



September 2015

# U.S. POSTAL SERVICE

## Actions Needed to Make Delivery Performance Information More Complete, Useful, and Transparent

# GAO Highlights

Highlights of [GAO-15-756](#), a report to congressional requesters

## Why GAO Did This Study

USPS is in the difficult position of balancing cost-cutting actions to address its poor financial situation with efforts to provide prompt, affordable, and reliable mail service. GAO has previously reported that complete, useful, and transparent delivery performance information is essential for USPS and stakeholders to understand USPS's success in achieving this balance.

GAO was asked to review how USPS measures delivery performance and how PRC assesses this information. GAO assessed (1) USPS's measurement of mail delivery performance and related oversight by PRC and (2) USPS's and PRC's reporting of this information. GAO reviewed USPS and PRC delivery performance data for fiscal years 2010-2015, delivery service standards, and measurement system documents, as well as applicable laws and leading practices identified in GAO's prior work.

## What GAO Recommends

To assist in determining whether to require USPS and PRC to report on delivery performance for rural areas, Congress should direct USPS to provide cost estimates related to providing this information. Further, GAO recommends that USPS and PRC take steps to improve the completeness, analysis, and transparency of delivery performance information. USPS and PRC agreed with the recommendations addressed to them, but disagreed with certain findings on which they are based. GAO believes these findings are valid, as discussed in this report.

View [GAO-15-756](#). For more information, contact Lori Rectanus at (202) 512-2834 or [rectanusl@gao.gov](mailto:rectanusl@gao.gov).

September 2015

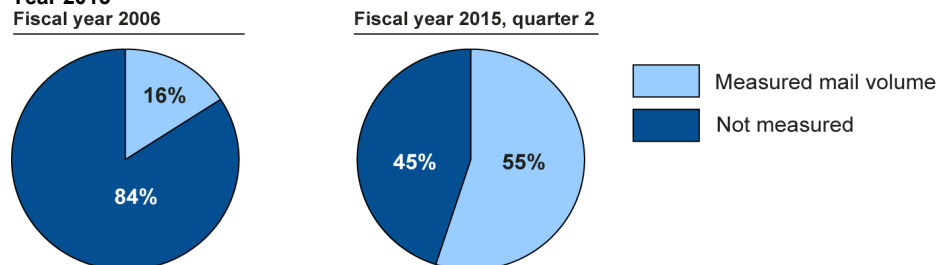
## U.S. POSTAL SERVICE

### Actions Needed to Make Delivery Performance Information More Complete, Useful, and Transparent

## What GAO Found

U.S. Postal Service (USPS) measurement of on-time delivery performance has expanded greatly over the past 9 years, but remains incomplete because only 55 percent of market-dominant mail (primarily First-Class Mail, Standard Mail, Periodicals, and Package Services) is included (see fig.). The remaining 45 percent is excluded due to various limitations, such as not having barcodes to enable tracking. Incomplete measurement poses the risk that measures of on-time performance are not representative, since performance may differ for mail included in the measurement, from mail that is not. Complete performance information enables effective management, oversight, and accountability. In addition, the Postal Regulatory Commission (PRC) has not fully assessed why USPS data are not complete and representative. While PRC's annual reports have provided data on the amount of mail included in measurement, they have not fully assessed why this measurement was incomplete or whether USPS actions will make it so. PRC may initiate a public inquiry docket (a type of proceeding) to improve data quality and completeness, but has not done so. Such a proceeding could facilitate evaluating data quality and identifying areas for improvement, as well as actions and time frames to complete improvements.

Mail Included in Performance Measurement, Fiscal Year 2006 and Second Quarter of Fiscal Year 2015



Source: GAO analysis of United States Postal Service data. | GAO-15-756

USPS's and PRC's reports on delivery performance are not as useful as they could be for effective oversight because they do not include sufficient analysis to hold USPS accountable for meeting its statutory mission to provide service in all areas of the nation. USPS's and PRC's reports provide analysis, as legally required. However, this national-level analysis does not facilitate an understanding of results and trends below the national level, such as for USPS's 67 districts, to identify variations and areas where improvements are needed. Further, delivery performance information is not sufficiently transparent or readily available. USPS posts only the most recent quarterly report on its website making it difficult for stakeholders to access trend data. Also, USPS and PRC are not required to provide—and do not report—performance information for rural areas. While several Members of Congress have recently requested studies on rural delivery performance, USPS has stated that such analysis would be costly, even though it could not provide specific cost estimates. Such cost information would be useful for Congress to assess whether developing this information would be appropriate.

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## Abbreviations

EXFC	External First-Class Mail measurement system
GPRA	Government Performance and Results Act of 1993
NNA	National Newspaper Association
PAEA	Postal Accountability and Enhancement Act
PRC	Postal Regulatory Commission
USPS	U.S. Postal Service

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September 30, 2015

Congressional Requesters

The U.S. Postal Service (USPS) is in a difficult position of balancing cost-cutting actions needed to address its poor financial situation with efforts to provide prompt, reliable, and affordable mail service. With insufficient revenues to cover its expenses and financial obligations, USPS continues to be in a serious financial crisis.<sup>1</sup> Since fiscal year 2012, USPS has taken action to reduce its costs, including reducing its career workforce by about 40,000 employees and consolidating 141 mail processing facilities in 2012 and 2013. Nonetheless, USPS is charged with meeting its statutory mission to provide prompt, reliable, and efficient services to all areas of the country (universal delivery service),<sup>2</sup> including rural areas.<sup>3</sup> Such a mission requires an extensive network of employees, facilities, and equipment. Major changes to network operations have the potential to affect USPS's ability to provide high-quality, universal delivery service. We have previously reported that delivery performance information that is complete, useful, and transparent is essential for enabling USPS and postal stakeholders—such as the Postal Regulatory Commission (PRC—an independent agency which has regulatory oversight over USPS), Congress, business mailers,<sup>4</sup> and the general public—to understand and evaluate how well USPS is fulfilling its statutory mission and specific

<sup>1</sup>In July 2009, we added USPS's financial condition to the list of high-risk areas needing attention by Congress and the executive branch to achieve broad-based restructuring. Subsequently, we retained USPS on the High-Risk List in fiscal year 2011, fiscal year 2013, and fiscal year 2015. GAO, *High-Risk Series: Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability*, [GAO-09-937SP](#) (Washington, D.C.: July 28, 2009); *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011); *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013); and *High-Risk Series, An Update*, [GAO-15-290](#) (Washington, D.C.: February 11, 2015).

<sup>2</sup>39 U.S.C. § 101(a).

<sup>3</sup>USPS is required to provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. 39 U.S.C. § 101(b).

<sup>4</sup>Business mailers include businesses, organizations, and other parties that send and rely on mail, such as bills, statements, correspondence, and other mail to maintain contact with their customers.

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statutory requirements for mail delivery.<sup>5</sup> Recently, some Members of Congress have expressed concern that actions USPS has taken since 2012 to reduce its costs have negatively affected the quality of mail delivery service, and that reported delivery performance information does not provide an accurate indication of performance in rural areas. You asked us to review USPS's measurement of delivery performance and PRC's oversight of this information. This report assesses (1) USPS's measurement of mail delivery performance and PRC's oversight of this measurement and (2) USPS's and PRC's reporting of this information.

To conduct this work, we assessed whether USPS's measurement of its delivery performance is complete and whether USPS's and PRC's reporting on this performance is useful and transparent. To make our assessments, we compared USPS's and PRC's measurement and reporting efforts to specific elements associated with these criteria, which are summarized in table 1. We originally developed these criteria for a 2006 report that assessed USPS's delivery service standards, measures, and reporting.<sup>6</sup> In developing those criteria, we identified applicable laws related to USPS's mission, ratemaking, and reporting, and practices used by high-performing organizations related to delivery service standards, measurement, and reporting, including practices identified through our past work. For this review, we adapted and updated each criteria identified in the 2006 report. We reviewed current laws, previously identified practices used by high-performing agencies, and prior GAO reports to identify specific, observable elements associated with each criterion, in order to make a more direct assessment on the extent that delivery performance information is complete, useful, and transparent. For example, we reviewed provisions in the Postal Accountability and Enhancement Act (PAEA)<sup>7</sup> and implementing PRC regulations<sup>8</sup> that established the legal framework for measurement of mail delivery performance, PRC's oversight of this measurement, and reporting of this information. To identify practices for reporting delivery performance information that would be useful for management and congressional

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<sup>5</sup>GAO, *U.S. Postal Service: Delivery Performance Standards, Measurement, and Reporting Need Improvement*, [GAO-06-733](#) (Washington, D.C.: July 27, 2006). USPS has referred to our description of delivery service standards as "service standards."

<sup>6</sup>See [GAO-06-733](#).

<sup>7</sup>Pub. L. No. 109-435, 120 Stat. 3198 (2006).

<sup>8</sup>39 C.F.R., pt. 3055.

decision making, we reviewed the Government Performance and Results Act of 1993 (GPRA),<sup>9</sup> and the GPRA Modernization Act of 2010<sup>10</sup> framework for meeting fiscal, management, and performance challenges, practices used by high-performing agencies, and prior GAO reports.<sup>11</sup>

**Table 1: GAO Criteria for Assessing the U.S. Postal Service’s (USPS) Delivery Performance Measurement and USPS’s and Postal Regulatory Commission’s Reporting**

Assessment criteria	Specific element
Completeness	Delivery performance measurement for a type of mail is sufficiently complete if it has the coverage to enable representative measurement of the percentage of mail delivered on time.
Usefulness	Delivery performance information is useful if it is reported in a manner that enables effective oversight to hold USPS accountable for meeting its statutory mission to provide prompt, reliable, and efficient services to patrons in all areas and to all communities and to provide effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining [39 U.S.C. § 101].
Transparency	Delivery performance information is transparent if it is reported in a manner that is easily accessible and readily available to all stakeholders.

Source: GAO analysis of laws, practices used by high-performing organizations, and past work. | GAO-15-756

To determine how USPS measures delivery performance, how PRC oversees USPS’s measurement, and how USPS and PRC report delivery performance information, we reviewed USPS’s annual reports to Congress and PRC, PRC’s annual compliance determinations, USPS and PRC websites, and other documentation on this measurement and reporting. We also obtained written responses from USPS and PRC related to mail delivery performance measurement and reporting and interviewed USPS, PRC officials, and mailing industry officials. USPS’s responses contained data on the amount of mail included and excluded from delivery performance measurement in fiscal years 2010 through the second quarter of fiscal year 2015. We assessed the reliability of USPS’s data through a review of related documents, such as written responses from USPS. We found these data sufficiently reliable for providing a general description related to the completeness of delivery performance

<sup>9</sup>Pub. L. No. 103-62, 107 Stat. 285 (1993).

<sup>10</sup>Pub. L. No. 111-352, 124 Stat. 3866 (2011).

<sup>11</sup>See GAO, *Managing For Results: Executive Branch Should More Fully Implement the GPRA Modernization Act to Address Pressing Governance Challenges*, [GAO-13-518](#) (Washington, D.C.: June 26, 2013).

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information. To assess PRC's oversight of USPS's measurement of mail delivery performance, we compared PRC's efforts to its statutory authorities and responsibilities related to such oversight. Further details about our scope and methodology can be found in appendix I.

We conducted this performance audit from October 2014 to September 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

Following enactment of PAEA in 2006, USPS updated its delivery service standards for market-dominant products, which define the number of days USPS is to take to deliver the mail in a timely manner.<sup>12</sup> USPS's delivery service standards are set forth in federal regulations<sup>13</sup> and differ depending on the type of mail, the time of day and location at which USPS receives the mail, and the mail's final destination. For example, USPS standards for delivery of 2-day single-piece First-Class Mail require the mail to be received by a specified cutoff time on the day it is accepted, which varies depending on geographic location and where the mail is deposited (e.g., in a collection box, at a post office, or at a mail processing facility). This mail must then be delivered on the second regular delivery day (Monday to Saturday) to be considered "on time."

USPS measures delivery performance against its delivery service standards. For a given piece of mail, USPS first measures the transit time—that is, the number of days it takes from the point that the mail is accepted into USPS's system until its delivery to a home or business. Then USPS compares this delivery time against delivery service

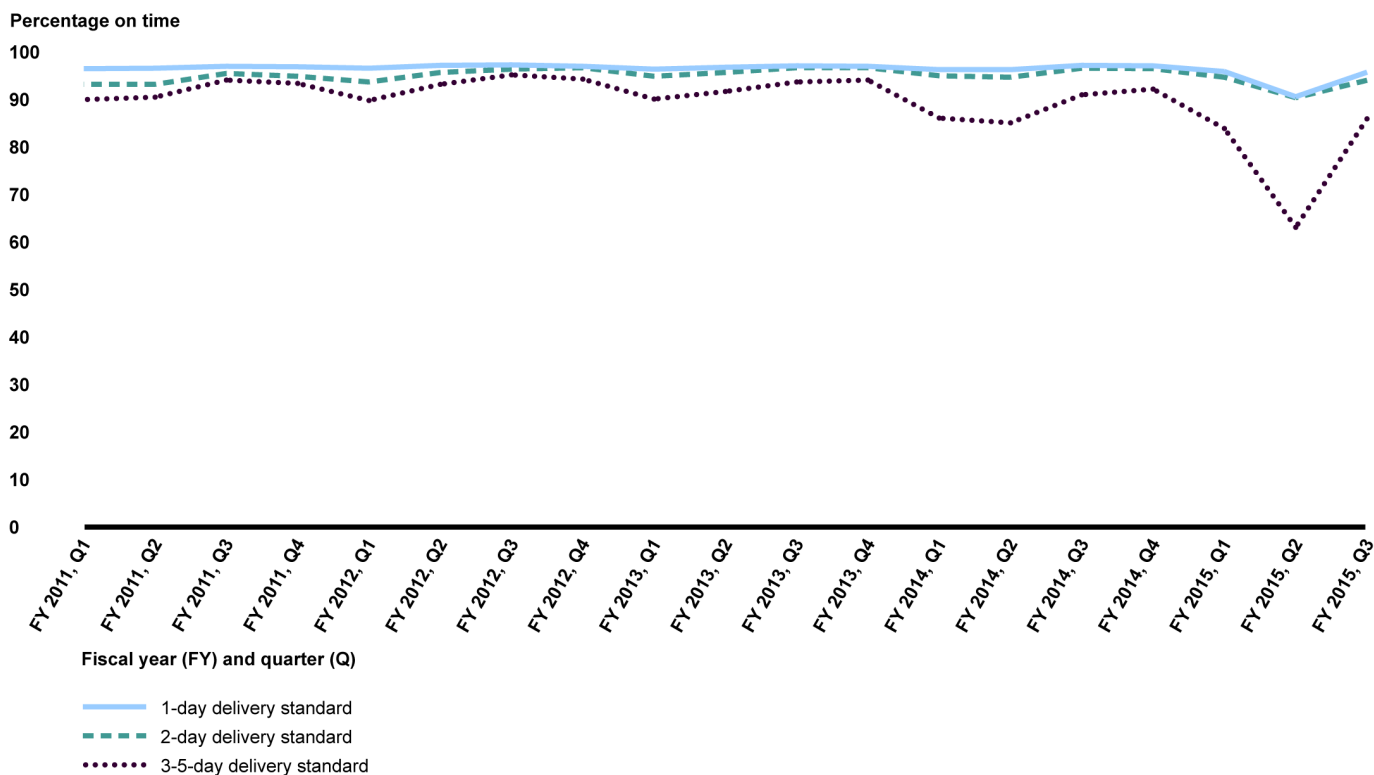
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<sup>12</sup>PAEA required USPS to establish delivery service standards by regulation for market-dominant products that include First-Class Mail (e.g., correspondence, bills, payments, statements, and advertising); Standard Mail (mainly advertising); Periodicals (mainly magazines and local newspapers); and Package Services (mainly Media/Library Mail and Bound Printed Matter). Pub. L. No. 109-435, § 301.

<sup>13</sup>39 C.F.R. §§ 121.1 - 121.4.

standards to determine whether the mail was delivered on time. See figure 1 for USPS's delivery performance of single-piece First-Class Mail from fiscal years 2011 to 2015. The second quarter of fiscal year 2015 experienced a significant decline in on-time delivery performance that USPS attributes to operational changes enacted in January 2015 coupled with adverse winter weather. However, performance improved in the next quarter.

**Figure 1: Percentage of Single-Piece First-Class Mail (Letters and Postcards) Delivered On Time, Fiscal Year 2011 to Third Quarter of Fiscal Year 2015**



Source: United States Postal Service. | GAO-15-756

Since 2012, USPS has instituted several initiatives aimed at reducing expenses in its mail delivery and processing operations and networks as part of broader efforts to address its fiscal challenges and move toward financial viability. These initiatives included changing mail delivery service standards for some types of mail and then consolidating 141 mail processing facilities in 2012 and 2013. As we reported in September 2014, USPS changes to its delivery service standards increased the number of days for some mail to be delivered and still be considered on

time.<sup>14</sup> Further, effective January 5, 2015, USPS changed the delivery service standard for single-piece<sup>15</sup> First-Class Mail sent to a nearby destination from 1 to 2 days. Table 2 presents these changes for market-dominant mail, which consists of First-Class Mail (e.g., correspondence, bills, payments, and statements); Standard Mail (mainly advertising); Periodicals (mainly magazines and local newspapers); and Package Services (mainly Media/Library Mail and Bound Printed Matter).

**Table 2: Key Changes in Recent Years to Delivery Service Standards for Market-Dominant Mail, 2012–2015**

Type of mail	Delivery service standards before July 1, 2012	Delivery service standards after January 4, 2015	Highlights of changes to standards and related policies and plans
First-Class Mail: <i>single-piece</i>	1 to 3 days	2 to 3 days	1-day (overnight) standard was eliminated effective January 5, 2015, (after its scope was reduced in 2012 to include destinations in a smaller geographic area), with affected mail generally revised to a 2-day standard. The scope of the 2-day standard was also reduced in 2012 and further reduced in January 2015, with affected mail revised to a 3-day standard.
First-Class Mail: <i>bulk</i>	1 to 3 days	1 to 3 days	1-day standard was restricted in scope in 2012, with affected mail generally revised to a 2-day standard. The geographic scope of the 2-day standard was reduced in 2012 and further reduced in January 2015, with affected mail revised to a 3-day standard.
Periodicals: <i>destination entry<sup>a</sup></i>	1 to 2 days	1 to 3 days	2-day standards were revised to 3 days in 2012 for mail entered at specified facilities.
Periodicals: <i>end-to-end</i>	1 to 9 days	3 to 9 days	1-day standard was eliminated in 2012 and generally revised to a 2-day standard; this standard was revised to a 3-day standard, effective January 2015.
Standard Mail: <i>destination entry</i>	2 to 5 days	2 to 5 days	The 3-day standard was revised in 2014 to 4 days for mail entered at a Destination Sectional Center Facility on Friday or Saturday. (A Destination Sectional Center Facility is the mail processing facility where mailers enter mail to be delivered in the local area it serves.)
Standard Mail: <i>end-to-end</i>	3 to 10 days	3 to 10 days	No changes to standards.
Package Services: <i>destination entry</i>	1 to 3 days	1 to 3 days	No changes to standards.

<sup>14</sup>GAO, *U.S. Postal Service: Information on Recent Changes to Delivery Standards, Operations, and Performance*, [GAO-14-828R](#) (Washington, D.C.: Sept. 25, 2014).

<sup>15</sup>Single-piece mail refers to mail sent individually, such as stamped mail sent by the general public, versus mail sent in bulk quantities, referred to as bulk mail, which generally is sent by commercial mailers, such as bills, statements, advertising, magazines, newspapers, and packages.

Type of mail	Delivery service standards before July 1, 2012	Delivery service standards after January 4, 2015	Highlights of changes to standards and related policies and plans
Package Services: <i>end-to-end</i>	2 to 9 days	2 to 9 days	No changes to standards.

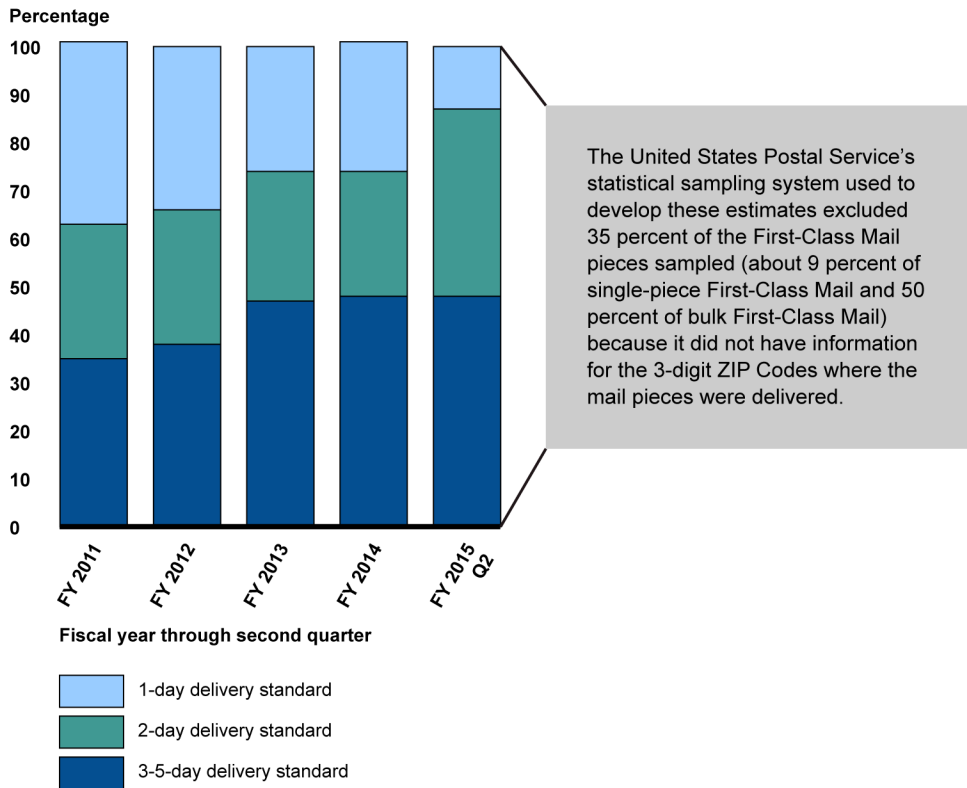
Source: U.S. Postal Service and Federal Register. | GAO-15-756

Note: As part of its network rationalization initiative, USPS issued revised delivery service standards for First-Class Mail and Periodicals that took effect on July 1, 2012, and January 5, 2015. As part of the load leveling initiative, USPS revised delivery service standards for Standard Mail that took effect on April 10, 2014. The delivery service standards presented in this table apply to mail sent within the contiguous 48 states and the District of Columbia.

<sup>a</sup>Destination entry mail is discounted bulk mail entered at postal facilities (e.g., delivery unit or mail processing facility) that generally are closer to the final destination of the mail; end-to-end is all other mail.

To understand how changes in service standards affected expected transit times for First-Class Mail, we asked USPS to estimate the volumes of First-Class Mail subject to 1-day, 2-day, and 3-5-day delivery service standards for fiscal years 2011 through the second quarter of fiscal year 2015—the first quarter after USPS made its most recent changes to delivery service standards. USPS estimated that the percentage of First-Class Mail volume subject to a 1-day standard decreased from 38 percent in fiscal year 2011 to 13 percent in the second quarter of fiscal year 2015 (see fig. 2). When on-time delivery of First-Class Mail is redefined from a 1-day standard to a 2-day standard, USPS can take longer to deliver the mail for it to be considered “on time.”

**Figure 2: Percentage of National First-Class Mail Volume Subject to Delivery Service Standards, Fiscal Year 2011 through the Second Quarter of Fiscal Year 2015**



Source: GAO analysis of United States Postal Service data. | GAO-15-756

Based on delivery service standards, USPS sets annual performance targets for the percentage of mail that is to be delivered on time, and PRC annually assesses and reports USPS's performance towards meeting these targets. PRC has responsibility for assuring delivery performance data are complete and accurate, and must approve any internal delivery performance measurement systems (i.e., systems administered by USPS as opposed to an external contractor).<sup>16</sup>

<sup>16</sup>USPS's Office of Inspector General is also required to regularly audit the data collection systems and procedures used for collecting and reporting delivery performance information. 39 U.S.C § 3652(a)(2).



USPS is subject to legal requirements to create delivery service standards for market-dominant products, measure delivery performance, and report the results. Likewise, PRC is subject to legal requirements to specify how USPS should measure and report delivery performance, as well as requirements for using these data to provide oversight over USPS delivery performance. Key requirements for USPS and PRC are summarized in table 3.

**Table 3: Key U.S. Postal Service (USPS) and Postal Regulatory Commission (PRC) Requirements Related to Delivery Performance Measurement and Reporting**

Type of requirement	Requirements for USPS	Requirements for PRC
PRC Annual Compliance Determination/USPS Annual Report	Report annual data on quality of service, such as timely delivery of each market-dominant product; analyze these data to demonstrate all products complied with all applicable requirements [39 U.S.C. § 3652(a), 39 C.F.R., pt. 3055]; respond to any PRC orders to achieve compliance [39 U.S.C. § 3653].  Explain why any service standards were not met for any product and describe steps taken or planned to ensure that USPS meets or exceeds the standard in the future [39 C.F.R. § 3055.2(h)].	Determine whether all market-dominant products complied with all applicable requirements of title 39, including whether each product met delivery service standards in the past fiscal year. For any findings of noncompliance, order appropriate action to restore compliance [39 U.S.C. §§ 3653, 3662(c)].  Prescribe USPS methodology to analyze the quality of delivery service, and the content of USPS delivery performance reporting [39 U.S.C. §§ 3652(a), (e), 39 C.F.R. § 3055.2].
Annual Performance Plan and Report	Provide PRC with USPS's annual performance plan and annual performance report [39 U.S.C. § 3652(g)].	Annually evaluate whether USPS met the goals in its annual performance plan and report; this may include recommendations to USPS related to the protection or promotion of public policy objectives [39 U.S.C. § 3653(d)].
Quarterly reporting	Report quarterly data on timely delivery of each market-dominant product [39 C.F.R. § 3055.30].	None.
Advisory opinion	Request a PRC advisory opinion on a proposed change in the nature of postal service which will generally affect service on a nationwide or substantially nationwide basis [39 U.S.C. § 3661(b)].	Issue an advisory opinion on USPS's proposal after providing an opportunity for a public hearing allowing stakeholder input [39 U.S.C. § 3661(c)].
Measurement and data quality	If USPS seeks to implement an internal measurement system, PRC approval is required [39 U.S.C. § 3691(b)(2), 39 C.F.R. § 3055.4].  Request any exceptions from measurement and reporting, such as on the basis that measurement would be too costly [39 C.F.R. § 3055.3].  Notify PRC of any changes planned to existing delivery performance measurement systems [39 C.F.R. § 3055.5].	Approve internal measurement systems that measure delivery performance for market-dominant products [39 U.S.C. § 3691(b)(2), 39 C.F.R. § 3055.4].  Initiate proceedings to improve the quality, accuracy, or completeness of quality of service data whenever it appears they have become significantly inaccurate, can be improved, or if PRC judges such revisions to be necessitated by the public interest [39 U.S.C. § 3652(e)(2)].

Source: Title 39, U.S. Code; Title 39, Code of Federal Regulations. | GAO-15-756

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USPS uses two primary methods for measuring delivery performance:

- *Tracking Barcoded Mail:* Since 2011, USPS has measured and reported delivery performance for most types of market-dominant mail by using the time it is accepted at postal facilities to “start the clock” and scans of barcoded mail pieces to “stop the clock” by external, third-party reporters who receive the mail. This mail transit time is compared against delivery service standards to determine whether mail is delivered within the standard and thus considered on time. Most barcoded mail is tracked through USPS’s Full-Service Intelligent Mail program, which requires participating mailers that send bulk mail (i.e., mail entered in bulk quantities such as bills, advertisements, and magazines) to apply unique Intelligent Mail barcodes to mail pieces and provide USPS with electronic documentation for each mailing. Under this program, USPS uses a census approach that aims to measure all qualifying mail pieces in its mail processing network rather than a sampling approach. USPS commented that a census-type approach enables it to use the information to better manage day-to-day conditions throughout its network and that such visibility would not be available through sampling.
- *Sending Test Mail Pieces:* Since 1990, USPS has measured and reported on-time delivery performance for single-piece First-Class Mail through the External First-Class Mail measurement system (EXFC). Under this sampling system, an external contractor arranges for anonymous droppers to send test mail pieces from street collection boxes and private office-building lobby chutes to external, third-party reporters at residences and businesses. As will be discussed in more detail below, in January 2015, USPS proposed replacing its EXFC measurement system for single-piece First-Class Mail in favor of a system based on tracking barcoded mail.<sup>17</sup>

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<sup>17</sup>See USPS, *Service Performance Measurement: Revised Mar. 24, 2015*, filed in PRC Docket No. PI2015-1 (Washington, D.C.: Mar. 24, 2015).

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## Delivery Performance Information Has Expanded but Remains Incomplete, and PRC Has Not Fully Assessed Causes of Incomplete Data or the Effectiveness of USPS Actions

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### Measurement of Delivery Performance Has Expanded but Remains Incomplete

USPS's measurement of on-time delivery performance has expanded greatly over the past 9 years, but remains incomplete because only about 55 percent of market-dominant mail volume is currently included in measurement.<sup>18</sup> The remaining 45 percent is not included in measurement for two main reasons: (1) lack of trackable barcodes<sup>19</sup> or (2) lack of needed information. USPS told us that it wants to include virtually all market-dominant mail in delivery performance measurement. To assess completeness, we determined measurement coverage—the percentage of mail included in measurement—as well as the various causes for why mail is not included in measurement and their possible effect on measured results. To the extent that mail is not included in measurement, performance data are not complete and may not be representative. There is not a minimum threshold of mail that is to be included in measurement for it to be considered representative. In general, the risk that measurement is not representative is greater if mail not included in measurement may be systematically different than mail included in measurement. In particular, if the unmeasured mail has different characteristics than the measured mail, and those characteristics

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<sup>18</sup>Issues regarding measurement of delivery times (the total time to deliver mail) are the same as for measurement of on-time delivery because USPS must measure delivery times in order to determine if mail is delivered on time according to USPS standards.

<sup>19</sup>Trackable barcodes are unique barcodes that enable USPS to track the progress of mail through its mail processing system.

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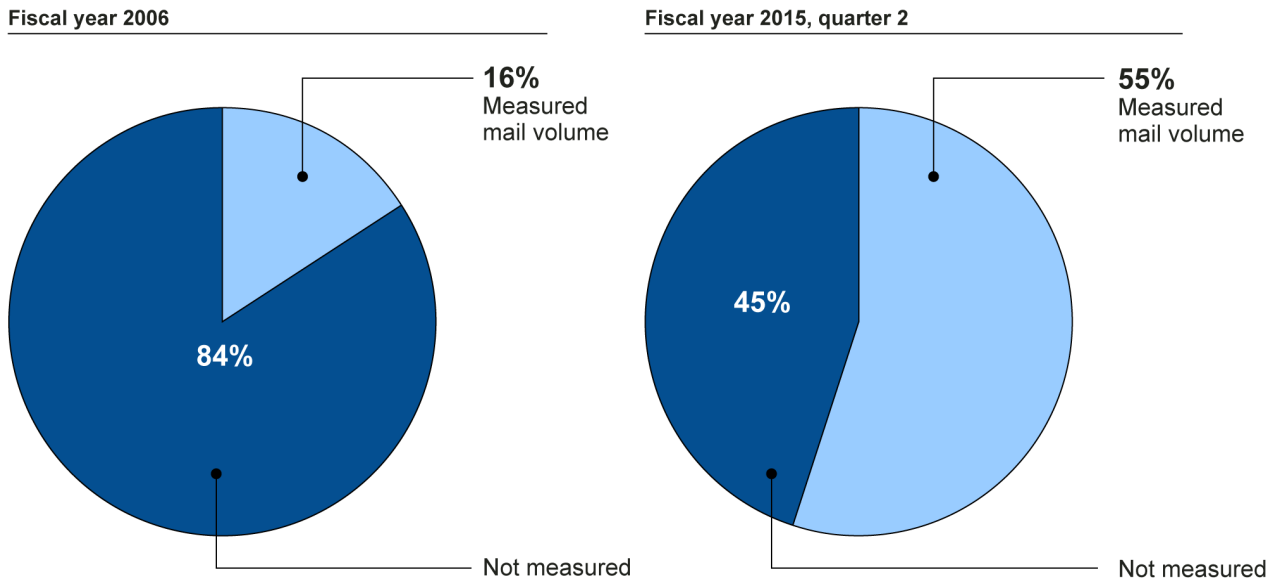
are associated with the likelihood of on-time delivery, then the risk of a non-representative measurement is greater.

As of the second quarter of fiscal year 2015, USPS measured on-time delivery performance for about half (55 percent) of market-dominant mail volume—up from only one-sixth of volume (16 percent) in fiscal year 2006 (see fig. 3). This increase in measurement coverage represents noteworthy progress by USPS and the mailing industry,<sup>20</sup> which have devoted management commitment and significant resources to implement and participate in measurement systems for bulk mail that comprise most mail volume. Notably, USPS implemented measurement systems for bulk First-Class Mail, Standard Mail, and Periodicals. The number of pieces of market-dominant bulk mail included in delivery performance measurement has increased greatly in recent years—from 96 million pieces in the first quarter of fiscal year 2010 to 14.9 billion pieces in the second quarter of fiscal year 2015. Thus, the percentage of market-dominant bulk mail included in measurement increased from less than one percent in the first quarter of fiscal year 2010 to 48 percent in the second quarter of fiscal year 2015. Meanwhile, USPS provides performance measurement that covers virtually all single-piece First-Class Mail through mailing test pieces as part of its long-standing EXFC system. However, single-piece First-Class Mail comprises a small and declining percentage of market-dominant mail volume—down from 20 percent in the first quarter of fiscal year 2010 to 14 percent in the second quarter of fiscal year 2015.

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<sup>20</sup>The mailing industry includes businesses, organizations, and other parties (mailers) that send and rely on mail to maintain contact with their customers; mail preparers, including printers and businesses that send or receive mail on behalf of a third party; and vendors and suppliers of the hardware, software, and labor related to mail processing, such as companies that help mailers improve the accuracy of their mailing lists. The Mailing Industry Task Force, *Seizing Opportunity: The Report of the 2001 Mailing Industry Task Force* (Oct. 15, 2001).

**Figure 3: Market-Dominant Mail Volume Included in U.S. Postal Service’s Delivery Performance Measurement, from Fiscal Year 2006 through Second Quarter Fiscal Year 2015**

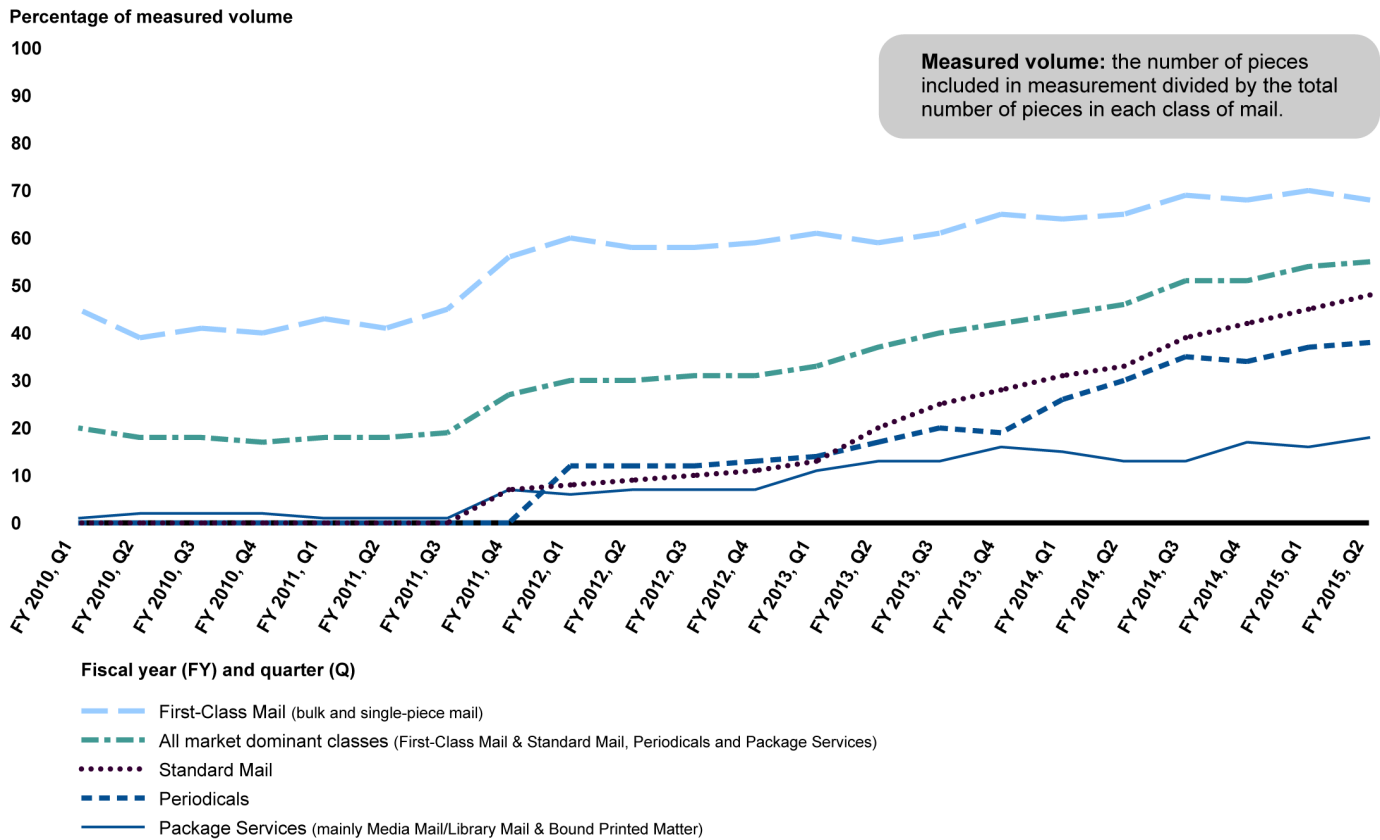


Measured market-dominant mail volume includes First-Class Mail (both bulk and single-piece mail), Standard Mail, Periodicals and Package Services (mainly Media Mail/Library Mail and Bound Printed Matter).

Source: GAO analysis of United States Postal Service data. | GAO-15-756

USPS’s measurement coverage has varied by class of mail (see fig. 4). The percentage of mail included in measurement is greatest for First-Class Mail (both bulk and single-piece mail), followed by Standard Mail, Periodicals, and market-dominant Package Services (mainly Media Mail/Library Mail and Bound Printed Matter) and has improved over time for each class. Most progress began in fiscal year 2011, when mailer participation increased significantly in Full-Service Intelligent Mail—a program that enables business mailers to track the progress of their barcoded mail through USPS’s mail processing system. Meanwhile, USPS’s EXFC measurement system continues to send test mail pieces to measure delivery performance of single-piece First-Class Mail.

**Figure 4: Measurement of On-Time Delivery Performance: Percentage of Market-Dominant Mail Volumes Measured by Class of Mail, Fiscal Years 2010 through 2015 (Second Quarter)**



Source: United States Postal Service. | GAO-15-756

USPS's measurement of on-time delivery performance for market-dominant mail remains incomplete because, as noted above, only about half of bulk mail volume was included in measurement as of the second quarter of fiscal year 2015. USPS tracks bulk mail using barcodes and electronic information about the mailing. The main causes for incomplete measurement of bulk mail can be broadly grouped into two different reasons: (1) mailers not applying a unique Intelligent Mail barcode to

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each mail piece to enable tracking (trackable barcodes)<sup>21</sup> or (2) lack of needed information.

- *Lack of trackable barcodes:* Some mail was not included in measurement due to business mailers not applying trackable barcodes. Some mailers may not apply barcodes due to associated costs, which, beyond applying barcodes to mail pieces, could include installing and maintaining software and providing electronic information about each mailing. These costs may not be fully offset by postage discounts. USPS officials stated that large volume mailers are most likely to apply trackable barcodes, while small volume mailers are least likely to apply trackable barcodes and that USPS is working to incorporate more mid-size and small volume mailers into the Full-Service Intelligent Mail program.<sup>22</sup> Despite the large number of nonparticipants, the number of participating mailers has increased from 42,833 in the first quarter of fiscal year 2014 (the earliest quarter for which information is available) to 74,469 mailers in the second quarter of fiscal year 2015, in part due to USPS and mailing industry efforts to provide mailers with educational materials, webinars, training sessions, and technical support to promote the benefits of participation and help mailers join the program.
- *Lack of needed information:* According to USPS, mail can be excluded from delivery performance measurement due to a lack of information needed to develop accurate measurements. USPS has excluded mail that would otherwise be included in measurement, for a variety of reasons that USPS has organized into 15 categories. Three categories incorporating about three-quarters of the mail excluded from measurement include mail that has:
  1. No “start-the-clock” information: USPS did not have sufficient information on the mail when USPS accepted the mail into the system, thereby preventing USPS from being able to track the barcoded mail. For example, USPS employees may not have scanned the barcode on a container of mail when it was unloaded

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<sup>21</sup>To a much lesser extent, some mail was not included in measurement due to operational limitations at postal facilities that prevented USPS from measuring delivery performance.

<sup>22</sup>In addition, some mailers may not apply trackable barcodes due to the type of mail they are entering, such as certain types of locally-entered and delivered mail that are not eligible for barcode-based postage discounts.

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at a USPS facility. About 4.2 billion pieces of mail (about 45 percent of all exclusions) were excluded in the second quarter of fiscal year 2015 due to “no start-the-clock.”

2. No mail piece barcode scan was recorded by USPS’s automation equipment: This prevents USPS from being able to track the barcoded mail. About 1.5 billion pieces of mail (16 percent of all exclusions) were excluded in the second quarter of fiscal year 2015 due to a lack of a barcode scan recorded by USPS automated equipment.
3. Inaccuracies in mail preparation: These include deficiencies in preparing bundles of mail or the quality of barcodes on mail pieces. About 1.2 billion pieces of mail (13 percent of all exclusions) were excluded in this quarter due to inaccuracies in mail preparation.

The percentage of market-dominant mail volume that was eligible for measurement but excluded for various reasons increased from 21 to 26 percent over the period from the fourth quarter of fiscal year 2013 to the second quarter of fiscal year 2015. Thus, exclusion of eligible mail from measurement has become a more important cause for why measurement data are not complete. USPS officials told us that the increase in excluded mail volume can be attributed to the overall increase of mail volume eligible for inclusion in measurement.

USPS told us about several actions it has taken to reduce exclusions, including steps to improve the scanning of barcoded mail. USPS also reported that it is collaborating with the mailing industry and working with individual mailers to improve the quality of mail preparation and compliance with requirements that can reduce the volume of mail excluded from measurement. As previously discussed, delivery performance may be different for mail included in measurement compared to mail that is not included in measurement. USPS told us that it has not studied whether on-time delivery performance varies for mail sent by mailers that do not participate in its measurement programs. Thus, the effect of non-participation on delivery performance measurement is unknown. However, available information indicates that non-participation can affect results for some Standard Mail products—particularly if product-specific results are not weighted to reflect key characteristics of the mail. Large volume mailers, which are most likely to apply barcodes and thus have on-time delivery performance measured, reportedly use additional mailing practices to facilitate the timely delivery of their mail, such as entering large volumes of advertising mail close to its final destination. Destination-entered Standard Mail is more likely to be



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included in measurement than other “end-to-end” Standard Mail and is more likely to be delivered on time than end-to-end Standard Mail. For example, in its latest Annual Compliance Determination Report, PRC noted that 86 percent of Standard Mail Flats (a Standard Mail product generally consisting of large flat-sized advertising such as catalogs) were delivered on time in fiscal year 2014 when they were destination entered (entered at a postal facility generally closer to the final destination of the mail), but only 50 to 66 percent were delivered on time when they were not destination entered.<sup>23</sup> USPS told us that the mail volume and preparation of destination-entry Standard Mail enable it to be more likely to be included in measurement as well as be delivered on time. Destination-entry mail also has sufficient volume and preparation to enable it to bypass various postal network processing and transportation (e.g., locally-entered and delivered so it is handled by only one processing facility), which according to USPS, is the reason this mail is more likely to be delivered on time.

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## USPS Has Proposed Actions to Implement New Measurement Capabilities

In January 2015, USPS proposed replacing its EXFC measurement system for single-piece First-Class Mail in favor of a system based on tracking barcoded single-piece mail.<sup>24</sup> USPS stated its proposed system is intended to incorporate a larger and more representative population of mail pieces in measurement than EXFC does today. PRC established a public inquiry docket (a type of proceeding) to review USPS’s proposal,<sup>25</sup> which is still ongoing as of September 21, 2015. In this proceeding, USPS said it expected the data from its proposed system to provide PRC with the ability to perform its responsibilities with a high degree of confidence

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<sup>23</sup>In fiscal year 2014, on-time delivery of Standard Mail Flats that were not destination entered was 66 percent for mail with a 3-to-5-day delivery service standard, about 50 percent for mail with a 6-to-10-day standard, and about 53 percent with a standard of 11 days or more. PRC, *Annual Compliance Determination Report: Fiscal Year 2014*, accessed on August 31, 2015, <http://www.prc.gov/sites/default/files/reports/FY%202014%20ACD.pdf>.

<sup>24</sup>USPS’s proposed new measurement system would also be used for other types of market-dominant mail. See USPS, *Service Performance Measurement*, initially filed January 2015 and subsequently revised Mar. 24, 2015, filed in PRC Docket No. PI2015-1 (Washington, D.C.: Jan. 29, 2015, and Mar. 24, 2015).

<sup>25</sup>PRC, *Notice of Request for Comments and Scheduling of Technical Conference Concerning Service Performance Measurement Systems for Market Dominant Products*, filed in PRC Docket No. PI2015-1 (Washington, D.C.: Jan. 29, 2015).

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and to reasonably inform the public regarding the quality of service provided for market-dominant products.

However, some parties that commented on USPS's proposal questioned whether the proposed system would produce representative results. For example, one concern was that the proposed system would measure mail deposited in blue collection boxes and at postal retail counters, but not measure the 38 percent of single-piece First-Class Mail that carriers pick up from customer mailboxes.<sup>26</sup> Some parties commented that mail picked up by carriers may arrive at mail processing facilities a day later than mail deposited into collection boxes, such as situations where carriers return too late to the office for the mail to be transferred to transportation that day to a local mail processing facility. Others expressed concern that only barcoded single-piece mail would be eligible for measurement, which would exclude stamped mail without a barcode (such as personal correspondence and greeting cards).

In USPS's written reply to comments made on its proposal, USPS responded that critics overstated the difference between handling of mail left for carrier pickup and collection mail, and that the barcoded mail measured by its proposed system would provide a reasonable indicator of performance for all mail collected and transported to the processing facility. Among other comments, USPS responded that mail processing for single-piece First-Class Mail is conducted over a range of hours each day, offering a substantial window of opportunity to accommodate mail arriving later than normal, including mail that missed the last scheduled dispatch from facilities where carriers bring stamped mail for forwarding to processing facilities. USPS further responded that it is not yet feasible for it to measure delivery performance for single-piece First-Class Mail left for carrier pickup, but added that it was revising its proposal to measure stamped and metered mail left at postal retail lobby chutes.

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<sup>26</sup>EXFC test mail pieces are deposited in blue collection boxes and office building lobby chutes; none of these pieces are picked up from customer mail boxes or accepted at postal retail counters. According to a 2013 USPS study, 33 percent of single-piece First-Class Mail is deposited in blue collection boxes, 29 percent is accepted at postal retail windows and docks, and 38 percent is picked up by carriers from customer mail receptacles. See *Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 2*, filed in PRC Docket No. PI2015-1 (Washington, D.C.: Apr. 2, 2015). To put these results into context, in fiscal year 2013, single-piece First-Class Mail volume was 23.9 billion pieces, or 16 percent of market-dominant mail volume.

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In its June 2015 interim order, PRC commented that because USPS's proposal is still in development, PRC lacked sufficient information to make decisions concerning whether or not the proposed systems will be suitable for reporting service performance to PRC.<sup>27</sup> PRC added that given that EXFC appears to have been producing reliable results for a considerable number of years, PRC cannot approve a new system to replace EXFC until the new system is similarly operational and verifiable. PRC directed USPS to plan to run EXFC and the proposed new system in parallel for a sufficient time to ensure it is operational and verifiable. PRC explained that test results demonstrating that the EXFC and new system generate objective and reliable measurements for all affected products over a period of four consecutive quarters would appear to be an acceptable demonstration.

On August 25, 2015, USPS filed its statistical design plan for its proposed new system with the PRC, which explained the sampling methodology and the methodology for calculating results and their margins of error. However, USPS had not yet made public some other major aspects of its proposed new system—such as quality control procedures and internal controls including methods to address errors in collecting data. Since USPS has relied on the EXFC system since 1990 to measure delivery performance for single-piece First-Class Mail, a thorough review of detailed information on its proposed system will be important not only to PRC, but to stakeholders including Congress and the mailing industry. In this regard, PRC's proceeding to evaluate this new system continues and the time frame for completion remains open-ended since there is no statutory deadline and PRC has not established a deadline.

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**PRC Has Not Fully Assessed the Causes of USPS's Incomplete Measurement Data and USPS's Actions to Improve Data Quality**

Although PRC reports have provided data on the amount of mail included in measurement of delivery performance, these reports have not fully assessed why these measurements were incomplete or whether USPS actions will achieve complete performance data. In addition, USPS officials told us that they have not established a time frame for achieving complete measurement. PRC uses these performance data to annually assess USPS's delivery performance against targets that USPS has established for on-time delivery. Thus, delivery performance data that are

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<sup>27</sup>PRC, *Interim Order Concerning Service Performance Measurement Systems for Market-Dominant Products*, PRC Order No. 2544, filed in PRC Docket No. PI2015-1 (Washington, D.C.: June 17, 2015).

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complete and representative are essential for PRC to correctly determine whether USPS has met its delivery performance targets. Complete information is vital for effective management, oversight, and accountability purposes.

Further, representatives of mailing industry groups and some mailers told us and commented in PRC proceedings that PRC should become more involved in issues regarding the quality of measurement data for on-time delivery performance, including issues regarding the exclusion of mail from measurement. These representatives provided us with a variety of suggestions in this regard, such as performing more in-depth and frequent oversight to ensure USPS measurement is complete. One said that USPS is still struggling to scan barcoded mail despite joint USPS-mailer efforts over the past decade. Another representative said that although PRC has oversight of USPS service performance, measurement, and reporting, there is little consequence to USPS as a result of not meeting its targets for on-time delivery or for deficiencies in its measurement and reporting practices. A third said that PRC should hold USPS accountable for improving measurement data by requiring a business plan where USPS would lay out the steps it needs to take and time frames for implementing its initiatives.

PRC's annual compliance reports have discussed how much mail volume for each type of mail is included in measurement and when USPS did not report performance results due to a lack of measurable data. However, PRC has not fully pursued the main causes for incomplete data (i.e., lack of trackable barcodes and lack of information causing data to be excluded from measurement). PRC reports have expressed concern with low levels of participation for certain types of mail, stating that low levels cause unreliable measurement.<sup>28</sup> However, these PRC reports have not fully assessed the effectiveness of USPS actions taken or planned and associated timeframes with respect to the main causes for incomplete data. PRC could pursue the causes for incomplete data within its annual compliance reviews or it may initiate a separate proceeding. Furthermore, as previously discussed, by law, PRC may initiate a proceeding to improve the quality, accuracy, or completeness of data that USPS annually provides to PRC for its annual compliance determination

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<sup>28</sup>PRC, *Annual Compliance Determination Report: Fiscal Year 2012* (Washington, D.C.: Mar. 28, 2013) and *Annual Compliance Determination Report: Fiscal Year 2013* (Washington, D.C.: Mar. 27, 2014).

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whenever it appears the data have become significantly inaccurate or can be significantly improved.<sup>29</sup> PRC officials told us that they have not been asked by any stakeholder to initiate such a proceeding. Nor has PRC exercised its option to initiate a proceeding on its own authority to address issues that impact the completeness of performance data.

PRC and USPS officials told us that they are both opposed to having PRC initiate a proceeding focused on issues for improving the completeness of delivery performance measurement for two key reasons.

1. PRC officials believe that USPS's delivery performance measures are generally sufficiently accurate, reliable, and representative for PRC to meet its legal responsibilities for assessing USPS's compliance with service performance standards at the national level. Further, PRC officials told us that they believe non-measured mail has about the same on-time performance results as measured mail. However, PRC and USPS officials told us that neither have compared the performance of mail included and not included in measurement to determine if any differences exist. As previously discussed, available information indicates that non-participation in measurement can affect reported results for on-time delivery performance. Large volume mailers, who are most likely to have their mail barcoded and thus have on-time delivery performance measured, reportedly use additional mailing practices to facilitate timely delivery, such as entering large volumes of advertising mail close to its final destination. Destination-entered advertising mail is more likely to be included in measurement and is more likely to be delivered on time.
2. USPS officials stated that a new proceeding to consider data quality and completeness issues is not necessary because the current proceeding before the PRC (the performance measurement to replace EXFC) provides a public forum for consideration of the quality of service performance data, as well as mail excluded from measurement. However, according to publicly available documents in the current proceeding, PRC has not explored issues of delivery performance measurement data for bulk mail that are excluded from USPS's current measurement systems, the multiple causes for these exclusions, and USPS actions under way and planned to address the causes. The proceeding also has not thoroughly explored mailers'

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<sup>29</sup>Such proceedings can be initiated upon request by an interested party or by PRC acting on its own initiative.

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concerns regarding data exclusions, such as exclusion rules and mailer views regarding time frames for making progress on reducing exclusions.

A PRC proceeding that focuses solely on issues of data quality and completeness—particularly the problem of data exclusions—may facilitate these issues receiving the fullest attention and making more rapid progress by USPS and the mailing industry toward achieving more complete measurement. As previously noted, while USPS has made progress toward achieving completeness since 2006—as illustrated by figure 3 earlier in this report—45 percent of market-dominant mail is still not measured. Performance information is sufficiently complete when it has the coverage to enable representative measurement of the percentage of mail delivered on time. While there is not a minimum threshold of mail that is to be included in measurement for it to be representative, the risk that measurement is not representative increases as more mail is not included in measurement because on-time delivery performance may be different for mail that is included in measurement from mail that is not included. Therefore, having a proceeding solely focusing on data quality and completeness could give USPS and postal stakeholders such as PRC, Congress, business mailers, and the general public the opportunity to conduct an in-depth evaluation of the quality of delivery performance data, identify practical opportunities to improve data quality, and establish actions and time frames for making progress. Having such a proceeding also could help PRC develop a better understanding of issues regarding the quality of delivery performance data and thereby be in a better position to conduct ongoing oversight of data quality and its annual compliance determination.

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## Reported Delivery Performance Information Is Not Sufficiently Useful or Transparent for Oversight of Delivery Performance in all Areas

USPS and PRC reports on delivery performance are not as useful as they could be for effective oversight. USPS and PRC annual compliance reports provide delivery performance analysis, as legally required. This information is reported at the national level. This analysis, however, does not facilitate an understanding of results and trends below the national level, such as for USPS's 67 districts, to identify variations and areas where improvements in performance may be needed. USPS and PRC annual and quarterly reports on delivery performance information are not as useful for other oversight purposes or management and congressional decision making. For example, these reports do not include sufficient analysis to hold USPS accountable for meeting its statutory mission to provide prompt, reliable, and efficient services in all areas of the nation and regular postal services to rural areas.<sup>30</sup> Further, delivery performance information is not sufficiently transparent as it is not readily available on respective USPS and PRC websites. Thus, it is difficult for effective oversight and for stakeholders to understand trends and develop analysis of USPS performance information.

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## Delivery Performance Information Is Not Reported in a Useful or Transparent Manner to Hold USPS Accountable for Meeting Its Mission

We have reported<sup>31</sup> that ensuring information is useful to assist management and congressional decision making is key to the principles embodied in GPRA and the GPRA Modernization Act of 2010 framework for meeting fiscal, management, and performance challenges.<sup>32</sup> USPS and PRC reports, however, provided little analysis to facilitate an understanding of results and trends below the national level. USPS and PRC websites do provide annual and quarterly delivery performance results on the national level and for each of USPS's 7 areas and 67 districts. In addition, PRC provided annual delivery performance trend data at the national level in its annual compliance determinations covering

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<sup>30</sup>39 U.S.C. § 101.

<sup>31</sup>[GAO-13-518](#). In addition, our website contains guidance on managing for results in government to provide enhanced performance planning, management, and reporting tools that can help inform congressional and executive branch decision making to address significant challenges facing our nation. *Managing for Results in Government*, accessed on August 31, 2015, [http://www.gao.gov/key\\_issues/managing\\_for\\_results\\_in\\_government/issue\\_summary#t=0](http://www.gao.gov/key_issues/managing_for_results_in_government/issue_summary#t=0).

<sup>32</sup>USPS is subject to the GPRA requirements as included in 39 U.S.C. §§ 2803 and 2804, but not to the GPRA Modernization Act of 2010. Both Acts, however, embody principles that may aid USPS in addressing these challenges.

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fiscal years 2013 and 2014.<sup>33</sup> Trend data solely at the national level, however, are not sufficiently useful for determining variations in delivery performance across the nation or determining whether performance has improved in areas where performance has not met service standards or targets. National averages aggregate the mail delivery performance of different parts of the country into an average for the entire nation. Thus, on-time delivery performance in one section of the country may be masked by on-time delivery performance in another section of the country. A national average alone does not enable stakeholders to understand if certain areas of the country are experiencing poor delivery performance.

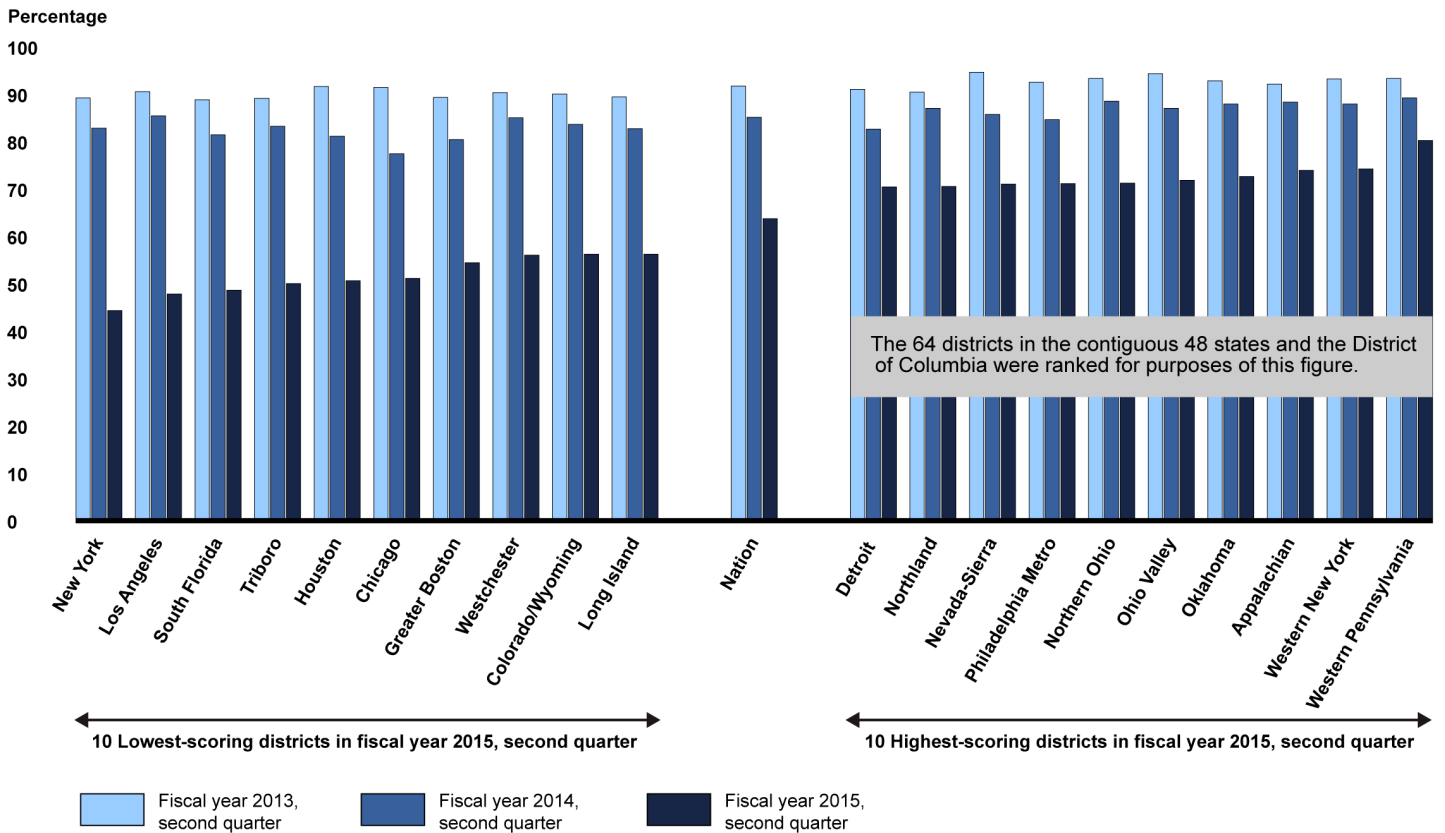
To better understand the range and variations in delivery performance across the nation, we analyzed trends in quarterly delivery performance at the district level. Our analysis showed how national data can mask wide variations in performance by various districts over time. For example, we analyzed quarterly performance for single-piece First-Class Mail with a 3-to-5-day delivery service standard for each of the 64 postal districts in the contiguous 48 states and the District of Columbia for the second quarter of fiscal years 2013 to 2015. For the second quarter of fiscal year 2015, none of the districts met that quarter's performance target of 95 percent of mail delivered on time. Performance for that quarter ranged from 44 percent to 80 percent (see fig. 5). However, when analyzing the second quarter of the previous 2 fiscal years, of the 10 districts with the lowest scores in the second quarter of fiscal year 2015, 9 were below the national average in fiscal year 2014, and all 10 were lower than the national average in fiscal year 2013, but to a much lesser degree. Of the 10 districts with the highest scores in the second quarter of fiscal year 2015, 8 were above the national average in the second quarter of fiscal years 2014 and 2015.

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<sup>33</sup> PRC, *Annual Compliance Determination Report: Fiscal Year 2013* (Washington, D.C.: Mar. 27, 2014) and *Annual Compliance Determination Report: Fiscal Year 2014* (Washington, D.C.: Mar. 27, 2015). USPS's annual compliance determination report for fiscal year 2014 reported quarterly trend data for one district—the Chicago district.



**Figure 5: On-Time Delivery of Single-Piece First-Class Mail Letters and Postcards with a 3-to-5-Day Delivery Service Standard for Selected Postal Districts, Quarter 2 of Fiscal Years 2013, 2014, 2015**



Source: United States Postal Service. | GAO-15-756

In addition, USPS’s reporting of delivery performance information is not sufficiently transparent. To be considered transparent, the criteria we identified suggest that delivery performance information is to be reported in a manner that is easily accessible and readily available. USPS, however, posts only its most recent quarterly report of area and district-level data on its public website.<sup>34</sup> As a result, stakeholders would have to request numerous files from USPS to compile data necessary for understanding performance trends, such as whether on-time delivery is

<sup>34</sup>USPS, *Service Performance Results*, accessed on August 31, 2015, <http://about.usps.com/what-we-are-doing/service-performance/welcome.htm>.

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improving or getting worse. USPS told us that its reporting of delivery service information meets statutory requirements, and that it is not required to maintain quarterly trend data for delivery performance on its website. However, USPS can elect to maintain quarterly trend data on its website. A large mailer association we spoke with stated that USPS should be so transparent that everyone understands general performance and any factors contributing to good and poor performance.

Similar to USPS, PRC's reporting of delivery performance information is not readily available to stakeholders. While PRC also posts delivery performance information provided by USPS on its public website, stakeholders would have to find numerous files in multiple locations on its website to compile data necessary for understanding performance trends, such as whether on-time delivery is improving or getting worse. In addition, PRC's reports are not easily accessible. PRC has reported its annual assessment of USPS's delivery performance in fiscal year 2014 in two reports<sup>35</sup> that are filed on its website at different times and at different links, while USPS's quarterly data are posted at another link on PRC's website.<sup>36</sup> The lack of easily accessible and readily available performance information on USPS's and PRC's part impedes the ability of Congress, mailers, and customers to review and hold USPS accountable for its performance and to use the information to develop realistic expectations for when their mail will be delivered.

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## Rural Delivery Performance Information Is Not Required to Be Reported

USPS and PRC are not required to report—and do not report—delivery information for rural and non-rural areas, thus limiting effective oversight in these areas. USPS and PRC officials told us that they do not provide information or analysis to assess delivery performance specifically for rural areas because they are not legally required to do so. Without data on rural delivery performance, Congress cannot determine the extent delivery performance is timely in rural versus non-rural areas, and neither

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<sup>35</sup>PRC, *Annual Compliance Determination Report: Fiscal Year 2014* (Washington, D.C.: Mar. 27, 2015), accessed on August 31, 2015, <http://www.prc.gov/sites/default/files/reports/FY%202014%20ACD.pdf> and *Analysis of the Postal Service's FY 2014 Performance Report and FY 2015 Performance Plan* (Washington, D.C.: July 7, 2015), accessed on August 31, 2015, <http://www.prc.gov/sites/default/files/reports/Commission%20Analysis%20USPS%202014%20Report%20and%202015%20Plan.pdf>.

<sup>36</sup>For example, see USPS quarterly performance reports for Quarter 4, Fiscal Year 2014, accessed on August 31, 2015. <http://www.prc.gov/dockets/download/90652>.

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USPS nor PRC can prove or disprove any perceptions that rural areas may be affected differently than non-rural areas.

Several Members of Congress and others have raised questions about whether delivery performance in rural areas has been negatively affected by changes USPS has implemented since fiscal year 2012 to reduce its expenses. For example, according to the National Newspaper Association (NNA),<sup>37</sup> community newspapers have been negatively affected since USPS consolidated some postal facilities. Further, problems have emerged when newspapers, often in rural areas, had to be delivered outside of the local area and experienced a decline in service. NNA has requested that PRC gather information about the data that could be produced about rural mail to identify the sources of delivery problems, such as manual processing, increased travel distances, or inefficient processing plants. NNA has argued that “the possibility that what ails NNA newspapers also ails rural mail in general is more than a random guess.” In May 2015, two Members concerned about the lack of digital tracking in rural areas requested a PRC study on the feasibility of reporting on rural mail delivery performance. Other congressional requests for rural delivery performance information are also pending. For example, in a recent Senate report, the Senate Appropriations Committee directed USPS to take steps related to reporting delivery performance in rural areas. In July 2015, the Senate report accompanying the Senate Financial Services and General Government Appropriations Bill, 2016 directed USPS and PRC to report mail delivery performance to specifically include mail delivery from rural towns to other rural towns; from rural towns to urban areas; and from urban areas to rural towns.<sup>38</sup> The Committee requested the methodology used to develop this information within 60 days of enactment of the Act with a subsequent report due by March 1, 2016.<sup>39</sup>

USPS has not reported data on on-time delivery performance based on a rural or non-rural distinction. USPS officials told us that no overall assessment of rural delivery service, separate and apart from

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<sup>37</sup>NNA is a not-for-profit trade association representing the owners, publishers and editors of community newspapers in the United States. Established in 1885, NNA’s stated mission is to protect, promote and enhance America’s community newspapers.

<sup>38</sup>S. Rept. No. 114-000, at 117-118 (2015).

<sup>39</sup>As of August 31, 2015, this bill had not been enacted.

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urban/suburban delivery, has been undertaken since PAEA required delivery performance measurement, reporting, and assessment. USPS officials added that its delivery performance data provide a basis for internal diagnosis and assessment of operations and service, and satisfy USPS's reporting obligations to PRC. USPS officials noted that its reports are generated at the national, area, and district level for these purposes, but are not routinely further disaggregated on the basis of whether particular districts or ZIP Codes are rural, suburban or urban in nature. On-time delivery performance information at the district level cannot inform stakeholders on delivery performance in rural areas since each of USPS's 64 districts in the continental United States contains at least one core area with a population over 10,000 and thus is not entirely rural.<sup>40</sup> USPS officials told us that USPS's service performance measurement systems do not differentiate between rural and urban locations and that it may be cost prohibitive to attempt to measure performance of mail pieces in rural areas using an external data system.

However, in response to the recent congressional request for PRC to report on rural mail delivery performance, USPS told us that it has begun collaborating with the technical staff at PRC to determine how measurement may account for rural origin and destination points and that its new, proposed internal service performance measurement plan might provide greater insight on service performance measurement specific to rural areas, assuming USPS and PRC can arrive at a reasonable definition of "rural" origin and destination points. At this time, however, USPS officials added that USPS was at an exploratory stage of the analysis and were not able to offer definitive conclusions on the feasibility of adding this feature to USPS's measurement plans.

PRC officials told us that they are currently working with USPS to determine how they will respond to the congressional request for rural delivery performance information. PRC officials also told us that PRC has limited its previous assessments regarding whether USPS met its delivery service standards for market-dominant types of mail to national results and has not conducted any rural-level analysis. PRC officials told us that PRC does not play a direct role (e.g., either annually or quarterly) in monitoring or reporting on USPS's universal delivery service obligation (aside from annually estimating the cost of universal postal service),

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<sup>40</sup>The Office of Management and Budget generally defines a rural location as a county or equivalent that does not have a core urban area with a population over 10,000.

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noting that PRC is not legally required to do so, nor has PRC been directed by Congress to play this role. PRC officials added that PRC has not considered requiring USPS to report quarterly and annual information on delivery speed and reliability in urban versus rural areas, because 1) PRC has not been specifically mandated by statute to require USPS to provide delivery service performance information separately for rural and urban areas and 2) in PRC's previous assessments, Congress has not provided specific direction requiring USPS to implement such measurement and reporting.

As noted previously, USPS officials told us that the costs of additional requirements for USPS to collect and report urban and rural delivery performance information through existing measurement systems would likely greatly outweigh the benefits. However, USPS and PRC were not able to provide specific cost estimates related to having USPS measure and report on delivery performance in rural and urban areas. We asked USPS for this information, but it did not provide such cost information, with USPS officials explaining that there is no clear definition or defined approach to measure what should be considered rural. USPS officials also told us that the cost would depend on the specificity of the data, such as whether there would be national-level results for urban and rural areas or detailed geographic breakdowns. We also asked PRC about the costs of providing delivery performance information in rural and urban areas. PRC responded that it has the authority to specify requirements for USPS's delivery performance measurement, but that when considering reporting requirements for USPS, it is to give consideration to unnecessary or unwarranted administrative effort and expense by USPS. On this matter, PRC officials said that they do not know what the costs might be for USPS to collect data on delivery performance in rural and urban areas. Neither of the congressional directives mentioned above regarding studying delivery performance in rural areas directly address the costs associated with requiring rural delivery performance information. Without cost estimates, Congress may not have all the information it needs to understand the full implications of requiring data on delivery services in rural and non-rural areas.

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## Conclusions

Quality delivery performance information is needed for USPS and postal stakeholders such as PRC, Congress, business mailers, and the general public to develop useful analysis that can help oversee or assess the balance between USPS's cost-cutting to address its poor financial situation while maintaining affordable postal rates and providing timely,

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universal delivery service. Thus, it is important for both USPS and PRC to report delivery performance information in a sufficiently complete, transparent, and useful manner.

Although USPS has made progress since PAEA was enacted in 2006, its delivery performance information is not complete, and it is unclear when USPS will achieve its goal of measuring on-time delivery for nearly all market-dominant mail volume. USPS measured on-time delivery for only 55 percent of market-dominant mail volume in the second quarter of fiscal year 2015. As a result, data may not be representative because performance may be different for mail not included in measurement. Although PRC's reports provide data on the amount of mail included in measurement, they have neither fully assessed the reasons why these measurements are incomplete, nor specified what actions USPS needs to take and the related time frames needed to achieve complete performance measurement. PRC may initiate proceedings to improve the completeness and quality of delivery performance data, but it has not exercised this option. Although USPS and PRC are opposed to such a proceeding, we believe that a PRC proceeding that focuses on issues of data completeness—particularly the problem of excluding mail due to a lack of information—could facilitate more rapid progress by USPS and the mailing industry toward complete measurement.

USPS and PRC annual and quarterly reports on delivery performance information are not as useful for oversight purposes beyond the annual compliance assessments because they do not include sufficient analysis that would facilitate holding USPS accountable for meeting its statutory mission to provide prompt, reliable, and efficient services in all areas of the nation, including rural areas. For example, neither USPS nor PRC reports trend data below the national level for all of USPS's 67 districts to indicate whether performance is improving or getting worse in different parts of the nation. Further, delivery performance information is not sufficiently transparent as it is not readily available or easily accessible on either USPS's or PRC's website. Also, postal stakeholders—such as PRC, Congress, business mailers, and the general public—cannot determine whether delivery performance is a problem in rural areas because USPS and PRC are not required to report delivery performance information separately for rural versus non-rural areas. USPS believes that such an analysis would be costly, even though it does not know how much it would actually cost. Such cost information would be useful for Congress to have in order to assess whether developing this information would be appropriate. In addition, USPS and PRC are in the process of responding to a recent congressional request to determine the feasibility

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of reporting on rural mail delivery performance, which could facilitate determining the associated costs.

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## Matter for Congressional Consideration

To assist in determining whether to require USPS and PRC to report on delivery performance for rural and non-rural areas, Congress should direct USPS to provide cost estimates related to providing this information.

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## Recommendations for Executive Action

To improve the completeness of USPS delivery performance information, we recommend that the Acting Chairman of PRC and the other PRC Commissioners exercise PRC's statutory authority to hold a public proceeding involving USPS, the mailing industry, and interested parties to address how USPS can improve the completeness of USPS's delivery performance information.

To improve the usefulness and transparency of USPS's and PRC's reporting of delivery performance information, we recommend that:

- The Postmaster General provide additional and readily available delivery performance information, such as trend data for on-time delivery performance for all 67 postal districts.
- The Acting Chairman of PRC and the other PRC Commissioners provide readily available data and additional analysis of USPS's delivery performance information so that stakeholders can better understand trends and variations in mail delivery performance.

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## Agency Comments and Our Evaluation

We provided a draft of this report to USPS and PRC for review and comment. USPS and PRC provided written responses, which are reproduced, respectively, in appendixes II and III of this report. PRC and USPS agreed with the recommendations addressed to them. Specifically, PRC agreed to hold a proceeding to address how USPS can improve the completeness of USPS's delivery performance—after, as we reported, initially indicating it was opposed to such a proceeding. Although not the addressee of this recommendation, USPS disagreed with it stating that its measurement systems conform to the Office of Management and Budget's standards and guidelines for statistical surveys, and that it employs a contractor with long-standing expertise in developing statistically valid and reliable systems. However, we found that key data quality issues involve the lack of completeness of census-type

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measurement and the associated risk of non-sampling error—issues that are separate from matters of statistical design. Further, USPS said its continuing collaboration with the mailing industry is more likely to stimulate industry cooperation and buy-in rather than lengthy, time-consuming proceedings before the PRC. We continue to believe that a new PRC proceeding on data quality would add value to its continuing collaboration with USPS and the mailing industry. Our report notes that representatives of mailing industry groups and some mailers told us, and commented in PRC proceedings, that PRC should become more involved in issues of the quality of measurement data for on-time delivery performance, including issues regarding the exclusion of mail from measurement.

Both USPS and PRC agreed with our recommendations to improve the usefulness and transparency of delivery performance information that they report. USPS acknowledged that the delivery service performance data it reports on its website lacks the granularity of the reports it publicly files with PRC, and does not serve the purposes of in-depth congressional oversight. USPS added that although it is not clear that typical household mailers would use or find value in that level of data granularity, it will pursue establishing a distinct portal for public access to delivery service performance reports, in an effort to be more transparent. Likewise, PRC agreed that information it receives and produces regarding performance measures for USPS can be better organized, and it has updated its website in response to our recommendation. We are encouraged by USPS's and PRC's willingness to adopt these recommendations since, as we have recently reported,<sup>41</sup> the Congress's and the public's confidence in the quality of performance information that federal agencies are using to assess and achieve results requires that information be publicly reported in a clear and readily accessible way.

Although both agencies agreed with the recommendations addressed to them, they disagreed with certain findings, conclusions, and the supporting analytical basis used in this report. Key among the disagreements were our treatment of the completeness of USPS's data, the appropriateness of the criteria we used for our assessment of PRC's

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<sup>41</sup>GAO, *Managing for Results: Greater Transparency Needed in Public Reporting on the Quality of Performance Information for Selected Agencies' Priority Goals*, [GAO-15-788](#) (Washington, D.C: Sept. 10, 2015).



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oversight and analysis, and the usefulness of USPS's and PRC's reporting on delivery performance.

Regarding our treatment of data completeness, USPS said it understood in the abstract the basis for our finding that delivery performance may differ for mail included in measurement than mail that is not measured. However, it disagreed that this is the case in practice. Specifically, USPS stated that mail pieces that are included in performance measurement should have virtually the same performance results as mail not included in measurement. Additionally, PRC stated that data reliability has markedly improved as a result of PRC's directives to USPS regarding measurement systems. As discussed in our report, although the completeness of measurement has improved over the past 9 years, 45 percent of market-dominant mail is still not included in measurement. Also, we identified a number of reasons to be concerned that delivery performance may be different for mail that is included in measurement than mail not included in measurement. For example, large-volume mailers, who are most likely to apply barcodes and thus have on-time delivery performance measured, use additional mailing practices to facilitate the timely delivery of their mail, such as entering large volumes of advertising mail close to its final destination. In addition, destination-entry mail has sufficient volume and preparation to enable it to bypass various postal network processing and transportation (e.g., locally entered and delivered so it is handled by only one processing facility)—a strategy that, according to USPS, is the reason this mail is more likely to be delivered on time. As we reported, USPS has set a goal of including virtually all market-dominant mail in measurement, using a census-type approach, and continues to strive for including more mail volume in measurement. Further, USPS raised concern that increasing the proportion of mail included in measurement data may come at potential significant costs, which we believe is a topic that could be further explored in the recommended proceeding.

USPS disagreed with the specific example given in our report that destination-entered Standard Mail is more likely to be included in measurement than other "end-to-end" Standard Mail and is more likely to be delivered on time. This example suggests that results for Standard Mail as a whole are higher than they would be if all Standard Mail were included in measurement. USPS said that when compiling the national on-time delivery percentage for all Standard Mail, it weights results for measured mail pieces by shape and entry type so they are compiled in proportion to their prevalence in the entire population of Standard Mail. However, it does not appear that USPS applies weighting procedures

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when compiling results for individual Standard Mail products—such as Standard Mail Flats and Standard Mail Letters that have significant proportions of both destination-entry and end-to-end mail. Therefore, we have clarified our report to state that available information indicates that non-participation can affect results for some Standard Mail products, particularly if product-specific results are not weighted to reflect key characteristics of the mail.

In addition, USPS and PRC made various comments on the importance of the statistical properties of USPS systems that measure on-time delivery performance. USPS said it employs a firm with long-standing expertise in developing measurement systems that are statistically valid and reliable, and provided a letter from this contractor that the measurement systems are designed in a manner to be statistically valid and representative. PRC said it reviews USPS data using statistical principles that determine whether service performance data are sufficient and the results are meaningful. Specifically, PRC said sampling fractions, confidence intervals, and margins of error are the primary factors it uses to determine whether data are accurate and reliable. We agree statistical considerations should inform the assessment of data collected through sampling. However, we also note that such statistical principles are not relevant to evaluate the quality of incomplete data collected using census-type measurement, which is the case for most types of market-dominant mail. An error created when non-measured mail has different on-time delivery performance than measured mail is a “non-sampling error”—as opposed to a “sampling error” that is associated with measurement based on a random sample. Non-sampling errors can affect results, regardless of how valid the statistical design of USPS’s measurement systems may be. As previously discussed, results based on incomplete data can be affected when the measurement process disproportionately includes mail that is more likely to be delivered on time.

PRC also was critical of our focus on data completeness, stating that it is not a meaningful statistical measure and that PRC has not concluded that the percentage of mail in measurement should be the primary determinant of accurate, reliable, or representative measurement data. USPS stated that our report does not specify what an appropriate level of measurement may be.

However, PRC has not defined what an appropriate percentage of mail in measurement would be for measuring on-time delivery based on census-type measurement, while USPS has set a goal of including virtually all mail volume in measurement. For most types of market-dominant mail,

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measuring on-time delivery performance involves census-type measurement as well as measurement based on sampling. For the mail that is included in the measurement based on a census-type approach, to assess non-sampling error would require determining whether the mail not included in measurement systematically differed from the mail included in the measurement, particularly regarding characteristics associated with on-time delivery.

Regarding the appropriateness of the criteria we used for our assessment of PRC's oversight and analysis, PRC stated that our assessment was based on GAO-created criteria rather than the statutory requirements in PAEA. We agree that our assessment was not intended to determine PRC's compliance with its statutory requirements. Rather, our review used criteria that are appropriate for assessing an organization's practices for reporting delivery performance information that would be useful for management and congressional decision-making. As noted in our report, the criteria we used to assess USPS's and PRC's measurement and reporting of delivery performance information are based on current laws—including PAEA—and regulations, as well as previously identified practices used by high-performing agencies, and prior GAO reports. Specifically, our criteria are a result of reviewing delivery performance measurement and reporting provisions applicable to USPS and PRC in PAEA, and PRC regulations, which we summarized in table 3. In addition, we believe that certain government principles can help inform congressional and executive branch decision-making to address challenges. For example, USPS should disclose more information about the accuracy and validity of its performance data and actions to address limitations to the data. Our prior work has found that without useful performance information, it is difficult to monitor agencies' progress toward critical goals.<sup>42</sup>

PRC also disagreed with a statement in our draft report that its reports have not assessed why USPS's delivery performance measurements were incomplete nor specified what actions USPS needs to take to achieve complete performance-measurement data. PRC said it has assessed the primary reasons measured mail may be inaccurate, unreliable, or not representative of nationwide performance, including data not in Full-Service Intelligent Mail, uncategorized mail, invalid data,

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<sup>42</sup>[GAO-13-518](#).

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and low district-level volumes. PRC said its reports have regularly directed USPS to improve data reliability and accuracy by increasing participation in Full-Service Intelligent Mail, increasing measured volumes for mail product categories in certain districts, and increasing the number of districts providing results.

We agree that PRC reports have addressed some issues related to the quality of delivery performance data, such as providing data on the amount of mail included in delivery performance measurement and expressing concern with low levels of participation for certain types of mail. However, as we discuss in our report, PRC has not fully assessed why these measurements were incomplete, whether USPS actions will achieve complete performance data, why lack of participation remains a significant issue, and whether there are practical opportunities to make progress. Further, recent PRC reports have not assessed what have become the primary causes for excluding mail pieces from measurement, including no “start-the-clock” information, no mail piece barcode scan recorded by USPS automation equipment, and inaccuracies in mail preparation. Thus, we continue to believe that PRC has opportunities to improve its oversight and encourage PRC and all stakeholders to explore these causes in its forthcoming proceeding.

Regarding the usefulness of reporting, PRC and USPS disagreed with our characterization that USPS’s and PRC’s reports are not sufficiently useful for effective oversight. PRC objected to the implication that it is not fully successful in meeting its oversight responsibilities, and added that it has provided strong oversight in achieving the transparency and accountability required by Congress and that its reports are useful. While we recognize that PRC is not statutorily required to assess USPS’s performance in providing mail to all parts of the country—including rural areas—USPS is still responsible for adhering to these requirements and no other oversight agency exists to hold USPS accountable to these requirements. Given the broad scope of recent changes in postal operations, network consolidations, and service standard changes, Members of Congress and other postal stakeholders have raised concerns about the impact of these changes on delivery performance. Thus, effective oversight is even more critical to ensure that any delivery performance problems are promptly identified and addressed.

USPS and PRC also provided technical comments that we incorporated as appropriate.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Postmaster General, the Acting Chairman of the Postal Regulatory Commission (PRC), the other PRC Commissioners, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff has any questions about this report, please contact me at (202) 512-2834 or [rectanusl@gao.gov](mailto:rectanusl@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff making key contributions to this report are listed in appendix IV.

A handwritten signature in black ink that reads "Lori Rectanus". The signature is written in a cursive, flowing style.

Lori Rectanus  
Director  
Physical Infrastructure Issues

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*List of Requesters*

The Honorable Thomas R. Carper  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Heidi Heitkamp  
Ranking Member  
Subcommittee on Regulatory Affairs and Federal Management  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Claire McCaskill  
Ranking Member  
Permanent Subcommittee on Investigations  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Jon Tester  
United States Senate

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# Appendix I: Objectives, Scope, and Methodology

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This report assesses (1) the U.S. Postal Service's (USPS) measurement of mail delivery performance and the Postal Regulatory Commission's (PRC) oversight of this measurement and (2) USPS's and PRC's reporting of this information.

To conduct this work, we assessed whether USPS's measurement of its delivery performance is complete and whether USPS's and PRC's reporting on this performance is useful and transparent. To make our assessments, we compared USPS's and PRC's measurement and reporting efforts to specific elements associated with these criteria. We originally developed these criteria for a 2006 report that assessed USPS's delivery service standards, measures, and reporting.<sup>1</sup> In developing those criteria, we identified applicable laws related to USPS's mission, ratemaking, and reporting, and practices used by high-performing organizations related to delivery service standards, measurement, and reporting, including practices identified through our past work. For this review, as table 4 below illustrates, we adapted and updated each criteria identified in the 2006 report. We reviewed current laws, previously identified practices used by high-performing agencies, and prior GAO reports to identify specific, observable elements associated with each criteria, in order to make a more direct assessment on the extent delivery performance information is complete, useful, and transparent.<sup>2</sup> For example, we reviewed provisions in the Postal Accountability and Enhancement Act (PAEA)<sup>3</sup> and implementing PRC regulations<sup>4</sup> that established the legal framework for measurement of mail delivery

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<sup>1</sup>See [GAO-06-733](#).

<sup>2</sup>We have previously found that leading organizations that have progressed toward results-oriented management use performance information as a basis for decision making and that the usefulness of performance information can be affected by its completeness, accuracy, consistency, validity, and credibility, among other things. GAO, *Broadband Performance: Additional Actions Could Help FCC Evaluate Its Efforts to Inform Consumers*, [GAO-15-363](#) (Washington, D.C.: Apr. 17, 2015). In addition, our website contains guidance on managing for results in government to provide enhanced performance planning, management, and reporting tools that can help inform congressional and executive branch decision making to address significant challenges facing our nation. GAO, *Managing for Results in Government*, accessed on August 31, 2015, [http://www.gao.gov/key\\_issues/managing\\_for\\_results\\_in\\_government/issue\\_summary#t=0](http://www.gao.gov/key_issues/managing_for_results_in_government/issue_summary#t=0).

<sup>3</sup>Pub. L. No. 109-435, 120 Stat. 3198 (2006).

<sup>4</sup>39 C.F.R., pt. 3055.

performance, PRC’s oversight of this measurement, and reporting of this information. To identify practices for reporting delivery performance information that would be useful for management and congressional decision making, we reviewed the Government Performance and Results Act of 1993 (GPR),<sup>5</sup> and the GPR Modernization Act of 2010<sup>6</sup> framework for meeting fiscal, management, and performance challenges, practices used by high-performing agencies, and prior GAO reports.<sup>7</sup>

**Table 4: GAO Criteria for Assessing Delivery Performance Measurement and Reporting**

Assessment criteria	GAO 2006 description	Specific criteria element
Completeness	Completeness of delivery performance information provided internally and externally so that USPS and other stakeholders understand how well USPS is fulfilling its statutory mission and specific statutory requirements for mail delivery.	Delivery performance measurement for a type of mail is sufficiently complete if it has the coverage to enable representative measurement of the percentage of mail delivered on time.
Usefulness	Usefulness of information on delivery performance to enable effective oversight, and accountability—including by USPS managers, the USPS Board of Governors, PRC, and the Congress—as well as effective USPS performance.	Delivery performance information is useful if it is reported in a manner that enables effective oversight to hold USPS accountable for meeting its statutory mission to provide prompt, reliable, and efficient services to patrons in all areas and to all communities and to provide effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining [39 U.S.C. § 101].
Transparency	Availability of transparent information on delivery performance internally and externally, including to the USPS Board of Governors, USPS managers and employees, mailers, PRC, Congress, and the public.	Delivery performance information is transparent if it is reported in a manner that is easily accessible and readily available to all stakeholders.

Source: GAO analysis of laws, practices used by high-performing organizations, and past work. | GAO-15-756

To assess delivery performance measurement, we reviewed documentation of mail delivery performance, the measurement systems used to develop this information, and limitations of these systems. We also reviewed USPS’s annual reports to Congress and PRC, PRC’s annual compliance determinations, Mailers’ Technical Advisory

<sup>5</sup>Pub. L. No. 103-62, 107 Stat. 285 (1993).

<sup>6</sup>Pub. L. No. 111-352, 124 Stat. 3866 (2011).

<sup>7</sup>For example, see [GAO-13-518](#).



Committee<sup>8</sup> presentations, and other documentation on USPS's current measurement systems and the data USPS collects. In addition, we reviewed relevant documentation regarding USPS's proposal to replace its External First-Class Mail measurement system (EXFC), including USPS's proposal, stakeholder comments on the proposal, and USPS's reply responses to stakeholder comments. Between December 2014 and June 2015, we received written responses and data from USPS and PRC related to mail delivery performance measurement and associated limitations and interviewed USPS and PRC officials. USPS's responses contained data on the amount of mail ineligible for delivery performance measurement and excluded from delivery performance measurement in fiscal years 2010 through the second quarter of fiscal year 2015. We assessed the reliability of USPS's data through a review of related documents, such as written responses from USPS. We found these data sufficiently reliable for providing a general description related to the completeness of delivery performance information. To assess PRC's oversight of delivery performance information, we reviewed PRC's annual compliance determinations and other reports, obtained written responses from PRC and USPS, and interviewed PRC and USPS officials. We also interviewed representatives of mailing industry groups and business mailers with expertise on delivery performance measurement and postal issues to discuss the completeness of delivery performance information reported by USPS and PRC's assessment of this information. We used our professional judgment to select these representatives; thus, the responses we received from them are not generalizable to the entire mailing industry. We also reviewed laws, regulations, and PRC orders and determinations to identify any guidance or requirements for USPS and PRC related to the quality of delivery performance information.

To assess reported delivery performance information, we reviewed the mail delivery performance information reported in USPS annual reports to Congress, PRC annual compliance determinations and other reports, and on the USPS and PRC websites. We assessed the usefulness of the reported information to provide oversight over how effectively USPS fulfills its statutory mission to provide prompt, reliable, and efficient

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<sup>8</sup>The Postmaster General's Mailers' Technical Advisory Committee is a venue intended for USPS to share technical information with mailers, and to receive their advice and recommendations on matters concerning mail-related products and services, in order to enhance customer value and expand the use of these products and services for the mutual benefit of mailing industry stakeholders and USPS.

services to all areas of the country (universal delivery service),<sup>9</sup> and a maximum degree of effective service in rural areas.<sup>10</sup> We also interviewed representatives of mailing industry groups and business mailers with expertise on delivery performance measurement and postal issues to discuss the usefulness of delivery performance information reported by USPS and PRC. We used our professional judgment to select these representatives; thus the responses we received from them are not generalizable to the entire mailing industry. To determine the extent that the delivery performance information is transparent, we reviewed delivery performance information USPS and PRC disclose on their websites to assess the extent to which it is easily accessible and readily available. We also reviewed laws and statutory regulations to identify any requirements related to reporting delivery performance information in a transparent manner.

We conducted this performance audit from October 2014 to September 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>9</sup>39 U.S.C. § 101(a).

<sup>10</sup>39 U.S.C. § 101(b).

# Appendix II: Comments from the U.S. Postal Service

ROBERT CINTRON  
VICE PRESIDENT, ENTERPRISE ANALYTICS



September 11, 2015

Lori Rectanus  
Director, Physical Infrastructure Team  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548-0001

SUBJECT: Actions Needed to Make Delivery Performance Information More Complete, Useful, and Transparent (Report Number GAO-15-756-DRAFT)

On behalf of the United States Postal Service, this letter responds to your invitation to comment on the draft of Government Accountability Office (GAO) audit report number GAO-15-756 that was presented for review on August 12<sup>th</sup>, 2015.

We appreciate the effort undertaken by the GAO to develop an understanding of the postal market-dominant product service performance measurement systems, many of which have been implemented since the passage of the Postal Enhancement and Accountability Act of 2006. The Postal Service is committed to continuous improvement of its measurement systems and respects the role of the GAO as it pursues that same objective. We found the interaction with GAO analysts to be constructive and appreciate their professionalism. We do not agree with every conclusion expressed in the draft report. As reflected below, we limit our comments to several key findings. In general, it is our view that readers of the final version of the audit report would benefit from a more comprehensive description of current measurement systems. More significantly, we believe our service measurement systems utilize a statistically representative sample of the mail applied with weighting formulas to reflect overall mail population to accurately reflect service performance, and therefore we believe your conclusions are unfounded.

#### Service Measurement

The draft report characterizes certain service measurement systems of the Postal Service as "incomplete," insofar as they do not achieve a sufficient level of statistical representativeness, but does not specify what an appropriate level may be. The draft warns that "incomplete measurement poses the risk that measures of on-time performance are not representative, since performance may differ for mail included in the measurement, from mail that is not." We understand the basis for such concern regarding performance measurement systems in the abstract, but we disagree with your conclusion that our measurement systems suffer from such infirmity. In our view, postal market-dominant product service measurement systems do not inherently produce biased results simply because they are not based on a census or do not meet a particular standard of representativeness. This is especially so because mail processing operations within the postal network are designed to move mail based on such factors as class, shape, machinability, and mailer preparation, and not whether particular mail generates data for purposes of service measurement. As such, mailpieces that generate service measurement data should have virtually the same service performance as like pieces that do not generate such data. We have secured the services of reputable experts at IBM to design statistically valid measurement systems. Attached is a letter from IBM describing the statistical validity of the Postal Service measurement systems, which reflects our understanding that our measurement systems accurately portray our delivery performance.

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At page 9 the draft report suggests that mail excluded from measurement impacts the accuracy of service performance reporting and states at page 14 that "available information indicates that non-participation does affect results." We disagree. First, it is not clear what information forms the basis for this conclusion. Further, the report states that consistent with this finding, such destination-entered Standard Mail is more likely to be included in measurement than other "end-to-end" Standard Mail. To the contrary, however, in our experience, mail entry discount and service performance measurement are inter-dependent, i.e., in many instances, the entry points for "end-to-end" mail are the same as destination entered mail. The method by which mail is entered and whether it conforms to the quality controls needed to ensure accurate measurement have greater influence on whether the mail is included in measurement. Additionally, different service standards apply depending on the origin-destination pattern of the mailing. For example, Standard Mail that is prepared and entered at the destination mail processing plant generally is subject to a 3-day service standard. However, if Standard Mail entered at the same plant is destined for delivery in the service areas of other plants, it is deemed to be origin-entered or end-to-end mail, and its service standard of up to 27 days, depending on the destination. In the absence of any analysis, the draft report expresses concern that "because destination-entered mail Standard Mail is more likely to be delivered on time than end-to-end Standard Mail, this suggests that results for Standard Mail as a whole are higher than they would be if all Standard Mail were included in measurement." However, the analysis reflected in the second Attachment to this letter refutes this conclusion. As information, the Postal Service currently reports service performance scores of both destination-entry and "end-to-end" mail to the Postal Regulatory Commission.

The Postal Service has established business rules to ensure the accuracy and integrity of its systems and the service performance data they produce. We continue to work with the mailing industry to add more mail into measurement, as demonstrated by the continued reduction of mail that is excluded from measurement. This has occurred even though in some instances we have been prevented from imposing additional requirements on the mailing industry which would ensure even greater quality levels that further enable accurate mail measurement. Any effort to increase the proportion of mail that generates service performance measurement data must carefully consider the law of diminishing returns and whether it imposes unwelcome requirements and costs on affected mailers. Additionally, as the draft report acknowledges, the Postal Service continues to increase the volume of mail in measurement. Strategies include investment in technology despite our difficult financial position that will help the proposed new internal measurement systems increase the volume and geographic reach of mail that generates service measurement data. Additionally, the Surface Visibility expansion and Bundle Visibility initiatives will effectively enable the postal field personnel to capture additional data from acceptance, processing and delivery activity that will enable more mail to be included in service measurement.

Service Reporting

The Postal Service disagrees with the statement at page 19 of the GAO report that "USPS and PRC reports on delivery performance are not useful for effective oversight because they do not include sufficient analysis to hold USPS accountable for meeting its statutory mission to provide service in all areas of the nation." It is beyond dispute that the Postal Service provides delivery service in all areas of the nation. Routinely published quarterly and annual market-dominant product service performance reports filed by the Postal Service at the Postal Regulatory Commission -- as required by statute and in accordance with the PRC's mission and its rules -- include data disaggregated to the postal administrative district level, so that all service areas within the postal network can be compared. In addition, the Postal Service is subject to Congressional oversight and responds to numerous inquiries from Committees and individual members of Congress, the USPS Office of Inspector General, and the GAO regarding service quality issues affecting individual states, Congressional districts and specific communities within their borders. Postal Service quarterly and annual reports filed at the PRC provide national level analysis of service scores, consistent with the Commission's statutory role in making national compliance determinations. However, the fact that these specific reports also do not include state-by-state, district-by-district, or city-by-city analysis does not mean that the current Congressional oversight process lacks access to more granular data.

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At page 21, the draft report takes issue with the accessibility and granularity of market-dominant product service performance data currently available for examination via the Postal Service's public website, [www.usps.com](http://www.usps.com). It is worth emphasizing that the data presented there are rooted in an agreement between the Postal Service and the unit within the Postal Regulatory Commission that traditionally represents the interests of the general mailing public. The data are formatted to provide information deemed useful to household mailers seeking very general service quality information as they peruse the website for other information pertinent to postal product and routine mail transactions. The current data presentation there continues to be suited to its intended purpose. Nevertheless, we are always open to suggestions for improving customer service. We acknowledge that the service performance data presented at [www.usps.com](http://www.usps.com) lack the granularity of the reports we publicly file with the PRC, and do not serve the purposes of in-depth Congressional oversight and GAO review. However, it is not clear that typical household mailers would use or find value in that level of data granularity. We will continue to provide data in response to requests from Congress and other entities fulfilling oversight responsibilities. However, in an effort to be more transparent with service performance information, we will pursue establishment of a distinct portal at [www.usps.com](http://www.usps.com) for public access to service performance reports.

The Postal Regulatory Commission has been granted specific authority by Congress to examine market-dominant mail product service quality and determine its compliance with relevant postal policy objectives (39 U.S.C. § 3653), to review and approve methods of service measurement (39 U.S.C. § 3691), and to enact regulations specifying the data that the Postal Service must report in order for the Commission to fulfill its regulatory responsibilities (39 U.S.C. § 3652). In reviewing draft report number GAO-15-756, we are gratified by the absence of any assertion of a failure by the Postal Service to fulfill any data generation or reporting obligation to the Commission. We do not always agree with the Postal Regulatory Commission's exercise of its service measurement and reporting oversight authority. However, we find some of the criticism in the draft of the Commission's oversight in this area to be unwarranted. We trust that the Commission has been afforded an opportunity to provide information that should result in the final report reflecting a more favorable view of its efforts.

#### **USPS Response to Recommendations for Executive Action**

**GAO Recommendation:** To improve the usefulness and transparency of USPS and PRC reporting of delivery performance information, we recommend that the

- Postmaster General provides additional and readily available delivery performance information, such as trend data for on-time delivery performance for all 67 postal districts.

**Response:** The Postal Service accepts this recommendation and intends to post service performance trend charts on the Postal Services website [www.usps.com](http://www.usps.com) by Quarter 3 of FY2016.

**GAO Recommendation:** To improve the completeness of USPS delivery performance information, we recommend that the Acting Chairman of the Postal Regulatory Commission exercise PRC's statutory authority to hold a public proceeding involving the USPS, the mailing industry, and interested parties to address how USPS can improve the completeness of USPS's delivery performance information.

**Response:** While this recommendation is directed at the Postal Regulatory Commission (PRC), the Postal Service disagrees with this recommendation. Postal Service measurement systems conform to the Office of Management and Budget (OMB) Standards and Guidelines for Statistical Survey. We employ the expertise of a highly reputable firm with long-standing expertise in the design and execution of measurement systems to develop systems that are statistically valid and reliable.

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**Appendix II: Comments from the U.S. Postal Service**

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Additionally, in developing system requirements, the Postal Service collaborates frequently with the mailing industry through the Mailers Technical Advisory Committee (MTAC), which is comprised of industry representation for the various classes of commercial mail. Through these direct consultations with MTAC, the Postal Service secures feedback from a wide range of mailers across various product lines to explore avenues for increasing the volume of mail that can produce data for use in service measurement. It is our view that this collaboration is more likely to stimulate industry cooperation and buy-in, rather than protracted, time-consuming rulemaking and public inquiry proceedings before the PRC.



Robert Cintron  
Vice President, Enterprise Analytics

cc: Stephen Dearing  
Mgr., Corporate Audit Response Management

# Appendix III: Comments from the Postal Regulatory Commission



POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

Robert G. Taub  
Acting Chairman

September 11, 2015

Ms. Lori Rectanus  
Director, Physical Infrastructure Issues  
Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

**RE: VIA EMAIL AND U.S. MAIL**

Dear Ms. Rectanus:

Thank you for the opportunity to offer comments on the Government Accountability Office's (GAO) Draft Report titled *U.S. Postal Service Actions Needed to Make Delivery Performance Information More Complete, Useful, and Transparent* (GAO-15-756) (Draft Report). The Commission appreciates the opportunity for constructive dialogue that the GAO has provided in sharing and discussing the Draft Report.

The GAO made two recommendations in this Draft Report to the Commission: (1) hold a public proceeding to address how the Postal Service can improve the "completeness" of its delivery performance information; and (2) provide more readily available data and additional analysis of the Postal Service's delivery performance information.<sup>1</sup> The Commission adopts both recommendations as follows: (1) the Commission is committed to holding a public proceeding to consider the issues raised

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<sup>1</sup> General Accountability Office, *U.S. Postal Service Actions Needed to Make Delivery Performance Information More Complete, Useful, and Transparent*, GAO-15-756, September 2015, at 26 (Draft Report).

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by the GAO in the Draft Report; and (2) the Commission already has updated its website to provide instantaneous access to service performance reports and dockets.

However, as described below, the Commission finds portions of the Draft Report unsupported by evidence. Specifically, the Commission disagrees with the GAO's characterization of the Commission's oversight of the Postal Service, the criteria the GAO uses to evaluate delivery performance information, the analytical basis the GAO employs, the GAO's limited review of the record, and the conclusions the GAO reaches to formulate its recommendations.

I. The Commission Objects to the GAO's Characterization of the Commission's Oversight Responsibilities Based on GAO-Created Criteria

As an initial matter, the Commission objects to the GAO's implication that it is not fully successful in meeting its oversight responsibilities. To make such an assessment, an initial inquiry must identify the Commission's statutory responsibilities with respect to measurement of service performance data submitted by the Postal Service. Only then is it possible to assess whether the Commission has met that responsibility. The Commission's responsibility to determine the Postal Service's service performance is specifically outlined in the Commission's governing authority.

The Postal Accountability and Enhancement Act (PAEA) charges the Commission with establishing the methodologies by which quality of service is analyzed, including regulations prescribing the form and content of reports to the Commission and consulting with the Postal Service concerning the establishment of service standards.<sup>2</sup> The PAEA also mandates that the Commission annually review service performance.<sup>3</sup>

The Commission has consistently reported in Annual Compliance Determinations whether any service standards, on a nationwide basis, in effect during the year under

<sup>2</sup> 39 U.S.C. § 3652(e).

<sup>3</sup> 39 U.S.C. § 3653.



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review were not met. Because of the Commission's reporting, review, and oversight since enactment of the PAEA, all policymakers, including Congress, the President, and postal stakeholders, know whether or not the Postal Service has been meeting its delivery standards on a nationwide basis for all market dominant products.

The Draft Report does not suggest that the Commission has been anything but fully successful in meeting its mission and statutorily required duties as outlined in the PAEA. Instead, the GAO produces an assessment based on GAO-created criteria, rather than the statutory requirements of the PAEA. The GAO then posits that because the Commission has not ventured into areas beyond its clear statutory mandate, regardless of the reasons, it is not providing the oversight mandated by Congress when it passed the PAEA.<sup>4</sup>

Congress's enactment of the PAEA in December 2006 created a new system of modern postal rate regulation, including a complementary provision for service performance measurement.<sup>5</sup> In this new statute, Congress delegated authority to the Commission to prescribe, by regulation, how the Postal Service would report on the newly created service performance standards.<sup>6</sup>

The Commission did not formulate its regulations in a vacuum. The PAEA directs the Commission to balance providing the public with "timely, adequate information" with "avoiding unnecessary or unwarranted administrative effort and expense."<sup>7</sup> This mandate was embraced by the Commission when it proposed the annual service

<sup>4</sup> For example, the GAO suggests the Commission provide trend analysis of service performance results at the sub-national level and provide service performance data specific to rural areas. Draft Report at 20, 22. The PAEA, however, provides for an annual determination of compliance with service performance standards. The Commission, in establishing regulations concerning the Postal Service's reporting, determined that it would measure the Postal Service's attainment of service standards at a national level. See 39 U.S.C. §§ 3652, 3653, 3691; 39 C.F.R. § 3055.2(g). Commission rules require Postal Service reporting at the district, area, and national levels. See 39 C.F.R. part 3055, subpart B. Sub-national data is used to validate national-level data.

<sup>5</sup> See Pub. L. No. 109-435, §§ 204, 301 (2006).

<sup>6</sup> See Pub. L. No. 109-435, § 204 (codified at 39 U.S.C. § 3652).

<sup>7</sup> 39 U.S.C. § 3652(e)(1)(A), (B).

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performance reporting regulations. The Commission explained that “these proposed rules are being published at a time when the Postal Service is experiencing unprecedented fiscal challenges” and, as such, were “designed to maximize transparency using data sources that either exist now, or are in active development.”<sup>8</sup>

Moreover, the two Commission dockets concerning service performance measurement reporting proceeded under notice-and-comment rulemaking procedures and provided the Postal Service, mailers, and the general public with the opportunity for meaningful participation.<sup>9</sup> In the 5 years since those regulations were issued,<sup>10</sup> no stakeholder has petitioned the Commission to revisit those regulations or otherwise improve service performance reporting.<sup>11</sup> In addition, the statute directs the Commission to review the entire system of rate regulation, including maintaining the service standards established under 39 U.S.C. § 3691, 10 years after its enactment (*i.e.*, commencing in December 2016).<sup>12</sup> The PAEA also requires the Commission to submit a report to the President and Congress by December 2016 on how the entire law is working and any recommendations for improvement.<sup>13</sup>

The Commission recognizes that continual improvement should be the goal of all government agencies. Indeed, rather than restrict this discussion to a single chapter in the Commission’s Annual Compliance Determination, the Commission for the past 2

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<sup>8</sup> Docket No. RM2009-11, Order No. 292, Notice of Proposed Rulemaking on Periodic Reporting of Service Performance Measurements and Customer Satisfaction, September 2, 2009, at 2.

<sup>9</sup> See Docket No. PI2008-1, Service Performance Measurement Systems for Market Dominant Products; Docket No. RM2009-11, Periodic Reporting of Service Performance Measurements and Customer Satisfaction.

<sup>10</sup> Docket No. RM2009-11, Order No. 465, Order Establishing Final Rules Concerning Periodic Reporting of Service Performance Measurements and Customer Satisfaction, May 25, 2010; see also 75 FR 38725 (July 6, 2010).

<sup>11</sup> See 39 C.F.R. § 3050.11. Since the enactment of these rules, various stakeholders have petitioned the Commission to improve other types of periodic reporting and the Commission has acted on those concerns. See, e.g., Docket No. RM2014-5.

<sup>12</sup> 39 U.S.C. § 3622(d)(3).

<sup>13</sup> See Pub. L. 109-435, 120 Stat. 3198 (2006), § 701.

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years has chosen to evaluate the Postal Service's plans and progress with the Government Performance and Results Act in an in-depth report, which has provided a more thorough assessment of Postal Service performance, including meeting its service performance goals over time. The Commission's work in the area of service performance has led to significant improvements.

To reiterate, the Commission has provided strong oversight in order to achieve the transparency and accountability required by Congress. The Commission objects to the GAO's statements that by not entering into issues that are unilaterally created by the GAO, the Commission is not providing the oversight mandated by Congress when it enacted the PAEA. The Commission acknowledges there are legitimate concerns regarding the Postal Service's service *performance*, especially in rural service areas. The Commission is working with Congress on those issues and is committed to responding appropriately to the GAO's recommendations. However, in this Draft Report the GAO simultaneously finds fault with the Commission's regulatory efforts but does not acknowledge the Commission's statutorily defined regulatory role with respect to service performance *reporting* under the PAEA.

II. The Commission Has Provided Strong Oversight of Service Performance Measurement, Consistent with the PAEA; the Commission Disagrees with the GAO Over the Significance of Data "Completeness"

The GAO concludes in its Draft Report that the Postal Service's measurement of service performance is "incomplete because only about 55 percent of market-dominant mail volume is currently included in measurement."<sup>14</sup> According to the GAO, Commission reports "have not assessed why these measurements were incomplete nor specified what actions USPS needs to take to achieve complete performance data."<sup>15</sup> As a result of this conclusion, the GAO recommends the Commission conduct a

<sup>14</sup> Draft Report at 9.

<sup>15</sup> *Id.* at 16-17.

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proceeding focused on data quality and completeness.<sup>16</sup> As indicated above, the Commission is committed to initiating a proceeding to consider the issues raised in the Draft Report. However, as further addressed in the following sections, the Commission strongly disagrees with the basis used to arrive at this recommendation, particularly the GAO's focus on data "completeness," and lack of recognition for the Commission's efforts in improving data quality.

A. The Commission has prompted consistent, continual improvement in the quality of service performance data

The GAO concludes the Commission should initiate a proceeding to improve the quality of Postal Service data.<sup>17</sup> Under section 3652 of title 39, such a proceeding is warranted by statute when it appears "the quality of service data has become significantly inaccurate or can be significantly improved."<sup>18</sup> The Commission sees clear evidence, as explained below, that the quality (*i.e.*, accuracy, reliability, and representativeness) of the Postal Service's service performance data is and has been improving.<sup>19</sup> Specifically, the Commission has observed a decrease in the amount of "uncategorized" mail and an increase in the number of postal districts with enough measured volume to provide meaningful results.

B. The GAO's focus on data "completeness" is not statistically meaningful

The Commission respectfully notes that the GAO's definition of "completeness" is not a meaningful statistical measure. The Commission has not concluded that the "percentage of mail measured" should be the primary determinant of accurate, reliable, or representative service performance data. Instead, the Commission reviews Postal

<sup>16</sup> *Id.* at 19.

<sup>17</sup> *Id.* at 17-18.

<sup>18</sup> 39 U.S.C. § 3652(e)(2)(B).

<sup>19</sup> In addition, stakeholders have not presented the Commission with any evidence that there is any systematic problem with the quality of data.

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Service data using accepted statistical principles that determine whether service performance data are sufficient and service performance results are meaningful.

Sampling fractions, confidence intervals, and margins of error at the district level are the primary factors used by the Commission to determine whether data are accurate and reliable. To illustrate, the Postal Service derives sample sizes at a given reporting level ( $n_0$ ) for presort First-Class Mail, Standard Mail, Periodicals, and Package Services using the following formula, where  $p$  is the expected on-time rate in the worst-case scenario for a specified mail product;  $d$  is the desired margin of error; and  $z$  is the score corresponding to a selected confidence level:

$$n_0 = \frac{z^2 p(1-p)}{d^2}.$$

After estimating sample size per recording level  $n_0$ , the total sample size  $n$  is calculated by multiplying  $n_0$  by the number of service standard types and postal districts. Next, the sampling fraction  $f$ , which is the fraction of mail pieces selected for actual measurement, is determined. The sampling fraction  $f$  is derived by dividing the estimated sample size per recording level ( $n_0$ ) by population size, where  $N$  is the population size at the mail class level:

$$f = \frac{n_0}{N}.$$

In order to estimate the overall mail population in each mail category, the Postal Service uses data on historical mail volumes by class, mail shape level, and 3-digit ZIP Code. Density and overall mail volumes in postal districts vary; therefore to obtain samples of the same size in different districts, sampling fractions in the districts with low mail volumes should be higher than in districts with higher mail volumes. Consequently, only focusing on the "percentage of mail in measurement" as a determinant of service performance data "completeness" is not meaningful from a statistical perspective.

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C. The Commission has assessed and issued directives related to data quality

The Commission would like to correct the GAO's statement that Commission "reports have not assessed why these measurements were incomplete nor specified what actions USPS needs to take to achieve complete performance data."<sup>20</sup>

1. The Commission has assessed mail exclusions

The Commission has assessed the primary reasons measured mail may be inaccurate, unreliable, or not representative of nationwide performance. These reasons include data not in full-service IMb, uncategorized mail, invalid data, and low district level volumes. Under the Commission's oversight, the Postal Service has been improving in each of these areas.

*Participation in full-service IMb.* The Postal Service shifted from a pilot test for IMb measurement to an actual measurement system in the second half of fiscal year 2010. In the Annual Compliance Determination for fiscal year 2010, the Commission noted:

*The data yield on both Bulk First-Class Mail and Standard Mail is minimal and must be increased to be useful for measurement purposes. Participation rates and compliance must be increased and progress reports made on a monthly basis to the Commission. The Commission will monitor participation rates. Should growth not continue during this fiscal year, the Commission may review its previous decision to allow the Postal Service to proceed with development of an internal IMb based hybrid measurement system.*<sup>21</sup>

In fiscal year 2011, the Commission noted that the pieces in measurement had almost doubled over the year but that some concerns about the reliability of data for

<sup>20</sup> Draft Report at 16-17.

<sup>21</sup> Docket No. ACR2010, Annual Compliance Determination Report, March 29, 2011, at 67 (FY 2010 ACD).

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specific products remained. The Commission warned that “[i]t [was] imperative for the Postal Service to find a reliable way to measure service performance” and the Commission would continue to monitor progress.<sup>22</sup> In each of the subsequent 3 fiscal years, the number of pieces in measurement for most products continued to increase. Additionally, the Commission consults with Postal Service leadership on a monthly basis to discuss progress in IMb participation and other issues related to service performance.

*Uncategorized mail.* Mail pieces are uncategorized if the specific product cannot be identified. These pieces are captured in either Mixed Product Letters or Mixed Product Flats categories. In fiscal year 2011, the Postal Service reported that 61 percent of measured Standard Mail letter volume and 91 percent of measured Standard Mail flat volume fell into the Mixed Product categories. The Commission determined that the large quantity of mail pieces categorized as a Mixed Product hindered proper service performance measurement and insisted the Postal Service “work with mailers to obtain the data necessary to accomplish product level reporting in FY 2012.”<sup>23</sup> As a result, the Postal Service reported in fiscal year 2012 that it had been working with the mailing industry to revise the documentation requirements for mailers.<sup>24</sup> The new system required mailers to document all mail pieces, thereby ensuring proper categorization of each mail piece.<sup>25</sup> In the Annual Compliance Determination for fiscal year 2012, the Commission stated that “[i]t is encouraging that measured mix product volumes... have declined significantly.... The effort to properly categorize Standard Mail products should improve the accuracy of service performance measurements.”<sup>26</sup>

<sup>22</sup> Docket No. ACR2011, Annual Compliance Determination Report, March 28, 2012, at 64-65 (FY 2011 ACD).

<sup>23</sup> FY 2011 ACD at 73.

<sup>24</sup> Docket No. ACR2012, Annual Compliance Determination Report, March 28, 2013, at 54 (FY 2012 ACD).

<sup>25</sup> FY 2012 ACD at 55.

<sup>26</sup> *Id.* at 57.

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In fiscal year 2014, the Postal Service reported that 1.4 percent of measured letter volume and 0.1 percent of measured flat volume fell into the Mixed Product categories.<sup>27</sup> The Commission's attention to this issue spurred the Postal Service's new requirements and increased the accuracy of product level measurement by increasing the volume of identifiable mail pieces and decreasing the volume of Mixed Product categories.<sup>28</sup>

*Data validation.* For the annual compliance determinations for fiscal years 2011 and 2012, the Commission expressed concern about the lack of progress towards data reliability for some products. Consequently, in fiscal year 2013, the Commission asked the Postal Service to provide an updated description of the parameters used to determine the reliability of IMb data.<sup>29</sup> In general, data undergo a series of validation reviews which test for start-the-clock accuracy, address quality, mail preparation, receipt date accuracy, and assurance that the piece originated from and destined to a ZIP Code.<sup>30</sup>

IMb data passing these validation tests are then assessed to determine whether there are sufficient data to meet the Postal Service's minimum requirements. The Postal Service explained that these requirements include:

- Excluding pieces where the total volume of origin plus destination pieces for a Postal Area is less than or equal to 10,000 for presort First-Class Mail at the service standard group level, Periodicals mail at the Entry Type and service standard group level, Standard Mail at the Entry Type and service standard group level, and Bound Printed Matter Flats at the Entry Type level.
- Excluding pieces where the total volume of measured pieces is less than or equal to 50 pieces for an origin district-destination district combination

<sup>27</sup> Docket No. ACR2014, Annual Compliance Determination Report, March 27, 2015, at 93 (FY 2014 ACD).

<sup>28</sup> FY 2014 ACD at 95.

<sup>29</sup> Docket No. ACR2013, Responses of the United States Postal Service to Questions 1-11 of Chairman's Information Request No. 2, January 23, 2014, question 8.

<sup>30</sup> *Id.*



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for the following: First-Class Mail at the service standard level by shape, Periodicals mail at the basic Entry Type (DDU, DSCF, DADC, DNDC) and service standard level, Standard Mail at the basic Entry Type (DDU, DSCF, DADC, DNDC), shape, and service standard level, and Bound Printed Matter Flats at the basic Entry Type (DDU, DSCF, DADC, DNDC) level.

- Excluding pieces for individual Standard Mail products where the total volume of originating plus destinating pieces are less than 1000 pieces for a district and basic entry type (DDU, DSCF, DADC, DNDC) and excluding pieces where the total volume of originating plus destinating pieces are less than 100 at the district and service standard group reporting level. These are evaluated for each Standard Mail product.<sup>31</sup>

The Commission has observed continuous, steady declines in the amount of measured mail pieces excluded during this process. Due to this improvement, data reliability has also markedly improved.

*District-level volume.* Another critical step in assessing whether data are reliable and representative is to evaluate the number of districts that report reliable data.<sup>32</sup> The Commission continuously monitors the number of districts that reported service performance results and has noted that for certain mail products or categories the number was low. For example, the Commission found that none of the 67 districts reported results for Bound Printed Matter Flats measured End-to-End service quality in several quarters of fiscal years 2012 and 2013.<sup>33</sup>

As a result, the Commission directed the Postal Service to “develop strategies to enhance Full-Service mailer participation and increase service performance results.”<sup>34</sup> In fiscal year 2014, the Postal Service reported results in all 67 districts for all market

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<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> Docket No. ACR 2013, Annual Compliance Determination Report, March 27, 2014, at 114 (FY 2013 ACD).

<sup>34</sup> FY 2013 ACD at 115.

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dominant products, standards, and categories including End-to-End Bound Printed Matter Flats.

2. The Commission has issued directives with respect to data quality

The Commission has regularly directed the Postal Service to improve data reliability and accuracy by: (1) increasing full-service IMb participation; (2) increasing measured volumes for mail product categories in districts where the volume measured was insufficient; and (3) increasing the number of districts providing results.<sup>35</sup> As a result of Commission directives, factors related to the overall quality of Postal Service service performance data have markedly improved.<sup>36</sup>

D. The GAO disregards the USPS OIG's important role

The GAO Draft Report also does not fully consider the important role of the Postal Service's Inspector General (USPS OIG) with respect to data quality. When Congress enacted the PAEA, it mandated that the USPS OIG—not the Commission—perform the critical task of “regularly audit[ing] the data collection systems and procedures utilized in collecting information and preparing such report [on measures of the quality of service]” and required those audits to be submitted to the Commission.<sup>37</sup> When the USPS OIG audited the service performance measurement data for mail measured with full-service IMb in 2012 (the most recent audit conducted), it found the

<sup>35</sup> See Docket No. ACR2008, Annual Compliance Determination Report, March 30, 2009, at 44 (FY 2008 ACD); Docket No. ACR2009, Annual Compliance Determination Report, March 29, 2010, at 54 (FY 2009 ACD); FY 2011 ACD at 64-65, 73, 75; FY 2012 ACD at 49-51, 53-57, 61; FY 2013 ACD at 102-103, 105-108, 110-111, 113-115. In certain instances, the Postal Service has withheld service performance data when it did not have the requisite number of mail pieces to provide statistically reliable service performance results.

<sup>36</sup> See Docket No. ACR2007, Annual Compliance Determination Report, March 27, 2008, at 55; FY 2008 ACD at 44; FY 2009 ACD at 54-55; FY 2010 ACD at 64-67; FY 2011 ACD at 64-65, 69, 73; FY 2012 ACD at 51, 57.

<sup>37</sup> 39 U.S.C. § 3652(a)(2).

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data to be “generally reliable.”<sup>38</sup> This is another example that data “completeness” is not an issue.

III. The Commission’s Reports are Useful

In its Draft Report, the GAO also comments on the usefulness and transparency of Commission reports on service performance. The GAO does not allege the Commission is deficient in performing its statutorily required duties; rather, the GAO claims that Commission reports regarding other areas of service performance could be more useful to stakeholders.<sup>39</sup> While the Commission recognizes additional analysis may be useful, it is inaccurate to label Commission reports as “not sufficiently useful” when the reports are tailored to current law. In addition, the Commission has gone beyond the requirements of current law by mandating quarterly reporting by the Postal Service, providing district-level trend analysis, and is working with congressional requesters to explore the ability of the Postal Service to isolate rural service performance.

A. Trend data

The GAO comments that “...PRC reports provided little analysis to facilitate an understanding of results and trends below the national level.”<sup>40</sup> The Draft Report acknowledges the Commission provides annual service performance trend data analysis at the national level, but concludes this analysis is not “sufficiently useful for determining variations in delivery performance across the nation.”<sup>41</sup>

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<sup>38</sup> Office of Inspector General, United States Postal Service, CRR-AR-12-005, Service Performance Measurement Data – Commercial Mail Audit Report, June 25, 2012, at 3.

<sup>39</sup> Draft Report at 19-20.

<sup>40</sup> *Id.* at 19.

<sup>41</sup> *Id.* at 19-20.

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The Commission uses area- and district-level data that have been validated for reliability, accuracy, and representativeness to: (1) analyze geographic effects of storms; (2) identify districts that routinely report lower than average service performance scores; and (3) compare regional versus nationwide results.<sup>42</sup> For example, the Commission reported in fiscal year 2013 “[t]he Northeast area, especially for the 3-5-day service standard category [for Standard Mail flats], has been a consistent underperformer and is a partial reason for below-target national scores.”<sup>43</sup> The following year, which is the most recent Annual Compliance Determination, the Commission conducted several district-level analyses, which: (1) evaluated the impact of severe winter storms; (2) investigated low performing districts in the Northeast area; (3) compared Parcels service performance in Chicago with nationwide results; and (4) highlighted End-to-End Periodicals service performance in the Great Lakes area.<sup>44</sup>

Analysis of data that have not been validated or may not be sufficiently robust, such as quarterly district-level data, could result in misleading or erroneous reports.

B. Data do not currently exist to report separately on rural areas

The GAO states in its Draft Report that the Commission does not separately report service performance data for rural areas.<sup>45</sup> This is correct. Although the Commission has addressed service performance in rural and urban areas in other dockets, it does not separately analyze rural service performance in its Annual Compliance Determinations. Data to perform such an analysis have not been developed because the PAEA and the regulations promulgated thereunder provide for a determination of compliance with service performance standards on a nationwide

<sup>42</sup> See FY 2014 ACD at 96-103, 110-112; FY 2013 ACD at 106, 135-142.

<sup>43</sup> FY 2013 ACD at 106.

<sup>44</sup> See FY 2014 ACD at 96-99, 101-103, 110.

<sup>45</sup> Draft Report at 22.

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basis.<sup>46</sup> However, the Commission evaluates a special study that, by regulation, it requires the Postal Service to conduct every 2 years, which measures the final delivery service performance to remote locations of Alaska, Caribbean, and Honolulu districts.<sup>47</sup>

Recently, Senators Heidi Heitkamp and Jon Tester asked the Commission to produce a semi-annual report on rural service performance for market dominant mail.<sup>48</sup> In working with Senate staffers and the Postal Service to meet this request, the Commission has discovered several fundamental difficulties with respect to separately reporting service performance results in rural areas. This is not unexpected, given that the service performance measurement systems in place were designed by regulation to produce results at the national level.<sup>49</sup>

First, there is no consensus definition of "rural." Several government agencies define rural and non-rural, but significant differences exist among the definitions. Second, the Postal Service must determine whether its data correspond with a particular definition of rural. Third, it is unknown whether enough measurable mail pieces exist between particular "rural" areas and other specified areas to provide statistically meaningful results. Fourth and finally, the Postal Service must consider potentially significant costs associated with extracting, compiling, or reporting these data at a more disaggregated and granular level than what presently exists. The Commission, the Postal Service, and the Senate requesters are working collaboratively to better understand the challenges in resolving these issues with the goal of providing the requested information.

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<sup>46</sup> 39 U.S.C. §§ 3622, 3653, 3691; 39 C.F.R. § 3055.2(g).

<sup>47</sup> See 39 C.F.R. § 3055.7; see also FY 2011 ACD at 77-79; FY 2013 ACD at 135-142.

<sup>48</sup> Letter from the Honorable Heidi Heitkamp, U.S. Senator, and the Honorable Jon Tester, U.S. Senator, to Robert Taub, Acting Chairman, Postal Regulatory Commission, May 26, 2015.

<sup>49</sup> See Docket No. PI2008-1, Service Performance Measurement Systems for Market Dominant Products; Docket No. RM2009-11, Periodic Reporting of Service Performance Measurements and Customer Satisfaction.

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C. The Commission has updated its website in response to the GAO's recommendation

The GAO is also critical of the Commission's website, noting that information is in multiple locations.<sup>50</sup> In response, the Commission agrees that information it receives and produces regarding performance measures for the Postal Service can be better organized, and has updated its website in response to the GAO's recommendation. A menu item on the homepage of the Commission's website titled "Reports/Data Service Reports" has been adjusted to allow instantaneous access to service performance related reports and dockets.

Under this tab, visitors to the Commission's website can locate all Annual Compliance Determination reports since inception in 2007, Commission analysis of Postal Service fiscal year program performance and performance plans, rulemaking and public inquiry dockets related to service performance, and periodic reports on service performance filed with the Commission by the Postal Service. While these website changes will make navigation easier, all of these reports have been consistently issued widely to the public and postal stakeholders, including a request in the recent Annual Compliance Determinations seeking feedback from users on how reporting could be improved or made more useful.

Lastly, the Commission notes that the GAO's recommendations should be directed towards the Commission rather than to the agency's Acting Chairman. Although the Acting Chairman serves as the principal executive officer of the Commission, neither he nor any other Commissioner has the power to exercise unilaterally the Commission's statutory authority.<sup>51</sup> This authority resides with the Commission's five Commissioners.<sup>52</sup>

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<sup>50</sup> Draft Report at 22.

<sup>51</sup> See 39 U.S.C. § 502; 39 U.S.C. § 504(a); 39 C.F.R. § 3002.10(b).

<sup>52</sup> 39 U.S.C. § 502(a).

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In closing, the Commission appreciates the opportunity to offer comments on this Draft Report and the recommendations contained within. The Commission is committed to continual improvement and consequently has already acted upon, and is committed to implementing, the GAO's recommendations. The Commission also appreciates the constructive dialogue that the GAO has provided in discussing the Draft Report. The Commission strongly urges the GAO to substantially revise its Draft Report to correct the issues and inaccuracies identified in these comments.

With best wishes, I am

Sincerely yours,



Robert G. Taub  
Acting Chairman  
Postal Regulatory Commission

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

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## Staff Acknowledgments

In addition to the individual named above, key contributors to this report were Teresa Anderson (Assistant Director); Samer Abbas; Kenneth John; Thanh Lu; Malika Rice; Amy Rosewarne; Kelly Rubin; and Crystal Wesco.



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