



Office of Inspector General | United States Postal Service

Audit Report

International Exchange Offices

Report Number MS-AR-18-001 | December 11, 2017



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Highlights

Objective

Our objective was to evaluate inbound international mail acceptance at U.S. Postal Service International Exchange Offices (IEO). Inbound international mail originates in foreign countries for delivery in the U.S. and typically arrives at one of the five Postal Service International Service Centers (ISC) located in Chicago, IL; Los Angeles, CA; Miami, FL; New York, NY, and San Francisco, CA. Postal Service policy also lists 22 IEOs that accept international mail.

What the OIG Found

The Postal Service accepted inbound international mail at only four of the 22 facilities listed as IEOs in its policy:

- The New Jersey International Network Distribution Center in Newark, NJ.
- The Honolulu Processing and Distribution Center (P&DC) in Honolulu, HI.
- The Pago Pago Main Office in American Samoa.
- The Barrigada Post Office in Guam.

These four facilities accepted less than 5 percent of the total inbound international mail in fiscal year (FY) 2016, largely because of their unique geographic locations (except the New Jersey facility which mainly accepts surface mail, but also accepts some inbound air mail). The remaining 95 percent of inbound international mail volumes were accepted at the five ISCs, which are strategically located near large international airports across the country. None of the 18 remaining IEO facilities accepted international mail; three of which were closed. The 15 remaining IEOs continue to perform various domestic mail operations.

While two IEOs — the San Juan P&DC in Puerto Rico and the St. Thomas, Virgin Islands Post Office — do not accept international mail, they are listed as IEOs. Staff at these facilities present mail to U.S. Customs and Border Protection (CBP) for inspection since mail received from other ISCs and other Caribbean

islands crosses an international border upon arrival into either Puerto Rico or the Virgin Islands.

The Postal Service has not updated its policy governing the acceptance of inbound international mail for changes in international mail acceptance operations at these facilities; therefore, this policy is not reflective of current international mail acceptance operations. Postal Service management acknowledged this policy is outdated. As a result, reliance on inaccurate and outdated policy may lead to operational inefficiencies.

We also noted during our observations at the San Juan P&DC that CBP officers were not able to scan packages selected for further inspection into the Postal Service's Global Business System (GBS) due to invalid login credentials provided by the Postal Service. CBP and Postal Service officials both acknowledged that CBP officers should have access to GBS to scan and document packages held for inspection. When packages selected for inspection are not scanned and documented in GBS in a timely manner, the Postal Service and customers may not have visibility into the location of their packages.

Local standard operating procedures for outlining appropriate access controls and procedures when the Postal Service coordinates with CBP could help mitigate potential access issues in San Juan. Such standard operating procedures are being developed at each Postal Service facility (including the San Juan P&DC) where mail is presented to CBP in accordance with a recent national memorandum of understanding (MOU). Based on the planned development of a local MOU at the San Juan P&DC, we will not make a recommendation for the Postal Service to develop local standard operating procedures in this report. However, we will continue to monitor this issue.

What the OIG Recommended

We recommended management update Postal Service policies governing the facilities that accept inbound international mail and provide CBP officers with valid login credentials to access GBS.

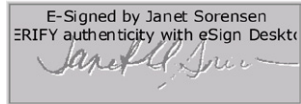
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 11, 2017

MEMORANDUM FOR: ROBERT CINTRON
VICE PRESIDENT, NETWORK OPERATIONS



FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Retail, Delivery and Marketing

SUBJECT: Audit Report – International Exchange Offices
(Report Number MS-AR-18-001)

This report presents the results of our audit of the U.S. Postal Service's International Exchange Offices (Project Number 17RG017MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joe Wolski, Director, Sales, Marketing and International Directorate, or me at 703-248-2100.

Attachment

cc: Corporate Audit Response Management
Postmaster General
Executive Director (A), International Operations

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service's International Exchange Offices (IEO) (Project Number 17RG017MS000). Our objective was to evaluate inbound international mail acceptance at Postal Service IEOs.

Background

The Postal Service recorded inbound international mail volume of about 621 million pieces in fiscal year (FY) 2016, 275.5 million of which were packages. The Postal Service recorded total inbound international mail revenue of \$821 million during that time.

Inbound international mail originates in foreign countries for delivery in the U.S. and typically arrives at one of the five U.S. Postal Service International Service Centers (ISC) located in Chicago, IL; Los Angeles, CA; Miami, FL; New York, NY, and San Francisco, CA. Postal Service policy¹ also lists 22 IEOs (see Table 1) that accept international mail and describes verification processes for accepting inbound international mail at these IEOs as well as the ISCs.

“Postal Service policy lists 22 International Exchange Offices that accept international mail.”

Table 1. Postal Service International Exchange Offices

International Exchange Offices	Location
Anchorage Air Mail Facility	Anchorage, AK
Barrigada Post Office	Barrigada, Guam
Dallas Airport Mail Center (AMC)	Dallas, TX
Dallas Bulk Mail Center (BMC)	Dallas, TX
El Paso Processing & Distribution Center (P&DC)	El Paso, TX

International Exchange Offices	Location
FDR Station	New York, NY
Honolulu P&DC	Honolulu, HI
JA Farley P&DC	New York, NY
Los Angeles BMC	Los Angeles, CA
Los Angeles P&DC	Los Angeles, CA
ML Sellers P&DC	San Diego, CA
Newark AMC	Newark, NJ
New Jersey International Network Distribution Center (NDC)	Jersey City, NJ
Nogales Main Office	Nogales, AZ
Oakland International Service Facility (ISF)	Oakland, CA
Pago Pago Main Office	Pago Pago, American Samoa
San Francisco P&DC	San Francisco, CA
San Juan AMC	San Juan, PR
San Juan P&DC	San Juan, PR
Seattle AMC	Seattle, WA
Seattle BMC	Seattle, WA
St. Thomas, Virgin Islands Post Office	St. Thomas, Virgin Islands

Source: Postal Service's T-5, *International Mail Operations*, May 2015.

These processes include mail preparation requirements as well as actions for identifying and handling authorized mailings and coordinating with the U.S. Customs and Border Protection (CBP). With limited exceptions, all inbound

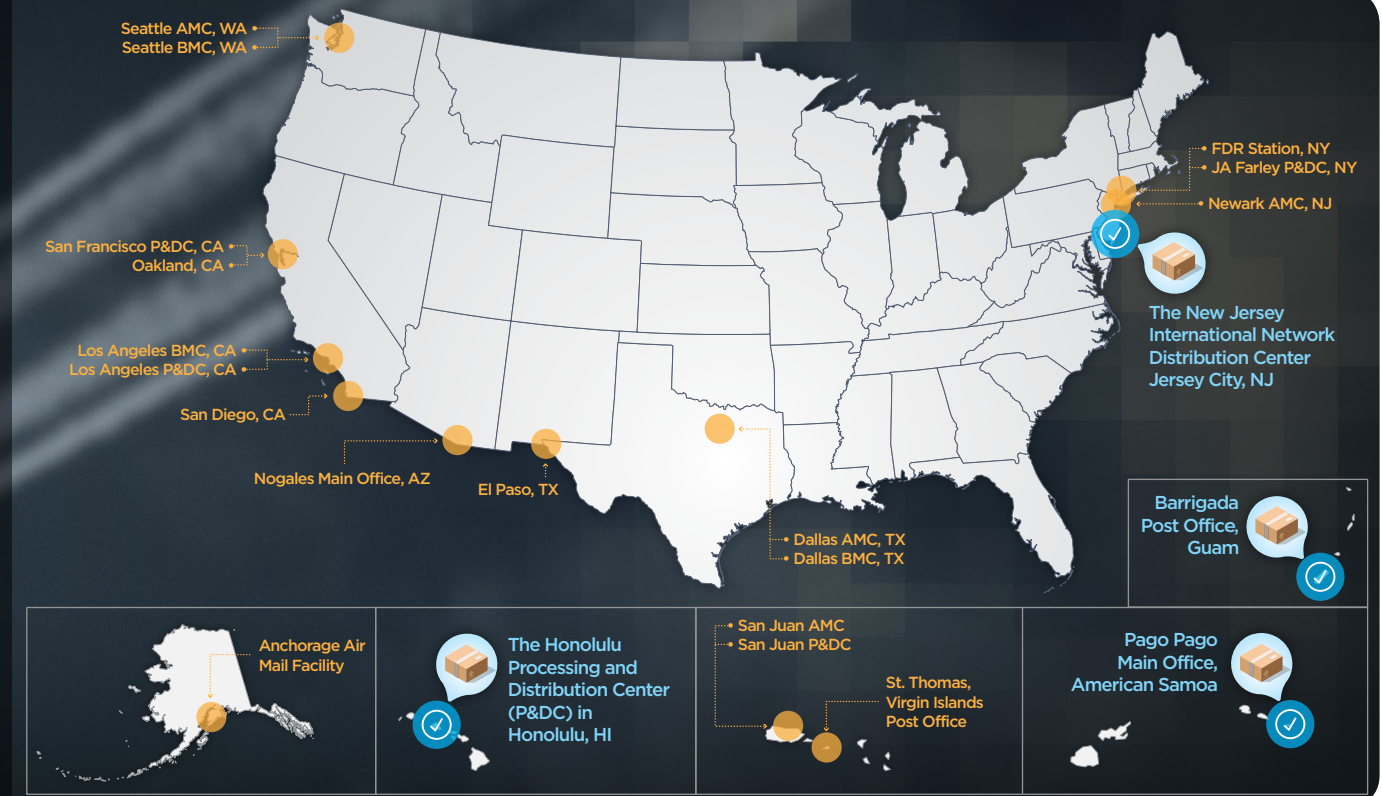
¹ T-5, *International Mail Operations*, May 2015. This handbook contains procedures for processing all classes of international mail at air and surface exchange offices.



International Exchange Office Operations

The Postal Service accepted inbound international mail at only four of the **22 facilities** listed as IEOs in its policy.

- The New Jersey International Network Distribution Center in Newark, NJ.
- The Honolulu Processing and Distribution Center (P&DC) in Honolulu, HI.
- The Pago Pago Main Office in American Samoa.
- The Barrigada Post Office in Guam.



international mail is subject to inspection by CBP and the Postal Service must coordinate with CBP to ensure mail is presented for inspection. CBP inspects these mailings to ensure compliance with federal laws and related federal regulations and policies. CBP currently has mail inspection operations at nine Postal Service facilities — all five ISCs as well as at four IEOs — the Honolulu P&DC, the New Jersey NDC, the San Juan P&DC, and the St. Thomas, Virgin Islands Post Office.

Inbound international mail volumes have increased over the last few years, sparking safety and security concerns from the Postal Service, law enforcement, oversight bodies and the general public. We have conducted a variety of work reviewing operations at the five ISCs.² A key aspect of a recent Congressional

hearing³ raised particular questions about how international mailings are entering the U.S. both at the ISCs, but also through other Postal Service facilities, including IEOs.

Finding # 1: International Exchange Office Operations

The Postal Service accepted inbound international mail at only four of the 22 facilities listed as IEOs in its policy — the New Jersey International NDC in Newark, New Jersey, the Honolulu P&DC in Honolulu, HI, the Pago Pago Main Office in American Samoa, and the Barrigada Post Office in Guam. These four facilities accepted less than 5 percent of the total inbound international mail in FY 2016, largely because of their unique geographic locations (except the

² A complete list of these reports is provided in [Appendix A](#).

³ House Committee on Oversight and Government Reform, Subcommittee on Government Operations, hearing titled “Examining Shipments of Illicit Drugs in International Mail”, September 7, 2017.

New Jersey facility, which mainly accepts surface mail, but also accepts some inbound air mail). The remaining 95 percent of inbound international mail volumes were accepted at the five ISCs, which are strategically located near large international airports across the country. None of the 18 remaining IEO facilities accepted international mail,⁴ three of which were closed (see Table 2).

Table 2. Postal Service International Exchange Offices

International Exchange Offices	Directly Accepts Inbound International Mail (Yes or No)	Current Status (Open or Closed)
Barrigada Post Office	Yes	Open
Honolulu P&DC	Yes	Open
New Jersey International NDC	Yes	Open
Pago Pago Main Office	Yes	Open
Newark AMC	No	Closed
Oakland ISF	No	Closed
San Juan AMC	No	Closed
Anchorage Air Mail Facility	No	Open
Dallas AMC	No	Open
Dallas BMC	No	Open
El Paso P&DC	No	Open
FDR Station	No	Open
JA Farley P&DC	No	Open
Los Angeles BMC	No	Open
Los Angeles P&DC	No	Open

⁴ The 15 remaining IEOs continue to perform various domestic mail operations.

International Exchange Offices	Directly Accepts Inbound International Mail (Yes or No)	Current Status (Open or Closed)
ML Sellers P&DC	No	Open
Nogales Main Office	No	Open
San Francisco P&DC	No	Open
San Juan P&DC	No	Open
Seattle AMC	No	Open
Seattle BMC	No	Open
St. Thomas, Virgin Islands Post Office	No	Open

Source: U.S. Postal Service Office of Inspector General (OIG) analysis based on observing operations at two facilities (the El Paso and San Juan P&DCs), interviews with Postal Service officials, and reviews of Postal Service data.

In addition, while two IEOs — the San Juan P&DC in Puerto Rico and the St. Thomas, Virgin Islands Post Office — do not accept international mail, they are listed as IEOs. Staff at these facilities present mail to CBP for inspection since mail received from other ISCs and other Caribbean islands crosses an international border upon arrival into either Puerto Rico or the Virgin Islands.

The Postal Service has not updated its policy governing the acceptance of inbound international mail for changes in international mail acceptance operations at its IEOs; therefore, this policy is not reflective of current international mail acceptance operations. Postal Service management acknowledged this policy

“The Postal Service accepted inbound international mail at only four of the 22 facilities listed as IEOs in its policy.”

is outdated. As a result, reliance on inaccurate and outdated policy may lead to operational inefficiencies.

Recommendation #1

Vice president, Network Operations *update Postal Service policies governing the facilities that accept inbound international mail.*

Finding # 2: Limited Access to Global Business System at the San Juan Processing & Distribution Center

We noted during our observations at the San Juan P&DC that CBP officers were not able to scan packages selected for further inspection⁵ into the Postal Service's Global Business System (GBS). Instead, they relied on Postal Service officials to input this information into the GBS — officers wrote down tracking numbers for inbound packages and relayed them to a Postal Service employee to enter them into the GBS. We also noted that Postal Service employees were not always

“CBP officers were not able to scan packages selected for further inspection at the San Juan P&DC into the Postal Service's GBS.”

available to enter these tracking number scans, most frequently on Saturdays. CBP and Postal Service officials acknowledged that CBP officers should have access to the GBS to scan and document packages held for inspection.

CBP officers at the San Juan P&DC inspect select packages arriving from the U.S. Virgin Islands and other ISCs.⁶ Commercial air carriers transport mail from the ISCs to the San Juan P&DC, while a contractor transports mail from the

Virgin Islands. The arriving mail is then transported to the San Juan P&DC for processing. During these operations, when CBP selects a package(s) for further inspection, they scan the package as being “Received by Customs” into the GBS.

When CBP re-inserts the mailing back into the mailstream (e.g., if it passes the inspection), Postal Service employees are to scan the item as “Out of Customs”.

This issue occurred because the Postal Service provided CBP officers with invalid GBS login credentials. When packages selected for inspection are not scanned and documented in the GBS in a timely manner, the Postal Service and customers may not have visibility into the location of specific packages, which could negatively affect the Postal Service's brand and image as a trusted service provider.

Local standard operating procedures (SOP) for outlining appropriate access controls and procedures when the Postal Service coordinates with CBP could help mitigate potential access issues in San Juan. Such SOPs are currently being developed at each of the nine Postal Service facilities where CBP has operations in accordance with a national memorandum of understanding (MOU) between the Postal Service and CBP, signed on September 1, 2017. The MOU states that the Postal Service should have local SOPs in place at all nine facilities (including the San Juan P&DC) by December 30, 2017. Based on the expected development of a local MOU at the San Juan P&DC, we will not make a recommendation for the Postal Service to develop local SOPs in this report. However, we will continue to monitor this issue.

Recommendation #2

Vice president, Network Operations, *provide Customs and Border Protection officers with valid login credentials to access the Global Business System.*

⁵ Further inspection refers to instances when mail items are detained by CBP for review or require processing beyond normal segregation and informal entry.

⁶ While these packages are not considered international mail for Postal Service purposes, they are presented to CBP for inspection since they cross an international border when they arrive in Puerto Rico.

Management's Comments

Management agreed with the findings and recommendations.

Regarding recommendation 1, management stated that Appendix 3 of the International Mail Operations Handbook (T5) has been updated to reflect proper facilities in the editing system. Management indicated there was an information technology (IT) issue preventing the changes from being transferred to the actual document, however in subsequent correspondence on December 8, 2017, management stated they successfully updated the handbook and provided a revised copy.

Regarding recommendation 2, management stated that CBP officers have been provided login credentials to GBS, and that Postal Service Global Trade Compliance personnel have contacted CBP to facilitate the process and provide timely access. The target implementation date for this recommendation is January 31, 2018.

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

Evaluation of Management's Comments

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

Regarding recommendation 1, based on management's ability to successfully update the International Mail Operations Handbook, we are closing this recommendation with the issuance of this report.

Recommendation 2 still requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are 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.

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Appendix A: Additional Information

Scope and Methodology

The scope of our review was inbound international mail procedures at IEOs. We specifically performed the following:

- Reviewed Postal Service policies and procedures related to inbound international mail operations at IEOs — this included mail acceptance, verification, coordination with CBP, and transportation.
- Contacted staff at the IEOs listed in the Postal Service’s policy, T-5 Handbook, *International Mail Operations*, to discuss if the facility accepted international mail directly from foreign countries. In instances where we were unable to directly reach these officials, we worked with Postal Service Headquarters staff to determine other points of contacts or determine if the facility was still functioning.
- Judgmentally selected and visited the El Paso P&DC based on its proximity to the Mexican border and the San Juan P&DC based on its proximity to Caribbean islands. At each facility, we: 1) interviewed plant managers and other Postal Service officials regarding inbound international mail handling procedures and 2) used observations and analysis of sampled packages to determine whether mail was shipped directly to IEOs from foreign countries without first being processed through an ISC. We also interviewed CBP officers regarding international inbound/outbound inspection procedures at the San Juan P&DC.

- Interviewed officials at Postal Service Headquarters about international mail operations at IEOs.
- Reviewed FY 2016 Postal Service inbound international mail data.

We conducted this performance audit from May through December 2017 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit 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 November 16, 2017, and included their comments where appropriate.

We assessed the reliability of inbound international mail data from the Postal Service’s Enterprise Data Warehouse by reviewing prior OIG work and discussing it with knowledgeable Postal Service staff. 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>Delayed Inbound International Mail</i>	Evaluate the timeliness of mail arrival at the Postal Service's ISCs.	MS-AR-17-009	9/7/2017	None
<i>Prohibited Inbound International Mailings</i>	Evaluate the Postal Service's processes for handling prohibited inbound international mailings such as cigarettes and prescription drugs.	MS-AR-17-008	7/18/2017	None
<i>Inbound International Mail Operations – [REDACTED] International Service Center</i>	Assess inbound international mail operations and safety and security concerns with inbound international mail at the [REDACTED] ISC.	MS-AR-17-003	12/30/2016	None
<i>Inbound International Mail Operations – [REDACTED] International Service Center</i>	[REDACTED]	MS-MT-16-004	9/28/2016	[REDACTED]
<i>Inbound International Mail Operations – [REDACTED] International Service Center</i>	[REDACTED].	MS-MT-16-003	9/21/2016	None
<i>International Inbound Mail Verification</i>	Highlight significant international inbound mail verification weaknesses at Postal Service ISCs at the New York and San Francisco International Airport locations.	MR-MT-16-001	1/28/2016	None
<i>U.S. Postal Service Handling of Inbound International Mail at the [REDACTED] International Service Center in [REDACTED]</i>	Determine whether the Postal Service is complying with established inbound international mail policies and procedures.	NO-MA-15-006	9/3/2015	None

Appendix B: Management's Comments

ROBERT CINTRON
VICE PRESIDENT, NETWORK OPERATIONS



December 4, 2017

LORI LAU DILLARD

SUBJECT: International Exchange Offices
(Report Number MS-AR-18-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the recommendations contained in the draft audit report, International Exchange Offices. We have reviewed the report and generally agree in principle with the findings.

The following is our response to the recommendations contained in the report.

We recommend the Vice President, Network Operations:

Recommendation 1:

Update Postal Service policies governing the facilities that accept inbound international mail.

Management Response Recommendation 1:

The Postal Service agrees with Recommendation #1. Appendix 3 of the T5, International Mail Operations Handbook, requires updating to reflect proper facilities. Appendix 3 of the T5 has been updated to reflect proper facilities in the editing system, however, there is an IT issue preventing the changes from being transferred to the actual document. We are currently working with IT to resolve the issue, but do not have completion date at the time of this response. The T5, International Mail Operations Handbook, will be updated as soon as the IT issue is resolved.

Recommendation 2:

Provide Customs and Border Protection officers with valid login credentials to access the Global Business System.

Management Response Recommendation 2:

The Postal Service agrees with Recommendation #2. Customs and Border Protection (CBP) officers have been provided login credentials to the Global Business System via the USPS eAccess system. USPS Headquarters Global Trade Compliance personnel have contacted CBP to facilitate the process and provide access timely.

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WASHINGTON, DC 20260-7100
WWW.USPS.COM

Target Implementation Date:

Both projects are targeted for completion in January 2018.

Responsible Official:

Manager, International Processing & Service Performance

If you have any questions about this response, please contact Robert Raines at (202) 268-2978.



Robert Cintron

cc: Manager, Corporate Audit Response Management



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