and Analytics Officer

Recommendation 4: We recommend the Vice President, Chief Data and Analytics Officer, only publicize Postal Service tracked and validated metrics.

Management Response/Action Plan:

Management **disagrees** with this recommendation.

The United States Postal Service (USPS) does not share its internal metrics for competitive products publicly due to the competitive nature of these products. Revealing such information could be exploited by competitors and place the USPS at a competitive disadvantage. In the package shipping industry, numerous independent companies specialize in measuring and evaluating the service performance of different carriers for this competitive product. These companies play a role in providing their insights to shippers, logistics providers, and retailers. It is not feasible for the USPS validate all external entities that share performance insights.

Target Implementation Date: N/A

Responsible Official:

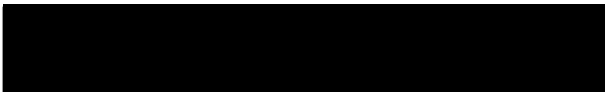
Vice President, Chief Data and Analytics Officer

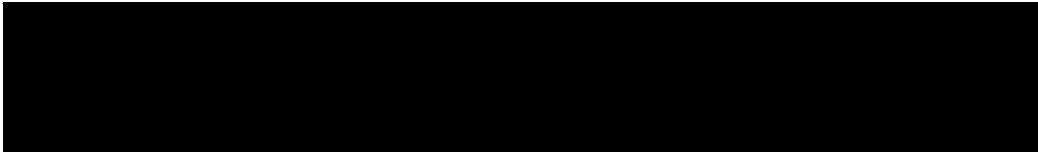
Recommendation 5: We recommend the Vice President, Chief Data and Analytics Officer, evaluate the feasibility of updating the Service Performance Dashboard to report service performance scores at the 3-digit ZIP Code level.

Management Response/Action Plan:

Management **agrees** with this recommendation.

This assessment was completed and provided to the OIG, requesting closure upon issuance. Below is the breakdown of cost:





Target Implementation Date: N/A

Responsible Official:

Vice President, Chief Data and Analytics Officer

Recommendation 6: We recommend the Vice President, Chief Data and Analytics Officer, take immediate measures to remove mention of Generally Accepted Government Auditing Standards compliance from prior third-party audit reports on the performance measurement system filed with the Postal Regulatory Commission.

Management Response/Action Plan:

Management **disagrees** with this recommendation.

ICF, our independent third-party auditor follows a modified GAGAS and hence will add “modified” to their future reports. Whereas we agree to remove this language in reports going forward, we disagree to the modification of previously filed reports as it would encumber USPS with unreasonable administrative expenses.

Target Implementation Date: N/A

Responsible Official:

Vice President, Chief Data and Analytics Officer

Recommendation 7: We recommend the **Vice President, Chief Data and Analytics Officer**, update the contract with the external auditor to require adherence to *Generally Accepted Government Auditing Standards*.

Management Response/Action Plan:

Management **disagrees** with this recommendation.

Although we are not required to follow GAGAS, starting with FY24 Q2, the external auditor included language in the report to reflect adherence to a modified GAGAS and included an Appendix disclosing the applicable requirements not followed, the reasons for not following, and how not following affected, or could have affected, the engagement and assurance provided.

Target Implementation Date: N/A

Responsible Official:

Vice President, Chief Data and Analytics Officer



E-SIGNED by Steve.M Dearing  
on 2024-06-21 11:30:12 EDT

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Stephen Dearing  
Vice President, Chief Data and Analytics Officer

cc: Corporate Audit Response Management

# OFFICE OF INSPECTOR GENERAL

UNITED STATES



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1735 North Lynn Street, Arlington, VA 22209-2020  
(703) 248-2100

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