

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2022

Docket No. ACR2022

CHAIRMAN'S INFORMATION REQUEST NO. 10  
AND NOTICE OF FILING UNDER SEAL

(Issued February 3, 2023)

To clarify the basis of the Postal Service's FY 2022 *Annual Compliance Report* (ACR), filed December 29, 2022,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than February 10, 2023.

**Competitive International Mail**

1. Please refer to the discussion on the Inbound and Outbound Money Order components of International Money Transfer Service (IMTS) in the ACR. FY 2022 ACR at 95-96. The Postal Service states that as it "described in its response to a Commission request in the ACR2019 docket, the Postal Service has obtained a delegation of authority under the Circular 175 process from the Department of State to terminate agreements that comprise the IMTS-Inbound product."<sup>2</sup> The Postal Service further states that it "has taken steps towards terminating agreements with thirteen foreign postal operators as set forth in

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<sup>1</sup> United States Postal Service FY 2022 *Annual Compliance Report*, December 29, 2022 (FY 2022 ACR).

<sup>2</sup> FY 2022 ACR at 96 (citing Docket No. ACR2019, Third Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2019 Annual Compliance Determination, July 23, 2020, question 2).

notices in the *Postal Bulletin* published on August 11, 2022, and November 17, 2022.”<sup>3</sup>

Given that the Postal Service has obtained a delegation of authority to terminate agreements that comprise the IMTS-Inbound product, please confirm whether *all* agreements (absent the thirteen agreements already terminated) that comprise the IMTS-Inbound product have been terminated.<sup>4</sup>

- a. If confirmed, please cite the relevant *Postal Bulletin(s)* and/or IMM indicating such termination.
  - b. If not confirmed, please list *all* agreements.
2. Please refer to the United States Postal Service, Office of Inspector General (OIG), Audit Report, Report No. 20-208-R21, Uncompensated and Undercompensated Services, April 5, 2021 (OIG Report),<sup>5</sup> which states that the Postal Service is required by treaties to provide postal services to three countries known as the Freely Associated States (FAS)—the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia. OIG Report at 4. The OIG Report states that the rates do not fully cover the cost of service, and the Postal Service relies on the U.S. Department of Interior to request reimbursement from Congress. *Id.* at 4-5. The OIG Report further states

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<sup>3</sup> FY 2022 ACR at 96-97 (citing IMM Revision: Termination of International Postal Money Order Service, Postal Bulletin 22604, August 11, 2022, at 4 (terminating 12 agreements on October 1, 2022); IMM Revision: Termination of International Postal Money Order Service for Trinidad and Tobago, Postal Bulletin 22611, November 17, 2022, at 8 (terminating the agreement with Trinidad and Tobago on January 1, 2023)).

<sup>4</sup> The Commission notes that International Mail Manual (IMM) currently lists only Belize and Peru as countries that issue IMTS-Inbound product to the U.S. IMM Revision: Termination of International Postal Money Order Service for Trinidad and Tobago, Postal Bulletin 22611, November 17, 2022, at 8. Nevertheless, the Commission requests that the Postal Service confirm whether *all* agreements (absent the thirteen already terminated) that comprise the IMTS-Inbound product have been terminated.

<sup>5</sup> Available at <https://www.uspsoidg.gov/sites/default/files/reports/2023-01/20-208-R21.pdf> (last visited January 31, 2023).

that reimbursement from Congress does not fully cover the difference between the cost of service and the rates charged, leaving the Postal Service with a cumulated shortfall of about \$47.8 million from 2015 to 2019. *Id.* at 5. As a result, the OIG recommends that “the Vice President, Government Relations and Public Policy, in coordination with the General Counsel and Executive Vice President, explore strategies for receiving amounts owed or appropriated for government services and providing the Postal Service reimbursement for these services going forward.” *Id.* at 9. The Postal Service management partially agrees with this recommendation, and states that it is “pursuing strategies to ensure that it is reimbursed for costs incurred in providing services to the FAS” and targets updating the OIG on their efforts by December 31, 2021. *Id.* Appendix B at 3. Please explain the current status of the Postal Service’s strategies to ensure cost reimbursement for services provided to FAS. In the response, please identify and describe any outcomes achieved to date as well as any planned strategies and planned outcomes (and the applicable planned timeframe for achievement).

3. Please refer to Compact of Free Association Amendments Act of 2003, Pub. L. No. 108-188, 117 Stat. 2720, Subsidiary Agreements – Compilation for the FSM, Appendix I, Federal Programs and Services Agreement, Article VI. Postal Services and Related Programs, Paragraphs 14 and 15.<sup>6</sup> Paragraph 14 states that the Postal Service may provide “technical assistance (including technical assistance to provide any employee training)” to the FAS.<sup>7</sup> It also states that this technical assistance would not require compensation from the FAS, provided that

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<sup>6</sup> Available at <http://uscompact.org/files/FSM%20Publications/Compact%20Documents/Compact%20Subsidiary%20Agreements.pdf> (last visited February 3, 2023).

<sup>7</sup> Although the cited agreement is with the Federated States of Micronesia, the Commission understands that the agreements with the Republic of Palau and the Republic of the Marshall Islands are similar in these aspects.

the Postal Service is reimbursed the costs of such technical assistance by  
Please provide a table that shows the following:

- a. A description of each reimbursable service that the Postal Service provided to the FAS from FY2018 to FY2022, including each and every form of technical assistance (e.g., investigative services, employee training);
  - b. For each fiscal year, the actual or estimated cost to the Postal Service of providing such service (with an explanation of whether the figure is actual or an estimate and the basis for any estimation);
  - c. The amount of any Congressional appropriation to support each service in a given fiscal year; and
  - d. The amount of any reimbursement from the relevant FAS for the service in a given fiscal year.
  - e. If any such information cannot be provided, please explain.
4. Please see Attachment, filed under seal.
  5. Please see Attachment, filed under seal.
  6. Please see Attachment, filed under seal.

### **Interagency Agreements**

7. In connection with their assessment of the accounting treatment and selected technology support associated with the distribution of COVID-19 test kits to the public, the OIG "recommend[ed] the Chief Financial Officer and Executive Vice President direct the Vice President, Controller to strengthen final reconciliation processes for all costs and revenue associated with COVID-19 test kit distribution to ensure accuracy of accounting and reimbursement or payment to

the Department of Health and Human Services.”<sup>8</sup> Agreeing with that recommendation, the Postal Service’s management responded that it “will develop key reconciliation procedures for each reimbursable cost category and will adhere to those steps in performing the final reconciliation,” and management provided a target date for implementing this recommendation by January 31, 2023. *Id.* Appendix B at 1-2. Please explain the current status of the Postal Service’s efforts to implement this recommendation. In the response, please identify and describe any outcomes achieved to date as well as any planned outcomes (and the applicable planned timeframe for achievement).

8. In the FY 2022 ACR the Postal Service states that:

Under new chapter 37 of title 39 added by the Postal Service Reform Act in the spring of 2022, the Postal Service is to submit annual financial information on property or nonpostal services provided pursuant to agreements with other governmental agencies. Similar to information on Competitive nonpostal services discussed immediately above, this information is provided in the preface to USPS-FY22-NP27.

FY 2022 ACR at 102. The application for non-public treatment with respect to Library Reference USPS-FY22-NP27, December 29, 2022, states the need to protect material from disclosure because it contains “cost information at the product level, including disaggregated information for Competitive products.” FY 2022 ACR, Attachment 2 at 5. Additionally, the Postal Service identifies four third parties or categories of third parties that have a proprietary interest in Library Reference USPS-FY22-NP27. FY 2022 ACR, Appendix 1-2 to Attachment 2. The following subparts refer to the information provided on page 5 of Library Reference USPS-FY22-NP27, file “USPS\_FY22\_NP27\_Preface.pdf.”

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<sup>8</sup> United States Postal Service Office of Inspector General, COVID-19 Test Kit Distribution, Report No. 22-076-R22, September 28, 2022, at 5, available at <https://www.uspsoig.gov/sites/default/files/reports/2023-01/22-076-R22.pdf>.

- a. Does the Postal Service object to filing the information provided on page 5 of Library Reference USPS-FY22-NP27, file “USPS\_FY22\_NP27\_Preface.pdf” publicly? If not, please file the information in the response.
- b. If the Postal Service objects to filing any of the information provided on page 5 of Library Reference USPS-FY22-NP27, file “USPS\_FY22\_NP27\_Preface.pdf” publicly, please explain the basis for the objection and address each of the following subparts in the response.
  - i. Any objection should identify the specific statutory basis for the objection, justify the application of the statute to the information at issue, and explain the nature and extent of the commercial harm alleged to result from disclosure and the likelihood of such harm occurring. See 39 C.F.R. §§ 3011.201(b)(1), (4).
  - ii. The Postal Service should also specify if the objection applies to all or a particular part of the referenced information. If the Postal Service objects to filing particular parts of the information provided on page 5 of Library Reference USPS-FY22-NP27, file “USPS\_FY22\_NP27\_Preface.pdf” publicly (rather than all of that information), please file a redacted (public) version of the material that redacts only the information that is claimed to be non-public, consistent with 39 C.F.R. § 3011.202(a).
  - iii. If the Postal Service’s objection is based on the contention that any of the information provided on page 5 of Library Reference USPS-FY22-NP27, file “USPS\_FY22\_NP27\_Preface.pdf” contains “cost information at the product level, including disaggregated information for Competitive products,” please specify which

particular parts of the information to which this objection applies and explain that position fully.

- iv. If the Postal Service's objection is based on the contention that any of the information provided on page 5 of Library Reference USPS-FY22-NP27, file "USPS\_FY22\_NP27\_Preface.pdf" contains proprietary information of third parties, please specify which particular parts of the information to which this objection applies and explain that position fully.

9. In response to Chairman's Information Request (CHIR) CHIR No. 5,<sup>9</sup> the Postal Service provided copies of specific interagency agreements that were in effect during Fiscal Year (FY) 2022, as well as a summary Excel file providing high-level information with respect to those agreements and information pertaining to costs and volumes associated with those agreements. This information was filed as part of Library Reference USPS-FY22-NP35, January 25, 2023.<sup>10</sup> In the application for nonpublic treatment with respect to Library Reference USPS-FY22-NP35, the Postal Service states that "[t]he IAA materials in question relate to specific IAA agreements and specific IAA counterparties, . . . [and] may be proprietary both to the Postal Service and the counterparties."<sup>11</sup> The application for nonpublic treatment also incorporates by reference the prior application for nonpublic treatment with respect to Library Reference USPS-FY22-NP27. Notice at 1. The Postal Service states that "[o]ne . . . counterparty has already been identified in [the application for nonpublic treatment with respect to Library Reference USPS-FY22-NP27] [and] [f]or the other counterparties . . . the Postal

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<sup>9</sup> Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 5, January 25, 2023, question 5-7 (Response to CHIR No. 5).

<sup>10</sup> See Library Reference USPS-FY22-NP35, folders "Q 5," "Qs 6 & 7."

<sup>11</sup> Notice of the United States Postal Service of Filing of USPS-FY22-NP35 and Application for Nonpublic Treatment, January 25, 2023, at 1 (Notice).

Service identifies a postal employee as the point of contact for IAA materials in USPS-FY22-NP35.” *Id.* at 1-2. The following subparts refer to the information provided in Library Reference USPS-FY22-NP35, folders “Q 5” and “Qs 6 & 7.”

- a. Does the Postal Service object to filing the information provided in Library Reference USPS-FY22-NP35, folders “Q 5” and “Qs 6 & 7” publicly? If not, please file the information in the response.
  
- b. If the Postal Service objects to filing any of the information provided in Library Reference USPS-FY22-NP35, folders “Q 5” and “Qs 6 & 7” publicly, please explain the basis for the objection and address each of the following subparts in the response.
  - i. Any objection should identify the specific statutory basis for the objection, justify the application of the statute to the information at issue, and explain the nature and extent of the commercial harm alleged to result from disclosure and the likelihood of such harm occurring. See 39 C.F.R. §§ 3011.201(b)(1), (4).
  
  - ii. The Postal Service should also specify if the objection applies to all or a particular part of the referenced information. If the Postal Service objects to filing particular parts of the information provided in Library Reference USPS-FY22-NP35, folders “Q 5” and “Qs 6 & 7” publicly (rather than all of that information), please file a redacted (public) version of the material that redacts only the information that is claimed to be non-public, consistent with 39 C.F.R. § 3011.202(a).
  
  - iii. If the Postal Service’s objection is based on the contention that any of the information provided in Library Reference USPS-FY22-NP35, folders “Q 5” and “Qs 6 & 7” contains “cost information at the product level, including disaggregated information for Competitive

products,” please specify which particular parts of the information to which this objection applies and explain that position fully.

- iv. If the Postal Service’s objection is based on the contention that any of the information provided in Library Reference USPS-FY22-NP35, folders “Q 5” and “Qs 6 & 7” contains proprietary information of third parties, please specify which particular parts of the information to which this objection applies and explain that position fully.

- 10. Please refer to Library Reference USPS-FY22-5, December 29, 2022, Excel file “FY22.5 RealTB.Public.Redacted.xlsm,” tab “COVID Test Kits,” which contains redacted data with respect to costs associated with “COVID-19 Test Kit Fulfillment Expenses.” The unredacted data corresponding to this tab is reflected in Library Reference USPS-FY22-NP29, December 29, 2022, Excel file “FY22.NP29 RealTB.NonPublic.xlsm,” tab “COVID Test Kits.” The following subparts refer to the information provided in Library Reference USPS-FY22-NP29, Excel file “FY22.NP29 RealTB.NonPublic.xlsm,” tab “COVID Test Kits.”
  - a. Does the Postal Service object to filing the information provided in Library Reference USPS-FY22-NP29, Excel file “FY22.NP29 RealTB.NonPublic.xlsm,” tab “COVID Test Kits” publicly? If not, please file the information in the response.
  - b. If the Postal Service objects to filing any of the information provided in Library Reference USPS-FY22-NP29, Excel file “FY22.NP29 RealTB.NonPublic.xlsm,” tab “COVID Test Kits” publicly, please explain the basis for the objection and address each of the following subparts in the response.
    - i. Any objection should identify the specific statutory basis for the objection, justify the application of the statute to the information at

issue, and explain the nature and extent of the commercial harm alleged to result from disclosure and the likelihood of such harm occurring. See 39 C.F.R. §§ 3011.201(b)(1), (4).

- ii. The Postal Service should also specify if the objection applies to all or a particular part of the referenced information. If the Postal Service objects to filing particular parts of the information provided in Library Reference USPS-FY22-NP29, Excel file “FY22.NP29 RealTB.NonPublic.xlsm,” tab “COVID Test Kits” publicly (rather than all of that information), please file a redacted (public) version of the material that redacts only the information that is claimed to be non-public, consistent with 39 C.F.R. § 3011.202(a).
11. In its response to Chairman’s Information Request No. 5, the Postal Service states “[i]n the limited time available to respond to this request, it was not possible to gather a complete set of agreement documents.” Please provide the total number of interagency agreements that were active in FY 2022 for each agreement category. For each interagency agreement, please provide the identity of the other Government agency with which the agreement was made, as well as the total revenue and total cost associated with the agreement.
12. Please refer to Library Reference USPS-FY22-NP35, folder “Qs 6 & 7,” Excel file “ChIR.5.Qs.6\_7.IAA Combined.xlsx,” tab “Short Term Rental- Training.”
  - a. Please explain the term “Direct Expense” in cell C2 and what it includes.
  - b. Please provide all underlying sources and calculations for the values in cells C3 and C4.
13. Please refer to Library Reference USPS-FY22-NP35, folder “Q 5,” subfolder “Copies of IAAs,” subfolder “Row 6 COVID Test Kit IAA,” file “HHS-ASPR Test

Distribution SOW.pdf,” section 4.A.1-14. For each of the 14 “Responsibilities of USPS” listed in section 4.A., please identify and describe the activities that incur costs to the Postal Service and specify whether the Postal Service categorized the cost components as either fulfillment or delivery cost. Please also provide the unit cost(s) for each activity.

14. Please refer to Library Reference USPS-FY22-NP35, folder “Qs 6 & 7,” Excel file “ChIR.5.Qs.6\_7.IAA Combined.xlsx,” tab “COVID.” Please also refer to Library Reference USPS-FY22-NP29, December 29, 2023, Excel file “FY22.NP29 RealTB.NonPublic.xlsx,” tab “COVID Test Kits,” wherein the Postal Service provides the sum of expenses by cost segment for COVID-19 Test Kit fulfillment. Please provide a detailed description of all underlying cost modeling and sources used to determine the costs for COVID-19 Test Kit fulfillment across all cost segments.
15. Please see Attachment, filed under seal.
16. Please see Attachment, filed under seal.
17. Please see Attachment, filed under seal.
18. Please see Attachment, filed under seal.
19. Please see Attachment, filed under seal.
20. Please see Attachment, filed under seal.
21. Please see Attachment, filed under seal.

### **Periodicals**

22. Please refer to the Postal Service’s discussion of Periodicals cost coverage. FY 2022 ACR at 40-41. The Postal Service states that “[t]he cost per piece decreased from 48.1 cents in [Docket No.] ACR2021 to 46.2 cents in [Docket No.] ACR2022.” *Id.* at 40. Please discuss the drivers behind the 4.0 percent decrease in cost-per-piece for Periodicals in FY 2022. In the response, please

discuss the impact of any prior mitigation efforts to control costs for Periodicals and provide quantitative support to the extent available. If no quantitative support is available, then please provide qualitative support.

### **Customer Access**

23. Chairman's Information Request No. 6 asked the Postal Service to provide a copy of or link to the most recent version of the Postal Operations Manual (POM).<sup>12</sup> In its response, the Postal Service provided a website link to the POM on the Postal Service's internal-only *Blue* website.<sup>13</sup> For external users, however, clicking on the website link leads to a webpage showing an error message rather than the POM.<sup>14</sup> Please provide a public copy of or working website link (that is, accessible to the general public rather than restricted to Postal Service employees) to the most recent version of the POM.
23. CHIR No. 6 asked the Postal Service about the September 8, 2022 issue of the *Postal Bulletin*, which provided a list of recently discontinued post offices via website link rather than in the *Postal Bulletin* itself. CHIR No. 6, question 9. In response, the Postal Service stated that it "currently plans to publish the list referenced in this information request in a future edition of the Postal Bulletin." Response to CHIR No. 6, question 9.

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<sup>12</sup> Chairman's Information Request No. 6 and Notice of Filing Under Seal, January 20, 2023, question 7 (CHIR No. 6).

<sup>13</sup> Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 6, January 27, 2023, question 7.a. (Response to CHIR No. 6). The link provided was: "<https://blue.usps.gov/cpim/ftp/manuals/pom/pomtc.pdf>."

<sup>14</sup> The error message states "This site can't be reached - blue.usps.gov's server IP address could not be found."

- a. Please provide an estimated date for publishing in a future edition of the *Postal Bulletin* the list of discontinued post offices referenced in the September 8, 2022 issue.
  - b. Please explain how the Postal Service plans to publish lists of discontinued post offices in future *Postal Bulletin* issues. In the response, please indicate whether the list will be printed in the *Postal Bulletin* itself or provided via website link or other method.
  - c. If the Postal Service intends to provide future lists of discontinued post offices via website link or other method, please explain why. In the response, please explain how the Postal Service determines whether to publish these lists in the *Postal Bulletin* or provide them via website link or other method, including any factors considered (e.g., costs incurred from publishing in the *Postal Bulletin*).
  - d. If the Postal Service intends to provide future lists of discontinued post offices via website link or other method, please indicate if the Postal Service plans to amend 39 C.F.R. § 241.3(g)(2) accordingly. If it does not plan to amend 39 C.F.R. § 241.3(g)(2), please explain why.
24. Please provide a public copy of or working website link (that is, accessible to the general public rather than restricted to Postal Service employees) to the most recent version of Handbook PO-101, *Postal Service-Operated Retail Facilities Discontinuance Guide*.
25. In the FY 2022 ACR, the Postal Service describes a three-pronged approach “[f]or the resolution of all remaining suspended Post Offices ....” FY 2022 ACR at 89.
- a. Please describe in detail how the Postal Service plans to resolve the post offices suspended after the end of FY 2016.

- b. Please provide a timeline for resolving all remaining suspended Post Offices, including the 79 post offices that were suspended at the end of FY 2016.<sup>15</sup> If a timeline is not available, please explain why and when the Postal Service will determine a timeline for resolving all remaining suspended post offices.

By the Chairman.

Michael Kubayanda

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<sup>15</sup> See FY 2022 ACR at 89; Docket No. ACR2021, *Annual Compliance Determination*, March 29, 2021, 211.