



September 28, 2007

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SUBJECT: Audit Report – Postal Service Passport Program
(Report Number MS-AR-07-004)

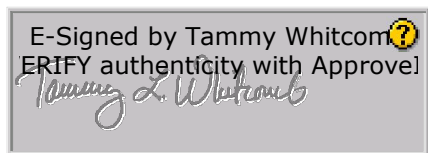
This report presents the results of our self-initiated audit of the U.S. Postal Service passport program (Project Number 07YG017MS000). Our objective was to determine whether the Postal Service accurately conveys passport application locations and appointment information to the public.

We concluded the Postal Service generally provides the public with accurate passport-related appointment and location information. This information, which is housed in the Facilities Database (FDB), is provided to customers via the Postal Service contact center, 1-800-ASK-USPS, and on the Postal Service's website, USPS.com. However, our review determined that the FDB is sometimes inaccurate and that USPS.com does not tell customers what post offices require appointments to apply for passports. We recommended management validate the information in the FDB related to passport application acceptance and ensure that facilities are listed as passport application acceptance facilities only after the Department of State approves them to accept passport applications. We also recommended management change USPS.com to include information on whether customers need appointments to apply for passports at specific post offices.

Management agreed with our recommendations and has initiatives in progress, completed, or planned addressing the issues in this report. We have included management's comments and our evaluation of these comments in the report.

The U.S. Postal Service Office of Inspector General (OIG) considers recommendations 1 and 2 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Robert Mitchell, Director, Sales and Service, or me at (703) 248-2100.



E-Signed by Tammy Whitcomb
VERIFY authenticity with Approve!
Tammy L. Whitcomb

Tammy L. Whitcomb
Deputy Assistant Inspector General
for Revenue and Systems

Attachments

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EXECUTIVE SUMMARY

Introduction

This report presents the results of our self-initiated audit of the U.S. Postal Service passport program. We determined whether the Postal Service accurately conveys passport application locations and appointment information to the public.

Results in Brief

The Postal Service generally conveys accurate passport application locations and appointment information to the public on its website, USPS.com, and through its contact center, 1-800-ASK-USPS. However, the Facilities Database¹ (FDB), which is relied on as the source of information for facilities that accept passport applications, is sometimes inaccurate. Customers receiving inaccurate information about passport acceptance facilities could experience delays and frustration in the application process and may apply for their passports elsewhere, which could negatively impact revenue and the Postal Service brand.

Additionally, USPS.com does not provide information on which post offices require appointments for customers to apply for passports. As a result, customers make unnecessary calls or trips to their local post offices to find out whether an appointment is necessary when this information could be displayed on USPS.com. This inconveniences customers and ties up employee time answering calls. Also, the post office locator links on the USPS.com passport main page may have misled customers. During our audit, management agreed that customers may be misled by the locator links and made changes based on U.S. Postal Service Office of Inspector General recommendations.

Summary of Recommendations

We recommended the Vice President, Customer Service, and the Manager, Retail Marketing, coordinate with the Vice President, Delivery and Retail, and the Manager, Customer Service Support, to validate the information in the FDB about accepting passport applications and establish controls in the FDB to ensure that managers can list their facility as approved for passport application acceptance only

¹ The Postal Service's FDB maintains information on every Postal Service facility. The FDB includes hours and locations for passport application acceptance, appointment information, and whether photos are taken.

after the Department of State certifies that the facility is approved.

We recommended the Vice President, Product Development, direct the Manager, USPS.com, to change USPS.com to include information on whether appointments for passport application acceptance are needed at specific post offices. The Postal Service should negotiate with the strategic alliance partner to change the website's template application, find a new partner or contractor, or perform the work in-house.

Summary of Management's Comments

Management agreed with our findings and recommendations, stating they:

- Have established a reconciliation process between the Postal Service and the Department of State using the Department of State Certificate of Program Compliance documents.
- Have established a control in the FDB requiring a Postal Service facility to enter a Department of State facility identification number into the FDB before it can enter passport-related information into the system.
- Will change USPS.com to include information on whether customers need appointments to apply for passports at specific post offices.

We have included management's comments² in Appendix B.

Overall Evaluation of Management's Comments

Management's actions taken or planned are responsive to the recommendations and should correct the issues identified in the findings.

² Management's response to our draft report included attachments entitled "Department of State Certification of Program Compliance" and "Business Requirements Document Passport Services Version 1.0." Because the resulting file size exceeded our system limitations, we have not included these attachments in our report. We will, however, provide them upon request.

INTRODUCTION

Background

In 1975, the Postal Service began accepting passport applications for the Department of State. Today, post offices, public libraries, and courthouses can all accept passport applications and mail them to the Department of State for processing if they choose to participate in the program and are approved by the Department of State to accept applications.

In December 2004, Congress passed the Intelligence Reform and Terrorism Prevention Act of 2004.³ The act included the Western Hemisphere Travel Initiative, effective January 23, 2007. This travel initiative requires all U.S. citizens traveling by air to a non-U.S. entity to have a passport to re-enter the U.S.⁴ As early as January 1, 2008, U.S. citizens traveling by land or sea to a non-U.S. entity may be required to present a valid U.S. passport or other documents, as determined by the Department of Homeland Security, to reenter the U.S.

In the past 2 years, the Postal Service has added approximately 2,000 new locations to accept passport applications, for a total of over 5,000 Postal Service facilities nationwide. In fiscal year (FY) 2006, the Postal Service accepted 5.9 million passport applications for the Department of State. The Department of State estimates that in 2007, 16 million passports will be requested, and the Postal Service estimates that it will receive approximately 10.9 million (68 percent) of those applications. By 2008, the Department of State anticipates that over 20 million passports will be requested. The Postal Service passport program manager expects application volume to increase for several years as the new laws take effect.

In FY 2006, the Postal Service received passport revenue totaling approximately \$219 million, surpassing the FY 2005 revenue of \$167 million by \$52 million, or 31 percent. During the first 6 months of FY 2007, the passport program generated \$174 million in revenue.

³ Public Law 108-458, Dec. 17, 2004.

⁴ On June 8, 2007, because of longer than expected processing times for passport applications in the face of heavy demand, the Department of State announced that U.S. citizens traveling to Canada, Mexico, Bermuda, or countries in the Caribbean region who have applied for, but not yet received, passports can reenter the U.S. by air by presenting a government-issued photo identification and Department of State proof of application for a passport. This change is effective through September 30, 2007.

Postal Service Headquarters submits a quarterly list of facilities interested in accepting passport applications to the Department of State for approval. Approval depends on several factors, such as the ability to accept applications during the core hours of 10 a.m. to 3 p.m., and office proximity, as the Department of State requires facilities to be a minimum of 10 miles apart.⁵ Postal Service facilities must be approved before they can accept passport applications. Once a facility is approved to accept applications, the sales and service associates accepting passport applications must complete an online or classroom training course sponsored by the Department of State. There are no costs or fees for becoming a passport acceptance office, or for the training. The manager of an approved facility must also update passport information in the Postal Service’s FDB and with the Department of State, as needed.

The table below lists passport application fees:

Passport Application Fees

| Fees | Amount | Paid to: |
|--|---------------|-----------------|
| Acceptance Fee | \$30.00 | Postal Service |
| Passport Fee DS-11 – age 16 and over | \$67.00 | Dept. of State |
| Passport Fee DS-11 – under age 16 | \$52.00 | Dept. of State |
| Expedited Processing Service* | \$60.00 | Dept. of State |
| Postal Service Express Mail® service from passport agency to customer* | \$16.25 | Dept. of State |
| Postal Service Express Mail service to lockbox address* | \$16.25 | Postal Service |
| Postal Service photo fee* | \$15.00 | Postal Service |

*Optional services

Based on the table, a typical adult customer pays \$112, of which \$45 is paid to the Postal Service for photo and acceptance fees, mailing the application to the Department of State, and mailing from the Department of State to the customer. The Postal Service collects the remaining \$67 for

⁵ The only exception to the 10-mile rule is for facilities located in heavily populated areas.

the passport fee on behalf of the Department of State at the time of application and mails it with the customer’s application. Customers may pay passport fees to the Postal Service and the Department of State by cash,⁶ check,⁷ or money order.⁸ Customers may also use debit or credit cards to pay Postal Service fees, but cannot use debit or credit cards to pay the Department of State.

To provide information on post office passport facilities to customers, the Postal Service’s website, USPS.com, uses a free electronic application template provided by a strategic alliance partner. When customers click on a locator page on USPS.com, they are redirected to the partner’s website, which maintains the look and feel of USPS.com. The template is provided free to the Postal Service in exchange for allowing the partner to provide links to other web pages, and the partner receives revenue for click-through traffic from advertisers on the other web pages. The alliance with the partner is renewed and website changes are negotiated annually.

| | |
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| Objective, Scope, and Methodology | See Appendix A. |
| <hr/> | |
| Prior Audit Coverage | We did not identify any prior audits or reviews related to the objective of this audit. |

⁶ The Postal Service accepts cash for purchase of a postal money order made payable to the Department of State.
⁷ Checks include personal, business, cashier’s and traveler’s checks, and U.S. Treasury checks.
⁸ Money orders include postal and non-postal.

AUDIT RESULTS

The Postal Service generally conveys accurate passport application locations and appointment information to the public. However, management can improve the accuracy of this information housed in the FDB and provided to customers via the contact center and on USPS.com.

Some Customers Receive Inaccurate Passport Information

The FDB contains some inaccurate information about locations and hours that passport applications can be accepted. Inadequate controls and the absence of a reconciliation between the Department of State and FDB databases cause inaccuracies in the FDB regarding what facilities accept passport applications. If the FDB does not contain accurate, reliable data, the information provided to Postal Service customers through USPS.com and the contact center is inaccurate.

One of the *Strategic Transformation Plan's* strategies is "improving customer service across all contact points." The *Strategic Transformation Plan* also states:

...customers expect accurate, consistent information regardless of whether they come to a post office, contact the Postal Service by phone or the Internet, or ask their carrier about a product or service.

When we compared Department of State lists of post offices accepting passport applications to FDB lists, we identified approximately 350 discrepancies. The Department of State listed approximately 5,250 Postal Service locations that accept passport applications on its behalf, while the FDB listed approximately 5,600 Postal Service facilities. We conducted a detailed reconciliation of these lists and identified 911 exceptions,⁹ 303 from the Department of State and 608 from the FDB. We shared the results of our analysis with Postal Service management, and they conducted their own reconciliation, with similar results.

In April 2006, the Postal Service established an annual validation program for the FDB requiring facility managers to

⁹ We considered exceptions to be facility location information such as facility name, city, or street address, found in one database but not the other.

certify that they have validated the information about their facilities. However, passport information in the FDB remains inaccurate. Postal Service passport program managers are working to correct the inaccurate passport program facility information.

The Department of State and the FDB databases are not reconciled to validate the accuracy of information on each Postal Service facility approved to accept passport applications. Additionally, managers of Postal Service facilities can input and update passport data in the FDB, even though their facility may not be approved by the Department of State to accept passport applications. Postal Service management acknowledged that the databases had not been reconciled and are working on developing controls to address this issue.

Once a Postal Service facility is approved to accept passport applications, managers must not only update the information in the FDB, but must also provide the designated Department of State passport agency¹⁰ with facility information used to update the Department of State database and website. Overlooking either location can lead to inaccurate information in one or both databases. Management suggested one possible solution would be an electronic feed of passport acceptance location data from the FDB to the Department of State, eliminating the need for facility managers to keep two databases current and accurate.

The FDB feeds information to other Postal Service systems such as USPS.com and the contact center. Inaccurate data in the FDB will lead to Postal Service customers receiving inaccurate information through USPS.com and the contact center. Customers receiving inaccurate information about passport acceptance facilities may experience delays and frustrations attempting to apply for a passport at a facility that does not accept applications. Thus, customers may take their passport business to other locations, such as public libraries or courthouses,¹¹ which could result in a loss of revenue and a negative impact on the Postal Service brand.

¹⁰ The Department of State has 14 passport agencies throughout the U.S. Each passport agency serves a specific region of the country and offers customer service to customers and passport acceptance agents.

¹¹ The Postal Service competes with public libraries and courthouses for passport application business.

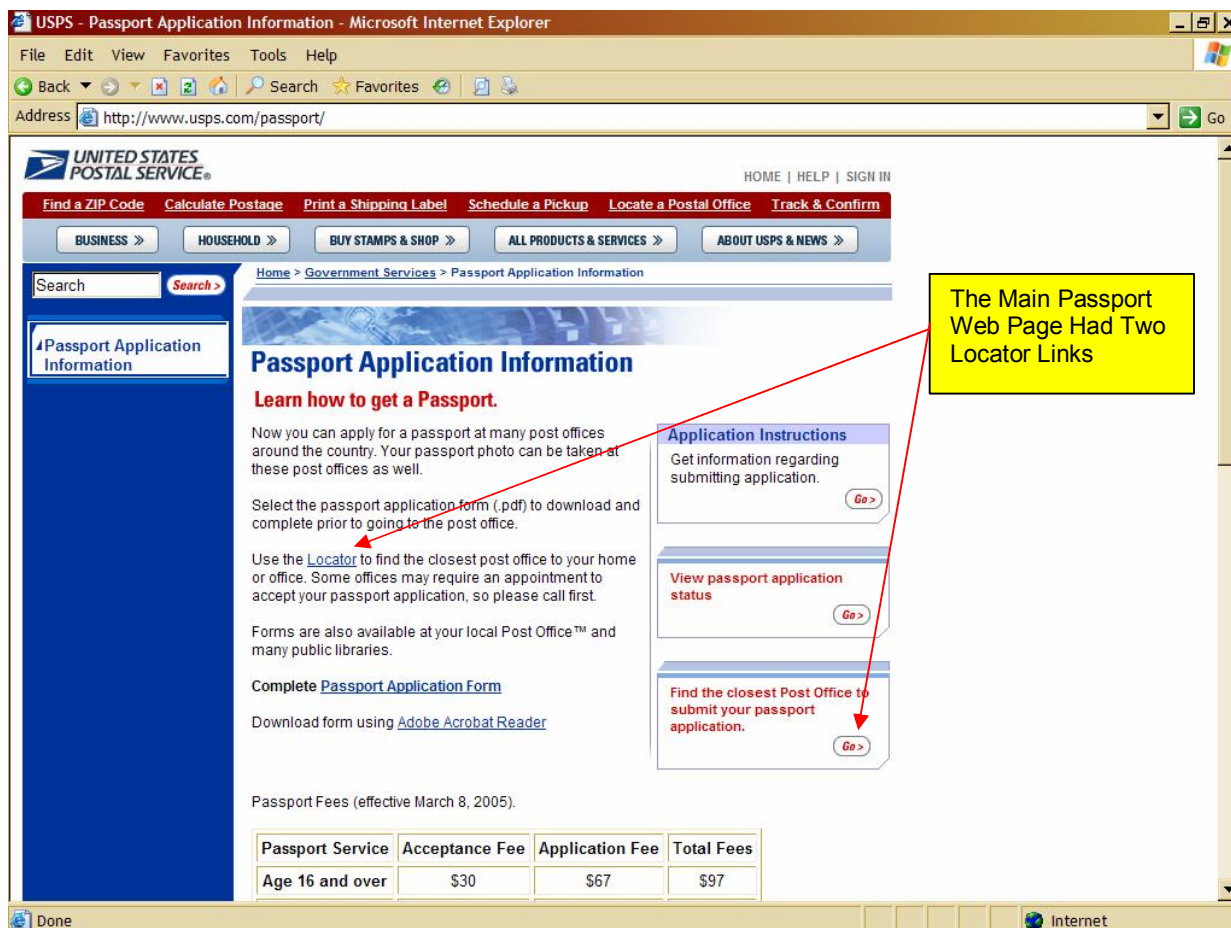
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| Recommendations | <p>We recommend the Vice President, Customer Service, and the Manager, Retail Marketing, coordinate with the Vice President, Delivery and Retail, and the Manager, Customer Service Support, to:</p> <ol style="list-style-type: none">1. Work with Department of State management to develop a reconciliation process to ensure that both the Postal Service's Facilities Database and the Department of State's database contain identical passport acceptance facilities information.2. Establish controls in the Postal Service's Facilities Database to ensure that facility managers can list their facility as passport acceptance facilities only after the Department of State approves the facility to accept passport applications. |
| Management's Comments | <p>Management agreed with our recommendations. The Retail Marketing group has established a reconciliation process between the Postal Service and the Department of State using the Department of State Certificate of Program Compliance documents. The Retail Marketing group has also established a control in the FDB requiring a Postal Service facility to enter a Department of State facility identification number into the FDB before it can enter passport-related information into the system. Management will fully implement this control by the end of FY 2007.</p> |
| Evaluation of Management's Comments | <p>Management's comments are responsive to the recommendations and their actions taken or planned should correct the issues identified in the finding.</p> |

| | |
|--|--|
| Passport Appointment and Location Information on USPS.com Needs Improvement | USPS.com does not provide specific appointment information on passport application acceptance. Additionally, the post office locator links on the passport main page on USPS.com may have misled customers. |
| Locator Template Does Not Include Specific Appointment Information | <p>The <i>Strategic Transformation Plan 2006-2010</i> states that the Postal Service will enhance access and ease of use of its products and services. However, the USPS.com locator template does not specifically list the post offices that require appointments for passport application acceptance, even though this information is available in the FDB. As a result, customers may make unnecessary calls or visits to their local post office to determine whether an appointment is necessary. In addition to inconveniencing customers, this ties up employee time answering calls.</p> <p>The Department of State website clearly tells users whether an appointment is needed at Postal Service facilities, but USPS.com does not. Instead, the Postal Service has a special message directing customers to call their local post offices to determine whether an appointment is needed. This message was not clearly displayed or easily accessible to customers using USPS.com and could be located only by clicking through three separate links from the passport main page. During our audit, Postal Service management moved the message to the passport main page; however, customers must still call their local post offices to determine whether an appointment is needed.</p> <p>USPS.com does not provide post office specific appointment information because the USPS.com locator template, managed by a Postal Service partner, does not currently allow for this information on the site. According to management, the partner has been reluctant to make changes to the template because it is standardized and is used by businesses other than the Postal Service. Thus, management believes the template cannot be significantly altered for the Postal Service and still be provided free of charge. Further, the Postal Service has not considered other avenues, such as using a new partner or contractor or performing the work in-house, to provide locator information on USPS.com.</p> |

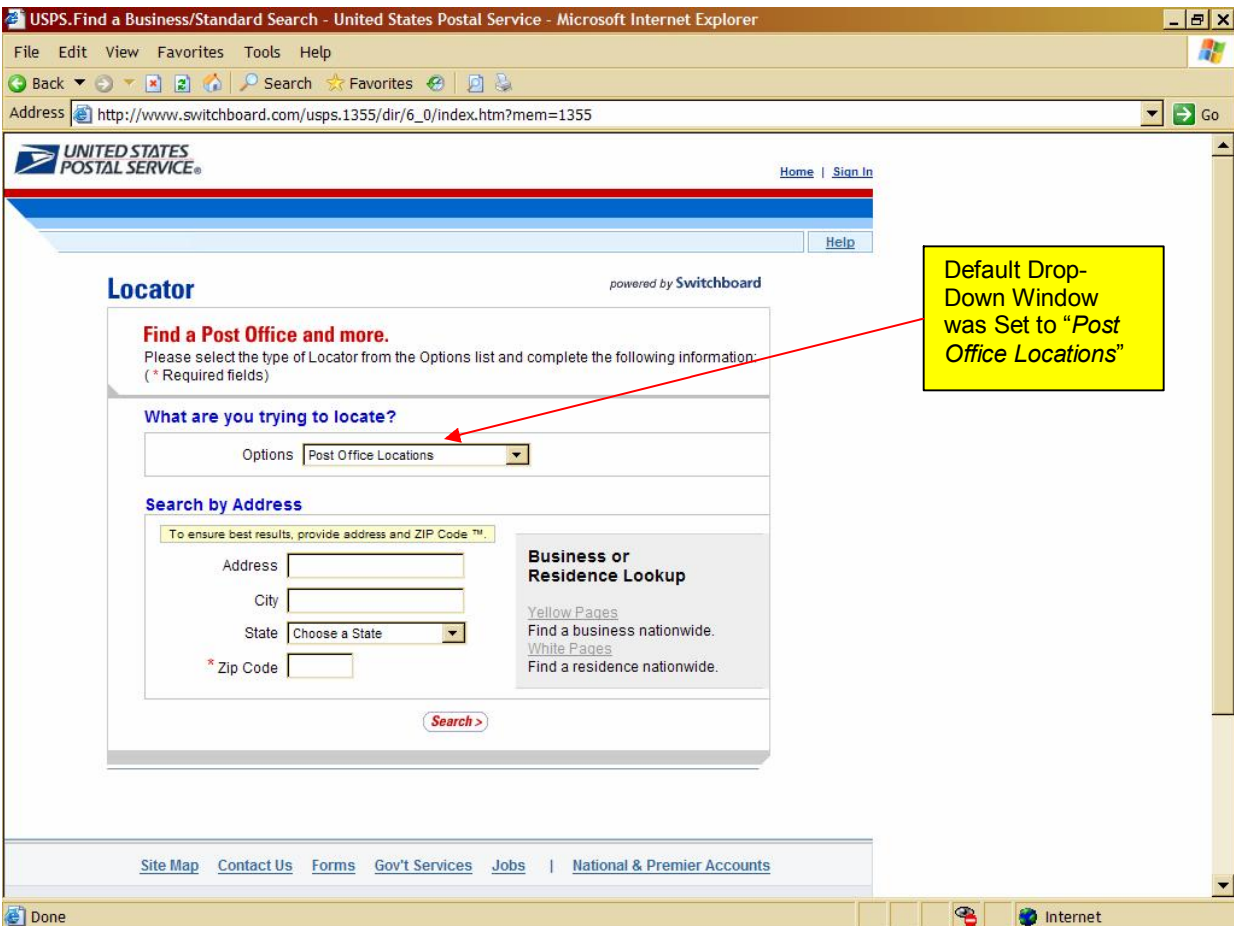
Post Office Locator Links May Have Misled Customers

The USPS.com passport main page had two post office locator links that may have misled customers. These two locator links may have led customers to the wrong facility, at the wrong time, or without a required appointment. During our audit, management agreed that customers may have been misled by the locator links and took actions to correct the deficiencies we identified.

On the passport main page, customers could choose between two links (shown below) to locate the closest post office that accepts passport applications.

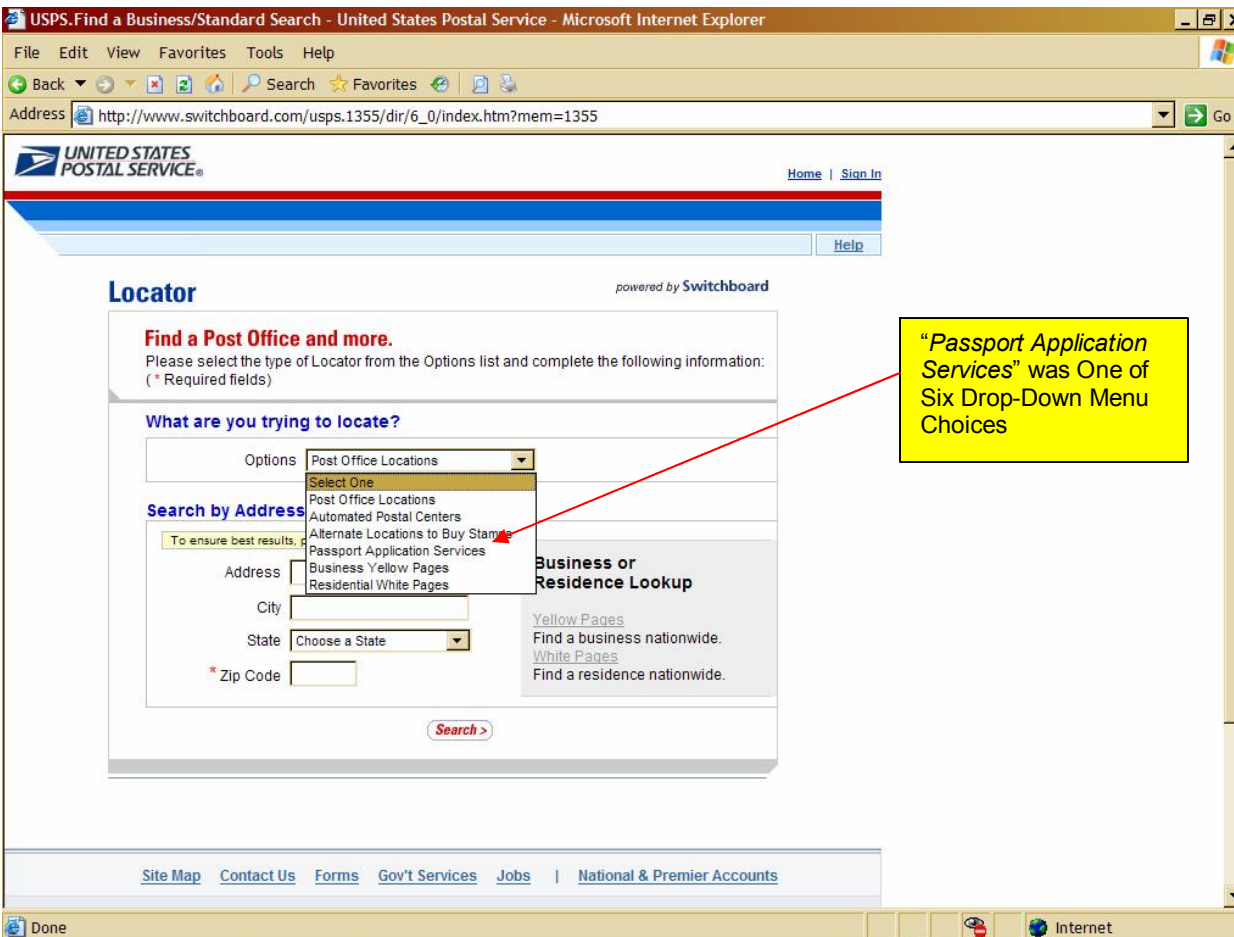


These links took customers to a locator page with a drop-down menu that defaulted to the "Post Office Locations" choice (shown below).



Customers could assume these links took them to information about whether their local post office accepted passport applications and the hours of operation for accepting and processing applications. However, the “Post Office Locations” default provided only post office general information such as regular hours of operation; passport information was not available to customers.

To find passport information, customers had to select the “Passport Application Services” link (shown below) from among six drop-down menu choices. Customers making this choice were directed to a post office locator page that contained passport information.



Inadvertently misleading customers as they used the locator links to obtain appointment and other general information about the passport process could have caused customers to arrive at post offices during non-passport application acceptance times or without having a required appointment, or to go to post offices that do not accept passport applications. As a result, customers may have experienced delays and frustrations and taken their business elsewhere. The Postal Service loses revenue when customers choose other options for submitting passport applications, and the Postal Service brand is harmed if customers have a negative experience with the Postal Service.

| | |
|--|---|
| Corrective Actions Implemented | <p>The links to the locator page found on the USPS.com passport page had not been changed to default to “Passport Application Services” in the drop-down window because management initially did not believe that it posed a problem for customers. During our audit, management agreed that customers may find it confusing for the links to default to the incorrect choice in the drop-down window, and agreed to make corrections. Management changed both locator links on the main passport page to default to “Passport Application Services,” allowing customers to obtain passport information through the correct post office locator link. The changes made by management in the two locator links on the main passport page on USPS.com address our concern; therefore, we are not making a recommendation on this issue.</p> |
| Recommendation | <p>We recommend the Vice President, Product Development, direct the Manager, USPS.com, to:</p> <ol style="list-style-type: none">3. Change USPS.com to include information on whether appointments are needed to apply for passports at specific post offices, by negotiating with the strategic alliance partner to change the web template application, finding a new partner or contractor, or performing the work in-house. |
| Management’s Comments | <p>Management agreed with our recommendation to change the web template application. The manager, USPS.com, is working with the Postal Service’s strategic alliance partner to include information on USPS.com on whether customers need appointments to apply for passports at specific post offices. The target completion date is February 2008. The Postal Service is also working on an initiative to bring the post office locator function in-house.</p> |
| Evaluation of Management’s Comments | <p>Management’s comments are responsive to the recommendation and their actions taken or planned should correct the issues identified in the finding.</p> |

APPENDIX A. OBJECTIVE, SCOPE, AND METHODOLOGY

We determined whether the Postal Service accurately conveys passport application locations and appointment information to the public.

To accomplish our objective, we used passport application volume and revenue data from FY 2005 to March 2007 and used Postal Service's projections of passport application volume through 2007 and Department of State's projections through 2008. We reviewed applicable laws and standard operating procedures for the passport program.

We reviewed passport data in the FDB, and we reconciled the FDB's data on passport application acceptance locations with the Department of State list of the Postal Service's passport application acceptance facilities. We reviewed information on passport application acceptance locations and appointments provided to customers via USPS.com. We also reviewed passport-related training material and scripted answers that the Postal Service provides to its contact center agents, who routinely answer customers' questions about passports.

We reviewed controls over the passport program and the FDB. We interviewed Postal Service management responsible for the FDB, the passport program, USPS.com, and the contact center.

We inquired if the Postal Service conducted or commissioned any studies regarding passport issues. Finally, we reviewed U.S. Postal Service Office of Inspector General hotline complaints, as well as complaints to the contact center and Postal Service consumer affairs on passport issues.

We conducted this performance audit from March through September 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management officials on July 17, 2007, and included their comments where appropriate. We used computer-generated data from the Department of State and the Postal Service's FDB to assess whether the FDB has inaccuracies and breakdowns in internal controls over passport facility data.

APPENDIX B. MANAGEMENT'S COMMENTS

SUSAN M. PLONKEY
VICE PRESIDENT, CUSTOMER SERVICE



September 24, 2007

KIM H. STROUD
DIRECTOR, AUDIT REPORTING

SUBJECT: Transmittal of Draft Audit Report – Postal Service Passport Program
(Report Number MS-AR-07-DRAFT)

The offices of Customer Service, Retail Marketing, Product Development, USPS.com, Delivery and Retail, and Customer Service Support reviewed the above subject draft audit report and have provided the following responses and comments:

OIG Recommendation (reference page 2):

“Once a facility is approved to accept applications, the sales and service associates accepting passport applications must complete an online or classroom training course sponsored by the Department of State.”

Response/Comment (from Retail Marketing):

The Admin Support Manual has been changed on September 14, 2007, to read:
“Once a facility is approved to accept applications, the postal employee designated by Management to accept passport applications must complete an online or classroom training course sponsored by the Department of State.”

OIG Recommendation (reference page 6):

We recommend the Vice President, Customer Service, and the Manager, Retail Marketing, coordinate with the Vice President, Delivery and Retail, and the Manager, Customer Service Support, to:

1. Work with Department of State management to develop a reconciliation process to ensure that both the Postal Service's Facilities Database (FDB) and the Department of State's database contain identical passport acceptance facilities information.

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260-5657
202-268-8800
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WWW.USPS.COM

- 2 -

Response/Comment (from Retail Marketing/Delivery and Retail):

Retail Marketing has been verifying the Department of State Certification of Program Compliance documents (approximately 5,400 authorized postal passport facilities), comparing the information to USPS FDB and Retail Marketing master list. Once the Department of State Certification of Program Compliance document is verified, it is then forwarded to Regional Passport Agency to update their records.

Attached is a copy of the Department of State Certification of Program Compliance.

OIG Recommendation (reference page 6):

2. Establish controls in the Postal Service's Facilities Database to ensure that facility managers can list their facility as passport acceptance only after the Department of State approves the facility to accept passport applications.

Response/Comment (from Retail Marketing/Delivery and Retail):

The Retail Marketing Passport Program manager has established business rules in Facilities Database (FDB) to prohibit local post offices from entering Passport Program information until it is authorized as a Passport Acceptance Facility.

An administrative function has been created for the Retail Marketing Passport Program Manager to input the Department of State assigned Facility Identification Number (FIN). Once the FIN number has been entered, the associated Post Office facility will be allowed to populate the applicable Passport information fields within FDB.

Target Completion Date: End of FY 2007.

Note: Business Requirements Document Passport Services, September 11, 2007, version is attached.

OIG Recommendation (reference page 11):

3. Change USPS.com to include information on whether appointments are needed to apply for passports at specific post offices, by negotiating with the strategic alliance partner to change the web template applications, finding a new partner or contractor, or performing the work in-house.

- 3 -

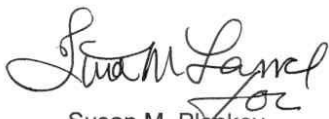
Response/Comment (from USPS.com):

USPS.com has had conversations with our current strategic alliance partner (Infospace) regarding their ability to add passport application appointment information. USPS.com is working to add this information under the current Passport Processing & Photo Hour columns. USPS.com will add copy informing the customer when a passport application appointment is needed for each Post Office.

Target Completion Date: February 2008

USPS.com will complete documenting business requirements for the PO Locator application in October 2007. We will work to obtain cost estimates to evaluate the possibility of developing the new application in house.

Target Completion Date: TBD



Susan M. Plonkey

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