

## **USPS-LR-I-380**

### **Redacted Inspection Service and Inspector General Audit Reports Provided in Response to Interrogatory DBP/USPS-130**

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UNITED STATES POSTAL INSPECTION SERVICE

NEWARK DIVISION

February 18, 1999

[REDACTED]  
District Manager

SUBJECT: Registered Mail Procedures - [REDACTED]

Attached is a final report regarding our self-initiated review of Registered Mail Handling Procedures in the [REDACTED]. Recommendations and management's responses are incorporated. Site reports, a matrix of deficiencies found, and a self-compliance checklist were furnished in the draft report, and are not contained in this report.

The purpose of our review was to determine if the new registered mail handling procedures, implemented nationwide in 1997 were being followed by the [REDACTED]. These changes were designed to provide increased security and individual accountability to registered mail and reflect changes in mail processing, mail transport equipment, and banking procedures.

During our review we visited all 4 plants in the district, and 10 Associate Offices throughout the district providing a sampling of large and small offices. We found the need for improvement to increase the security of registered mail. This would be accomplished by using secure containers, documenting the transfer of accountability, and incorporating better physical security.

If you have any questions, please call me at (732)-819-4368 or Inspector Aponte at (732)-819-3252.

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Postal Inspector

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## PLATFORM SECURITY - PLANTS

### Finding

Security and individual accountability over registered items while on the platform at Processing and Distribution Centers can be improved. The new registry procedures require use of secure containers for registered items while on the platform, as well as a system to maintain individual accountability over registered articles at all times.

### Security

Three of the 4 plants we reviewed did not use secure containers for inbound registered pouches on the loading dock. We found these offices using postcons or hampers to store registered items on the platform awaiting transfer to the registry unit. We also observed clerks leaving these open containers unattended for up to ½ hour. Secure containers were designed and placed into use for the sole purpose of providing added security and accountability to registered mail. Failure to use them makes high-value items more vulnerable to loss. The basic feeling at the plants was that the containers were a nuisance to use, or, that postcons were secure enough as long as the clerk was standing nearby.

### Accountability

At 2 of the 4 plants, we found a lack of accountability regarding the transfer of registered articles from the clerk receiving the article on the platform and the clerk or mailhandler transporting the registered articles to the registry cage. At these 2 offices, one clerk would receive the pouches from the HCR or MVS driver and place them in a container. A second employee would take this container of registered items and move it to the registry cage without any documented transfer of accountability from the receiving clerk to the transfer clerk. Individual accountability, a primary tenet of registered mail, was completely lacking during this time period.

### Recommendation

We recommended the Senior Plant Manager, ~~CONFIDENTIAL~~, ensure all plants:

1. Use secure registered mail containers on the platforms as required in Handbook DM-901, Registered Mail Handbook, Section 612.1.
2. Maintain individual accountability over registered items at all times through documented transfer of accountability as required by Sections 333.1 and 721.21 of Handbook DM-901.

## **Management's Response**

Management stated all plants have obtained and reviewed a copy of DM-901. Registry Supervisors of Distribution and Operations have been assigned on each tour at each plant to ensure compliance with the DM-901. Management also stated:

- Secure containers are being used on the platform as required in Section 612.1 of DM-901.
- Individual accountability is maintained over registered items at all times through documented transfer of accountability as required in Sections 333.1 and 721.21 of DM-901.

The District will monitor compliance through use of a self-compliance review recommended in our finding "Self-Assessment Compliance Checklist."

## REGISTERED MAIL VIA HIGHWAY CONTRACT ROUTE

### Finding

Not all offices were requiring Highway Contract Route (HCR) drivers sign Form 3854, Registry Dispatch Form, accepting accountability for the registered mail they were transporting. We also found plants and Associate Offices were not always using the "Nil-Bill" system to aid in timely detection of lost registry pouches.

### Form 3854

A primary component of the new registered mail handling procedures is establishing additional accountability for HCR drivers transporting registered mail. Under the new guidelines, drivers transporting registered items are required to sign the registered dispatch bill accepting accountability for the mail. When the registered items are delivered to the plant, the driver is relieved of accountability when the accepting clerk signs the dispatch bill. We found 3 Associate Offices reviewed were not requiring HCR drivers to sign Form 3854 accepting accountability for registered mail. One postmaster advised the HCR driver refused to sign for the pouch and the postmaster never pursued the issue. It appeared the other offices were unaware of the new instructions.

### Nil-Bill System

Under the Nil-Bill system, Associate Offices are required to send registered pouches to the plant even if there is no outgoing registered mail. There will be a pouch accounted for from every office. The purpose of the system is to aid in timely detection of a missing registry pouch so the Inspection Service can be notified and begin investigating immediately. We found 3 Associate Offices did not use the Nil-Bill system, and 3 plants did not maintain an Associate Office check-off sheet on the platform, rendering the Nil-Bill system meaningless. In all cases they were unaware of the necessity.

### Recommendation

We recommended the District Manager, [REDACTED] issue instructions to all Associate Offices requiring the use of Forms 3854 for HCR drivers transporting registered mail. We also recommended the District Manager require all offices comply with the Nil-Bill procedures as specified in Sections 423, 432, 564, and 721.1 of DM-901.

We recommended the Senior Plant Manager, [REDACTED] require all plants comply with the Nil-Bill system by using the [REDACTED]

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Associate Office check-off sheet. We also recommended plants identify those delivery units not using Forms 3854 as required and notify the ~~Plant Manager~~ ~~Plant Manager~~ plant managers for follow-up attention.

#### **Management's Response**

Management stated all offices will utilize Forms 3854 for HCR drivers transporting registered mail as required in Sections 431 and 432 of DM-901. Additionally, all offices will implement the Nil-Bill procedures as specified in Section 564 of DM-901.

The District will monitor compliance through use of a self-compliance review recommended in our finding "Self-Assessment Compliance Checklist."

## SECURITY OF REGISTERED MAIL - ASSOCIATE OFFICES

### **Finding**

Our observations of registered mail handling at delivery units disclosed numerous security and accountability deficiencies. These deficiencies occurred due to a lack of *management oversight and knowledge of requirements*.

### **Physical Security**

During our reviews, we found the following problems involving physical security of registered mail:

- Keys to rotary locks, registry cages, vestibule security containers not always secured.
- Combinations to vaults and security containers not changed as required.
- Sign-in sheet for registry cage not always used as required.
- Registered articles at times left unsecured while awaiting dispatch or upon arrival from plant.

### **Accountability**

The most widespread problem we found relating to individual accountability involved registered articles accepted over the window. At 6 offices, these articles were put in a common drawer, accessible to all window clerks, or any other employee near the screenline. We also found registered pouches arriving at the main office from stations or branches were not always listed on dispatch bills so accountability could be properly transferred from the station to the main office.

### **Recommendation**

We recommended the District Manager, [REDACTED], reinforce the need for all offices to provide proper security to registered articles. Specific emphasis should be given to security of keys allowing access to registered mail, proper changing of combinations, and physical security of registered mail arriving from plants or awaiting dispatch to plants.

We also recommended the District Manager instruct offices to establish a system which ensures individual accountability for registered items accepted over the window as well as proper transfer of registered mail from stations and branches to the main office.

## Management's Response

- The [REDACTED] District Manager required all Associate Offices establish a system which ensures individual accountability for registered mail received over the window. Additionally, Postmasters must ensure the proper transfer of registered mail from person-to-person and facility-to-facility, in compliance with Section 333.1 and chapter 4 of DM-901.

The District also notified all offices of security deficiencies noted in our Report to reinforce the need for proper physical security over registered mail. The District will monitor compliance through use of a self-compliance review recommended in our finding "Self-Assessment Compliance Checklist."



## **BANK DEPOSIT PROCEDURES**

### **Finding**

Improvements to bank deposit procedures at several offices will increase security and decrease risk to our employees. We found the following problems, in varying frequencies, at the offices we reviewed:

- Bank deposits prepared in public view.
- If local deposit, employee did not go directly to bank with deposit.
- Route and time of local deposit not varied day to day.
- Drawer holding early deposit funds not secured.
- Money accumulated during day kept in desk instead of vault.
- Supervisor did not witness sealing of deposit.
- Clerk deposit not verified by another employee.

### **Recommendation**

We recommended the District Manager, [REDACTED], instruct all offices on the need to provide proper security to postal funds so that risk to our employees is decreased and funds are better protected.

### **Management's Response**

In a February 16, 1999 letter, [REDACTED] management advised all Associate Offices in the district to correct bank deposit irregularities identified in their office during our field work.

The District will monitor compliance through use of a self-compliance review recommended in our finding "Self-Assessment Compliance Checklist."

## **SELF-ASSESSMENT COMPLIANCE CHECKLIST**

### **Finding**

Use of a Self-Assessment checklist related to handling of registered mail will help local managers ensure they are in compliance with instructions regarding registered mail and provide a monitoring tool for district management.

Instructions relating to the security and accountability to be afforded registered mail have been distributed frequently over the years. It is apparent by our review that, for various reasons, these instructions are not always followed. Issuing additional guideline and mandates, as we recommend in our previous findings, may serve to correct the problem in the short term, but there is no guarantee the corrections will last.

We have prepared a Registered Mail Self-Assessment Compliance Checklist (Exhibit 3) for both Associate Offices and plants which will assist local managers in assessing their compliance with requirements and can serve the district in their oversight role.

### **Recommendation**

We recommend the District Manager and Senior Plant Manager require all offices use the compliance checklist provided with this report to monitor compliance with registry guidelines.

### **Management's Response**

Management has furnished every Associate Office in the district a copy of the Registered Mail Self-Compliance Checklist to be used to assess compliance with requirements in their office. Additionally, each office has been instructed to complete this checklist every postal quarter so that its compliance may be documented and filed. Further, this form will be used for follow-up audits regarding registered mail, which will be conducted by Delivery Programs staff.



**United States Postal  
Inspection Service**

National Coordination Audit

**EXTERNAL FIRST-CLASS  
(EXFC)/COLLECTIONS**

April 1998

Case No. [REDACTED]



**UNITED STATES  
POSTAL SERVICE.**

**RESTRICTED INFORMATION**

## INTRODUCTION

The Postal Inspection Service and the Postal Service Office of Inspector General conducted a National Coordination Audit of the effect of the External First-Class (EXFC) Mail measurement system on postal operations. Fieldwork was conducted by Postal Inspectors from the Chicago and Denver Divisions and members of the Postal Service Office of Inspector General. The fieldwork was performed from October 1997 through January 1998.

The audit was initiated as a result of service investigations conducted by the Inspection Service within the last 18 months. Several incidents since Spring 1996 have raised concerns that efforts existed in the field that focused improvement attention on overnight committed mail in zones measured by EXFC, but not to the same degree on mail in zones not measured by EXFC. The audit was commissioned to determine if EXFC and non-EXFC mail volumes were given the same attention in collection, processing, and delivery operations and if the EXFC accurately measured the service postal customers received. The sample was drawn through a judgmental process, to provide an opportunity to observe operations and processes in place, without statistical validation or national projection.

## AUDIT OBJECTIVES

The objectives of the audit were to determine whether:

- EXFC and non-EXFC mail volumes were given the same attention in collection, processing and delivery operations; and
- EXFC accurately measured the service postal customers received.

## SCOPE AND METHODOLOGY

Interviews of postal executives and managers were conducted at National Headquarters and nine Customer Service districts located in eight Postal Areas<sup>1</sup>. In addition, collection, mail processing and delivery activities were observed at 374 collection points, nine Processing & Distribution Centers (P&DCs), and 63 delivery units, comprised of 31 EXFC and 32 non-EXFC ZIP Code zones (Exhibit 1). While observing postal operations, the audit team interviewed field managers and supervisors regarding their efforts to improve First-Class Mail service in both EXFC and non-EXFC ZIP Code zones.

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<sup>1</sup> The audit was conducted in nine different Postal Service districts. The number of districts was expanded from eight to nine because one of the original audit sites (██████████) did not process both EXFC and non-EXFC candidate mail. The ██████████ district was added to the scope of audit as a result of its geographic proximity to ██████████ and its handling of non-EXFC candidate mail.

## **CONCLUSION**

The national EXFC overnight service scores increased from approximately 87 percent in Fiscal Year (FY) 96 to over 92 percent in FY98. Observation and analysis performed during this audit revealed programs and practices which created a heightened awareness of local originating overnight EXFC candidate First-Class Mail. Several efforts were observed which contributed to improving EXFC performance scores, but not necessarily system-wide mail service. Management's emphasis on achieving local overnight EXFC goals coupled with inconsistent operational practices in EXFC versus non-EXFC ZIP Code zones resulted in different levels of attention. An analysis of the nine-quarter trend, for the same period (Postal Quarter (PQ) 1 FY 96 - PQ 1 FY 98) for two- and three-day performance scores, identified a slight downward trend in the national score.

Several enabling organizations indirectly contributed to misperceptions of the EXFC measurement system by emphasizing overnight EXFC scores while minimizing the disclosure of the measurement parameters of the EXFC system. These issues had the potential to:

1. Collectively influence public and employee perception of the measurement system;
2. Bias resources toward EXFC goal achievement at the expense of non-EXFC First-Class Mail; and
3. Compromise the validity of the reporting system.

EXFC measured First-Class Mail service in 302 three-digit zip codes nationwide. No comparable system to evaluate performance in the remaining three-digit zip codes was utilized. The absence of an all inclusive measurement system impeded the Postal Service's ability to compare service performance in measured areas with performance in non-measured areas. In addition, the present system

did not properly tabulate the effect of Zero Day Pieces<sup>2</sup> (ZDPs), which led to a distorted representation of actual service performance. Enhancements to the current measurement system would provide a more accurate reflection of First-Class Mail service.

Information in the national CBMS database did not accurately reflect existing collection box conditions in some districts. Guidelines governing data transmission and transmission confirmation were not consistently implemented nationwide. Postal management's concern for the accuracy of the CBMS database in EXFC cities visited was more prevalent than in non-EXFC cities. Inaccuracies in the CBMS database caused Price Waterhouse droppers to deviate from previously determined scheduled induction points and decreased management's ability to control the collection process.

Postal management implemented programs and practices that did not provide all postal customers uniform First-Class Mail service. Implementation of such practices was more prevalent in EXFC ZIP Code zones. Overnight EXFC driven process improvements caused significant differences in collection, mail processing and delivery methods in measured versus non-measured cities. Such practices created different levels of attention to First-Class Mail service.

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<sup>2</sup> Zero-Day Pieces were Price Waterhouse test pieces reported as inducted and delivered on the same day.

## **DETAILED FINDINGS AND RECOMMENDATIONS**

### **LEVEL OF FIRST-CLASS MAIL SERVICE**

#### **Finding**

Efforts to improve EXFC scores contributed to different levels of attention given to First-Class Mail service at EXFC and non-EXFC ZIP Code zones. Management's emphasis on achieving EXFC-oriented goals coupled with inconsistent operational practices contributed to the differences. Comparison of management practices in EXFC and non-EXFC ZIP Code zones visited identified practices implemented to benefit EXFC candidate mail but not non-EXFC candidate mail. These practices, observed in collection, processing and delivery operations, resulted in different levels of attention to First-Class Mail service. Programs and practices were implemented primarily to improve EXFC scores. The audit also disclosed several best practices that, when implemented system-wide, present the opportunity to improve service performance (Appendix A).

When the *CustomerPerfect<sup>SM</sup>* program was established, goals were defined for each of the three Voices: 1) Voice of the Business; 2) Voice of the Customer; and 3) Voice of the Employee. The Voice of the Customer goal became synonymous with the overnight EXFC of 92 percent. This equated to one-third of the monetary award in the Economic Value Added (EVA) Incentive Pay Program. In some instances this had the effect of focusing management's attention on EXFC ZIP Code zones. During the time (FY 1996 to 1998) the EVA monetary award was tied to overnight EXFC achievement, the national overnight EXFC scores increased by five percentage points (87% to 92%).

Review of service trends (as measured by EXFC) during the past nine postal quarters (PQ 1, FY96 to PQ 1, FY98) indicated national overnight First-Class Mail service scores increased approximately five percentage points while two- and three-day First Class Mail scores decreased slightly (Exhibit 2). Specific site examples can be documented that illustrate the improvement of overnight mail without the same improvement in two- and three-day service (Exhibit 3).

#### **Established Dedicated Collection Routes**

Some of the districts visited utilized resources to create dedicated collection routes. Collection hours are reported in the National Workhour Reporting System as Labor Distribution Code (LDC) 27, and these hours were reviewed for the last three full FYs. Analysis of data indicated workhours reported in LDC 27 increased nationally by 24.9 percent from FYs 1995 to 1997. Factors affecting the increase in collection hours included demographics, removal of collection responsibilities from carriers, and additional collections designed to advance mail



cancellations by 6:00 p.m. at processing facilities. These factors, however, may not alone account for the significant increase in LDC 27 hours.

Examination of LDC 27 hours for nine Districts visited during the audit disclosed an increase of 47.8 percent for EXFC cities from FYs 1995 to 1997. Non-EXFC cities showed an increase of 6.0 percent for the same period. Summary data follows for the nine districts visited, and further details are provided as Exhibit 4.

#### Collections Using Hand-Held Scanners and Collection Box Tests

In 29 of 31 (94 percent) EXFC ZIP Code zones visited, hand-held scanners were issued to the collectors. These scanners were used to read a pre-programmed sensor within each collection box. The scanner data was then downloaded to produce a report showing whether the sensor was scanned early, late, or not at all. If the report indicated a collection box was not scanned or scanned early, the supervisor could send someone back to collect the mail and scan the collection box. Scanners were only provided to 10 of 32 (31 percent) non-EXFC ZIP Code Zones visited. In addition to hand-held scanners, many offices placed "red and blue magnets," large red placards (D-1148), and/or mail pieces addressed to supervisors to verify mail in the boxes was collected. Postal Operations Manual (POM), Chapter 3, Section 314, stated, "collection tests are to be performed at least once every quarter in all city delivery offices. Use plastic collection test card D-1148 and Form 3702, Record of Test Mailing (collections and special test mailings)." In 12 of 29 (41 percent) EXFC ZIP Code zones visited which utilized the hand-held scanner, local collection box testing was not performed because management felt the scanner program satisfied the quarterly collection box testing requirement. Local collection box testing was not performed in 5 of 32 (16 percent) non-EXFC ZIP Code zones.

#### Implemented Internal First-Class (INFC) Testing Programs

Eight of the nine districts visited had performed INFC<sup>3</sup> mail tests. However, only four districts conducted INFC tests in non-EXFC ZIP Code zones. INFC testing was recognized as a valuable tool to gauge overnight service performance in non-EXFC cities, where a comparable measure did not exist. The benefit of performing such activities in an EXFC-tested location was not established. In one EXFC customer service district, management stated during an interview they had expended approximately \$1 million dollars during the prior fiscal year to purchase technology to assist in mirroring the Price Waterhouse EXFC testing process. While this district also had processing responsibility for a non-EXFC location, testing was not expanded to this location.

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<sup>3</sup> INFC, while not an official Postal Service term, has been used to denote locally funded internal programs to test First-Class Mail in a manner similar to that called for in the contract for EXFC.

### Late Scheduled Collections and Reduction of Zero Day Pieces (ZDPs)

Six of eight EXFC districts performed scheduled collections more than one hour after the scheduled last pickup. Under the EXFC testing system, mail dropped after the last scheduled pickup is not expected to be picked up until the next day, and should be delivered the day after that. In other words, deliveries which should have occurred in one day in this example would have two days to meet the standard according to the Price Waterhouse guidelines. Under postal standards, however, mail that was collected the same day it was dropped should be delivered the next delivery day.

Postal Operations Manual, Chapter 3, Section 313 states, "collections are not to be made earlier than the scheduled time and should be made within 20 minutes after the posted time". Section 316 states, "a correct and legible schedule label showing all scheduled collections must be affixed on all collection boxes".

Management had addressed the high number of ZDPs by reducing the induction time in which EXFC test pieces could be dropped. A significant decline in the number of ZDPs was observed through this modification, but this only addressed symptoms of the condition. Prior to PQ4, FY97, Price Waterhouse was required to drop EXFC test pieces no sooner than one hour after the scheduled last pickup time, on the delivery day immediately preceding the induction day (collection date), or 6 p.m., whichever was earlier. This test bundle should be collected the next day. Collection practices which contributed to the ZDPs were observed in 14 of 31 EXFC sites visited (45 percent), while only 6 of 32 non-EXFC sites visited (19 percent) displayed the same practices.

Interviews with Headquarters management revealed the Price Waterhouse instructions were to drop the test pieces between 5:00 a.m. and 4:30 p.m., or one half-hour prior to scheduled last pickup, whichever was earlier. Headquarters management stated the reason for the new time period was to eliminate ZDPs and to control late collection routes.

The Price Waterhouse induction time to include the requirement that no drops occur after 4:30 p.m. reduced the universe of First-Class Mail volume which could contain EXFC-candidate mail. As an example, if collection boxes with a later than 5:00 p.m. scheduled last pickup were collected as if they were 5:00 p.m. last pickup, subsequent collections of such boxes would not contain EXFC-candidate mail. Mail collected during these subsequent collections could be staged for processing after volumes containing EXFC-candidate mail were completed. Therefore, modifications to the Price Waterhouse dropper induction methods treated a symptom, but not the primary cause of ZDPs, which was late and unscheduled collections.

### EXFC-Candidate Mail Separated From Non-EXFC Mail for Priority Distribution at Throwback and Hot Cases

In one of the eight EXFC districts visited, carriers were instructed to finger their mail for missorted and missent EXFC-candidate mail prior to casing their route. They were to deposit this mail at the throwback case. At the hot case, EXFC-candidate mail was sorted before non-EXFC mail. Carriers leaving for the street retrieved only EXFC-candidate mail from the hot case. Non-EXFC mail, which was not cased, remained in the office for later distribution (as late as the next delivery day). This practice increased the likelihood that missorted EXFC-candidate mail would be delivered on the date of receipt at the delivery unit potentially increasing EXFC scores.

### Multiple Deliveries to the Same Address on the Same Day

Mail arriving after carriers left the office was sorted and taken to the street for delivery. If the carrier could not be located, delivery was made by the supervisor or a designated employee.

Multiple deliveries were conducted in one or more delivery units in each of the eight EXFC districts visited. Three of eight EXFC districts restricted this activity to EXFC-candidate mail, whereas four of eight non-EXFC districts were found to have conducted this activity. The Postal Service does not support multiple deliveries as a national policy.

### Collection Mail Containing EXFC-Candidate Mail Was Identified and Isolated from Other Mail Streams for Expedited Handling and Dispatch

In one District when collection mail arrived at the mail processing facility, it was immediately identified as EXFC-candidate mail. This mail was isolated from non-EXFC-candidate mail and remained segregated until final processing.

Signage for separate mail streams was identified in two additional districts although separation of the mail was not observed. The signage, however, indicated this type of separation occurred previously. Discussion with local management disclosed separation of mail occurred during PQ 3 and 4, FY 97, but ceased at the beginning of PQ 1, FY 98. EXFC scores from PQs 3 and 4, FY 97 were used to calculate the EVA bonuses.

### Independent Testing of Non-EXFC Area

A special EXFC service measurement test in the ~~Washington~~ area was conducted by Price Waterhouse. The test was designed to objectively and quantitatively assess the degree to which the Postal Service met the service commitments for

First-Class Mail sent between ZIP Codes in the ~~Washington~~ that were not included in EXFC. The test used the same parameter, i.e., ODIS volume flows, test mail types, induction methodology, and reporting requirements, as used for EXFC testing. Droppers and reporters were hired by Price Waterhouse specifically for this test. Price Waterhouse conducted on-going and end-of-test reviews to assure the accuracy and reasonableness of the data. Based on this special measurement test, non-EXFC ZIP Code performance for overnight service commitments was 87 percent, or about 5 percentage points lower than the service performance reported in ~~Washington~~ EXFC cities (Exhibit 5).

### **Recommendation**

We recommend the Vice-President, Operations Support:

1. Ensure system-wide implementation of best practices to advance all classes of mail; and
2. Issue a memo to the field which reiterates that field management should adhere to POM Chapter 3, Section 313, Collection Requirements, and Section 316, Schedule Labels.

We recommend the Vice President and Consumer Advocate:

1. Consider modifications to the service performance testing system to include random testing of non-measured ZIP Code zones;
2. Modify the calculation of ZDPs to accurately reflect delivery performance; and
3. Modify the Price Waterhouse induction time to eliminate the 4:30 p.m. induction restriction and allow the dropper to induct test pieces up to one-half hour prior to the scheduled last pickup.

### **Management's Response**

Response from Vice-President, Operations Support:

1. Management tested best practices in EXFC measured cities to assess their effectiveness. This testing identified best practices that will be implemented nationwide over time. This implementation will improve service to all First-Class Mail. As other best practices are identified, management will continue to emphasize that our ultimate purpose is to improve service across all classes of mail. According to data collected in February 1998, several months after the EXFC audit, 96% (percent) of the non-EXFC ZIP Code zones had implemented one or more of the collection improvement activities, and two

and three day service is improving.

2. We agree with this recommendation. A memo will be issued to the field from the Office of Delivery, Policies and Programs in May 1998.

**Response from Vice-President and Consumer Advocate:**

1. The Consumer Advocate has carefully evaluated the Inspection Service recommendations and is working with Price Waterhouse to devise a cost-effective methodology that would allow the expansion of EXFC testing to virtually all ZIP Code zones. This methodology will convert the current city structure to the performance cluster structure, with all three-digit zones included in the testing, statistical reliability at the performance cluster level, and the resulting actionable data for all local managers to improve service performance. Regular testing in lieu of random testing will help ensure statistical reliability.
2. We concur with this recommendation. In fact, more than seven (7) months ago, the Consumer Advocate instructed Price Waterhouse not to drop test pieces prior to 5 a.m. on the scheduled drop day. ZDPs are already down to a statistically insignificant 0.1 percent as of Quarter 2, FY98. The Consumer Advocate will continue to monitor this improvement.
3. As for the 4:30 window, Operations has concurred and Consumer Affairs has instructed Price Waterhouse to make this change. This will allow mail to be inducted on the scheduled induction day later than 4:30 p.m. and up to 30 minutes prior to the last scheduled collection pickup time.

## **COLLECTION BOX MANAGEMENT SYSTEM DATABASE**

### **Finding**

Information in the national Collection Box Management System database did not accurately reflect existing collection box conditions. Guidelines governing data transmission and transmission confirmation practices were not consistently implemented nationwide. Management attention given CBMS issues varied between EXFC and non-EXFC offices.

#### **CBMS Data Transmission**

The methods and frequency of uploading data to the San Mateo Information Service Center (ISC) varied among Customer Service Districts. Some districts used File Transfer Protocol (FTP) software to upload directly to the San Mateo ISC while others used cc:Mail. Files transferred via cc:Mail included CBMS data as attached documents. This method proved ineffective as messages received at ISC were often missing the attached documents, even though the originating office received a "read receipt" to their cc:Mail message. The San Mateo ISC did not provide feedback to the originating office to confirm whether attachments were received. Some districts uploaded their CBMS databases only once per quarter while others transferred updates to the San Mateo ISC as changes occurred.

#### **Management Attention**

Postal managers in the EXFC cities we visited were more attentive to the accuracy of their CBMS databases than Postal managers in non-EXFC cities. A total of 374 collection boxes, 183 EXFC and 191 non-EXFC, were examined. In some non-EXFC offices, there was an apparent lack of concern for compliance with postal policies concerning CBMS issues. Listed below are discrepancies discovered during the course of the audit:

	<b><u>EXFC Boxes</u></b>	<b><u>Non-EXFC Boxes</u></b>
Non-CBMS Label 55	7	33
Non-Readable Label 55	4	12
Damaged	0	5
Wrong Location	1	6
Label 55 Not Matching CBMS Database	6	18
Total Discrepancies	18	74

The audit disclosed a need for district CBMS Coordinators to certify the accuracy of their CBMS databases and issue periodic updates to the San Mateo ISC. The effort would require local postmasters, managers, or supervisors to physically verify the condition and pickup times of all collection boxes within their geographical areas of responsibility.

### **Recommendations**

We recommend the Vice-President, Operations Support, take appropriate action to ensure:

1. The issuance of a memo stating which Headquarters department has responsibility for the CBMS program;
2. The implementation of CBMS policies and procedures at all post offices with collection operations;
3. The accuracy of the national CBMS database by requiring Customer Service Districts to verify actual collection conditions and scheduled pickup times for all collection boxes on an annual basis; and
4. The establishment of a schedule when updated district CBMS administrative files must be uploaded to the San Mateo ISC.

We recommend the Vice President, Workforce Planning and Service Management, take appropriate action to ensure:

1. The establishment of a standardized transmission method to upload data from district CBMS administrative files to the San Mateo ISC; and
2. The development of a reliable system to confirm all CBMS records transmitted to the San Mateo ISC are received.

### **Management's Response**

Response from Vice-President, Operations Support:

1. A memo will be issued to the field in May 1998 stating that overall responsibility of the CBMS program is currently assigned to Service Management and Policy Programs within the Workforce Planning and Service Management Department at Headquarters.
2. CBMS policies and procedures should be implemented at all post offices, and

we will continue to promote to the field the importance and significance of strict adherence of policies and procedures. A memo will be sent to the field to formally establish a requirement to inspect collection conditions and scheduled pickup times for all collection boxes/points on an annual basis and ensure that accurate information is entered in the CBMS.

3. A memo will be sent to the field from the Office of Delivery, Policies and Programs in May 1998 to establish verification procedures of collection conditions and scheduled pickup times for all collection boxes/points on an annual basis and ensure that accurate information is entered into the CBMS.
4. Notification has been sent to the field instructing that each District CBMS Coordinator must upload their database changes to the San Mateo ISSC at least once each accounting period. In addition, Service Management and Policy Programs will issue a letter to the Area Managers, Delivery Programs, and the San Mateo ISC informing that changes have been made in the CBMS 3.0 software which requires a district to upload their database every 20 days; this software is currently waiting for approval to be deployed. These actions will serve as a temporary solution. Service Management and Policy Programs is in the process of rewriting the CBMS software using WEB based technology. The use of WEB based technology will eliminate the need for a district to initiate an upload of the CBMS.

**Response from Vice President, Workforce Planning and Service Management:**

1. Each district is supposed to utilize the File Transfer Protocol (FTP) method for uploading their CBMS database to the San Mateo ISC. Our office will issue directions to the Area Managers, Delivery Programs and the San Mateo ISC informing them that the use of cc:Mail for uploading their CBMS database will no longer be accepted by the San Mateo ISC. In addition, this letter will re-emphasize the requirement that a district uploads their CBMS database to the San Mateo ISC at least once every Accounting Period. Changes have been made in the CBMS 3.0 software which requires a district to upload their database every 20 days and is waiting for approval to be deployed.

These actions will serve as a temporary solution. Our office is in the process of rewriting the CBMS software using WEB based technology. The use of WEB based technology will eliminate the need for a district to initiate an upload of the CBMS database to the San Mateo ISC since all changes will be stored in a central Oracle database at the San Mateo ISC.



2. In response to the second recommendation, our office will ask the San Mateo ISC to improve the confirmation process of FTP. Currently, a district using FTP will receive a message on the screen that their file transfer was successful or not; however, we will ask the San Mateo ISC to enhance the confirmation process so it produces a report indicating a successful transfer.

However, the actions taken above will also be temporary due to the use of WEB based technology. CBMS-WEB will provide real-time, on-line maintenance of a district's CBMS database.

## **ENABLING ORGANIZATION SUPPORT ACTIVITIES**

### **Finding**

The Postal Service's enabling business units made substantial contributions to corporate-wide *CustomerPerfect*<sup>SM</sup> goal achievement. The activities examined during the audit demonstrated the effectiveness of the *CustomerPerfect*<sup>SM</sup> system in unifying all business unit activities toward corporate-wide goal achievement.

The Headquarters Corporate Relations Department served as the organizational focal point for communicating corporate messages to both internal and external customers. In most cases, issues communicated by this department were owned by other corporate sponsors. Department personnel used their knowledge, skills, and abilities to convey a uniform, consistent message derived from information provided by the corporate sponsor. These activities included the communication of EXFC messages to various targeted audiences through pamphlets, news releases, and other information about the EXFC program. The information demonstrated a commitment by the department to expand corporate knowledge of EXFC and inform various audiences of the organization's achievement record. However, some of the material may contribute to the perception that EXFC measures the performance of all First-Class mail.

Audiences could have misconstrued that EXFC measured all local First-Class mail, regardless of the induction point into the system. Within some media products reviewed, the Postal Service qualified the measurement as representing "collection box to mail slot" performance. This more accurately represented the system. By design, EXFC did not measure First-Class Mail volume generated by other induction methods available to the public, such as traditional window service, commercial mail receiving agencies, Business Mail Entry Units and home mailboxes. Price Waterhouse representatives stated EXFC was a valid service indicator for the collection box induction method. It was not, however, a service measurement for mail inducted into the system by other methods.

### **Disclosing the EXFC Composite Score as a National Score**

The EXFC system was designed to measure the performance of a subset of First-Class Mail in 302 three-digit ZIP Code zones. Management elected to refer to these zones as "cities". An "EXFC city" included one or more of these three-digit ZIP Code areas. The system was designed to provide management with a representative measure of national performance. Price Waterhouse stated an assumption in the EXFC design held that the three-digit ZIP Code areas included in the study would not differ systemically from those not included in the system. Any systemic variation would introduce some level of bias into the EXFC national measure. Price Waterhouse stated that the ZIP Code areas included in EXFC

processed approximately 62 percent of destinating First-Class Mail volumes, which would have reduced the impact of any bias from non-measured areas. This claim was not correct, in that it disregarded three basic concepts of the EXFC system:

- EXFC was designed to measure Collection Point to Delivery Slot performance in approximately 302 ZIP Code zones. The fact that 62 percent of all First-Class Mail destined to these ZIP Codes was an attribute of the cities selected, and not a basis for selecting the cities. As such, there is no statistical relevance to the use of this figure.
- EXFC was not designed to measure First-Class Mail service representative of 62 percent of the nation's First-Class Mail volume. The EXFC system measured only that portion of First-Class Mail entered into the system via a collection point, such as a mail drop, collection box or commercial mail chute. EXFC did not measure nor was it representative of the mail entered into the Postal Service via the Business Mail Entry Unit, traditional window service, or a host of other methods.
- EXFC measured a very specific subset of First-Class Mail, which would have had to have originated in another EXFC city. Given the necessity that test mail had to both originate and destinate in an EXFC test city, we calculated the maximum volume of First-Class Mail EXFC could have possibly represented was less than 21 percent of the nation's First-Class Mail volume (Exhibit 6). The precise number could not be determined, since our number was based on the total cancellation volumes generated from the P&DCs, in relation to total national First-Class Mail volume.

Price Waterhouse personnel provided examples of events which would serve to differentiate processing environments, resulting in a bias in the EXFC score. They specifically stated that channeling resources in the form of new automation technology, newer equipment, personnel, dedicated collection service, separated processing routines, collection scanning tracking systems, and less than full-scale CBMS implementation would affect the comparability between processing environments. Management contends that Price Waterhouse did not gather information on processing environments or resource allocations, so they could not comment on the existence or non-existence of bias from these sources.

Price Waterhouse representatives were confident in their opinion the measurement system was a valid representation of the service provided for mail dropped in collection boxes. However, they also stated the measurement system did not consider the service performance for mail inducted via other induction methods.

## Communicating EXFC Issues to Internal Customers

The Postal Service communicated EXFC achievements to internal customers on a recurring basis. An examination of information released by the Headquarters Corporate Relations Department demonstrated a commitment to provide timely and consistent information relative to corporate wide goal achievement. Despite a concerted effort by Corporate Relations to increase corporate awareness of the Postal Service's *CustomerPerfect<sup>SM</sup>* goals and indicators, employees' levels of understanding related to such programs varied.

In some locations, employees appeared more knowledgeable of the design dynamics of the EXFC testing system than they were of the types of mail measured by the system. Employees did not have an understanding of the amount of mail measured by the EXFC system. There was a consensus the system measured 62 percent of the nation's destinating First-Class Mail volume. A postal brochure<sup>4</sup> claimed the tested universe represented "nearly two-thirds of the nation's destinating First-Class stamped and metered mail volume."

### **Recommendations**

We recommend the Senior Vice President, Corporate Relations:

1. Modify the corporate message concerning EXFC, until such time as the system can be modified; and
2. Pursue development of localized communication resources and initiatives to increase employee knowledge of the *CustomerPerfect<sup>SM</sup>* goal structure, and increase awareness of their performance against established targets.

We recommend the Vice President and Consumer Advocate:

1. Consider modifications to the service performance testing system to include additional induction points into the mail stream.

### **Management Response**

Response from Vice President, Corporate Relations:

1. As the audit team pointed out, EXFC measures the collection box to mail box mail stream. Based on the fact that EXFC measures the most difficult mail stream, requiring the most handlings, we are very comfortable contending that

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<sup>4</sup> EXFC External First-Class Measurement System, no date, produced by the Consumer Affairs Office, U.S. Postal Service. Copy included as Exhibit 7.

the EXFC scores represent the service level between these 96 cities that account for 62% (percent) of the nation's destinating mail. We will make sure that our messaging is clear on this issue and consistent for both internal and external messaging.

2. Among the examples provided to the team are Performance Cluster (PC) newspapers, which we have been testing in select locations for a number of months. These newspapers feature detailed, broad-based service, financial, and safety and training data designed to assist local managers and employees in understanding and achieving their *CustomerPerfect<sup>SM</sup>* goals. Corporate Relations is preparing a business case to present to the Management Committee this year to request the necessary staffing to implement PC newspapers nationwide.

**Response from Vice President and Consumer Advocate:**

1. Expansion to other induction points does not appear feasible at this time. Previous attempts to enter the EXFC test mail in Business Mail Entry Units were unsuccessful. The company, the dropper, and the test pieces were found to be too readily identifiable for the data to be reliable. We will continue to look for ways to measure this mail stream.

## **INTERNAL CONTROLS**

### **Finding**

Interviews of Headquarters personnel revealed concern regarding EXFC system integrity. A memo titled "Service Measurement, Management, and Integrity" was authored by Headquarters management and disseminated to various field managers (Exhibit 8). A process had not been established to report, analyze or resolve these practices. The organization's lack of a standardized incident analysis system compromised the ability to develop and analyze trends which indicated improper EXFC-driven processes. The absence of proactive analysis, identification, and resolution of these questionable practices facilitated their implementation in other EXFC zones as "best practices".

The information disseminated to the field voiced the critical nature of the integrity and credibility of the EXFC measurement system. Observations during this audit revealed questionable programs and practices were in place, even after Headquarters-authored memos were disseminated. Training related to the integrity of the EXFC system would inform Postal personnel of the critical nature of upholding the credibility of the information produced by the measurement.

### **Performance Audits and Service Investigations**

The Postal Inspection Service and the Postal Service Office of Inspector General help ensure the integrity of the Postal Service through independent audits and reviews. As part of this audit, we examined recent activities in which the Inspection Service conducted audits or reviews to support postal management's EXFC results. These audits/reviews were local in scope and focused on opportunities to promote efficiency and service improvements. However, some local audit/review reports contained information which could have been construed as biased toward EXFC operations, programs and processes. The following conditions were noted:

- Objectives related to improvement of EXFC scores, as opposed to improvement in processing operations;
- Audit activities which focused on process improvements had system-wide potential, but were misstated in the reports as EXFC process improvements;
- Resources directed toward EXFC offices and improvement operations;
- Risk assessments performed treated EXFC as a process to be improved, rather than an evaluation diagnostic; and
- Recommendations developed could have been perceived as EXFC-driven.

The Inspection Service performed these activities in support of the Postal Service's *CustomerPerfect<sup>SM</sup>* goals. These conditions were not indicative of a

systemic problem. This demonstrated a conflict between organizational goals and strategic organizational objectives.

The Inspection Service's FY 96 and FY 97 organizational goals were found to have been aligned with the Postal Service's goals. Both entities used EXFC achievement as the primary success indicator in the "Voice of the Customer" sub-goal. As a result, Inspection Service field division management responded to local postal management requests to provide assistance in diagnosing and improving service to achieve organizational objectives. In their efforts to be responsive, however, it appeared some field audits/reviews developed programs and/or committed resources in a manner which could have been interpreted as having supported less-than-systemic service improvements.

### **Recommendations**

We recommend the Vice President/Consumer Advocate:

1. Develop a formal process to track and analyze unusual trends related to EXFC testing anomalies; and
2. Ensure the Postal Inspection Service and the Office of Inspector General are notified of EXFC testing anomalies.

We recommend the Senior Vice President and General Counsel:

1. Take appropriate action to develop a mandatory Voice of the Employee training module addressing issues related to EXFC system integrity as identified within this report.

We recommend the Chief Postal Inspector:

1. Develop a plan for the Inspection Service which incorporates service improvement objectives in the corporate vision; and
2. Develop a quality control process which ensures that locally generated performance audit products and service investigations are performed in support of the Inspection Service's mission.

### **Management Response**

Response from Vice President and Consumer Advocate:

1. There are three separate groups that track and analyze unusual trends related to EXFC testing: Service Analysis and Assessment (SAA, a unit within the

(PW), and Consumer Affairs. If the SAA staff identifies any unusual trends or data, they contact Consumer Affairs immediately. If the PW staff identifies any anomalies, they contact Consumer Affairs immediately. If Consumer Affairs identifies any unusual data, other appropriate parties are contacted immediately. These three independent groups provide the necessary checks and balances in response to this recommendation.

2. Concerning notification to the Inspection Service, Consumer Affairs will continue, as it has done consistently in the past, to contact the Inspection Service or the Office of the Inspector General whenever appropriate.

**Response from Senior Vice President and General Counsel:**

1. It is always important to remind managers through training and other means of the importance of maintaining the integrity of all external performance measurement systems. Prior to receiving the Inspection Service's report, the Postal Service had already sent a written communication reminding managers of the need to maintain the integrity of the EXFC system. In the future, any new training or other types of materials that focus on EXFC or any other external measurement systems should include comments regarding the integrity of all external measurement systems. This would include the "Strategic Focus '99" training module, as well as other written communications to postal managers. As such training is developed, the General Counsel will provide input on potential violations of applicable law or postal regulations.

**Response from Chief Postal Inspector:**

1. The Inspection Service's strategic plan for Fiscal Years 1998 through 2002 lists "Improve Postal Service Performance" as a goal under the Postal Service's Voice of the Customer goal of "Improve Customer Satisfaction." The strategy under that goal is "Conduct service investigations and audits based on risk assessment and management input."
2. We will do so as the Inspection Service moves from systemic and developmental reviews, which are being transferred to the Office of the Inspector General. This change will allow the Inspection Service to enhance its focus on Area and local performance audits and service investigations.

*A. D. Morrell*  
for K. P. Korsick  
Postal Inspector



# AUDIT SITES

AREA <u>DISTRICT/P&amp;DC</u>	OFFICE	EXFC ZIP CODE ZONES	NON-EXFC ZIP CODE ZONES	COLLECTION POINTS REVIEWED
<b>NEW YORK METRO</b>				
<b>WESTCHESTER</b>				
	Dobbs Ferry	10522		6
	Mt. Vernon	10550		6
	Scarsdale	10583		6
	Yonkers	10705		6
	Havestraw		10927	6
	Monroe		10950	6
	Nyack		10980	6
	Suffern		10901	6
1 District; 1 P&DC	8	4	4	47
<b>ALLEGHENY</b>				
<b>PHILADELPHIA</b>				
	Bristol	19007		6
	Clifton Hts.	19018		6
	Roxborough Sta.	19128		6
	Torresdale Sta.	19114		6
<b>LANCASTER</b>				
	Fleetwood		19522	6
	Reading		19602	6
	Shillington Sta.		19607	6
	Temple		19560	6
2 Districts; 2 P&DC	8	4	4	48
<b>MID-ATLANTIC</b>				
<b>BALTIMORE</b>				
	Columbia	21044		6
	Glen Burnie	21061		6
	Randallstown	21133		6
	Raspeburg	21208		6
	Brunswick		21716	6
	Frederick		21701	6
	Hagerstown		21740	6
	Williamsport		21795	6
1 District; 1 P&DC	8	4	4	47
<b>SOUTHWEST</b>				
<b>DALLAS</b>				
	Casa View	75228		6
	De Soto	75115		6
	Juanita Craft	75215		6
	University Sta.	75206		6
	Athens		75751	6
	Jacksonville		75766	6
	Tyler		75701	6
	Tyler		75703	6
1 District; 1 P&DC	8	4	4	47

## National Overnight, Two- and Three-Day EXFC Trend

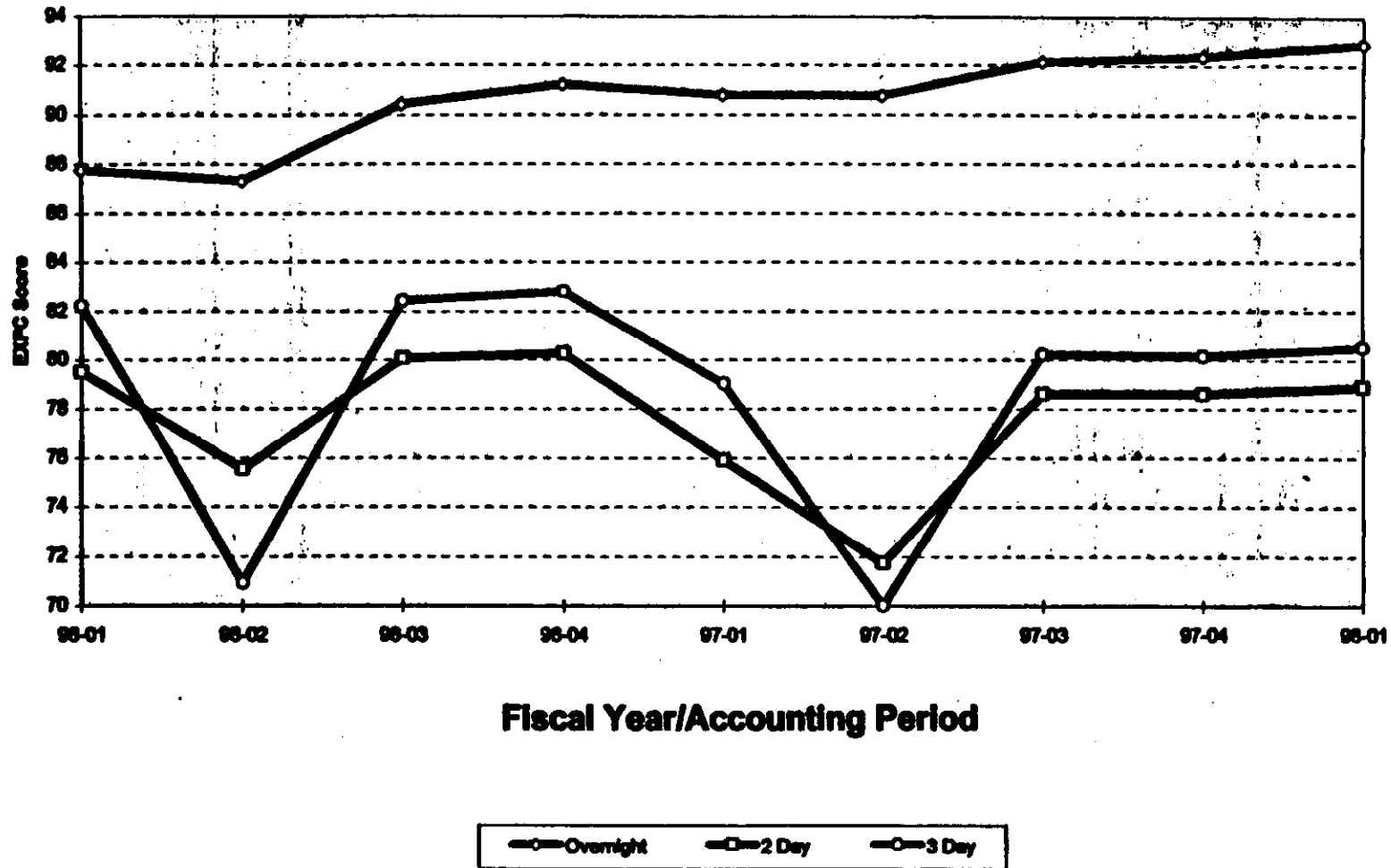


EXHIBIT 2

RESTRICTED INFORMATION

# EXFC Overnight, Two- and Three-Day Trends for Selected Top-Scoring Cities

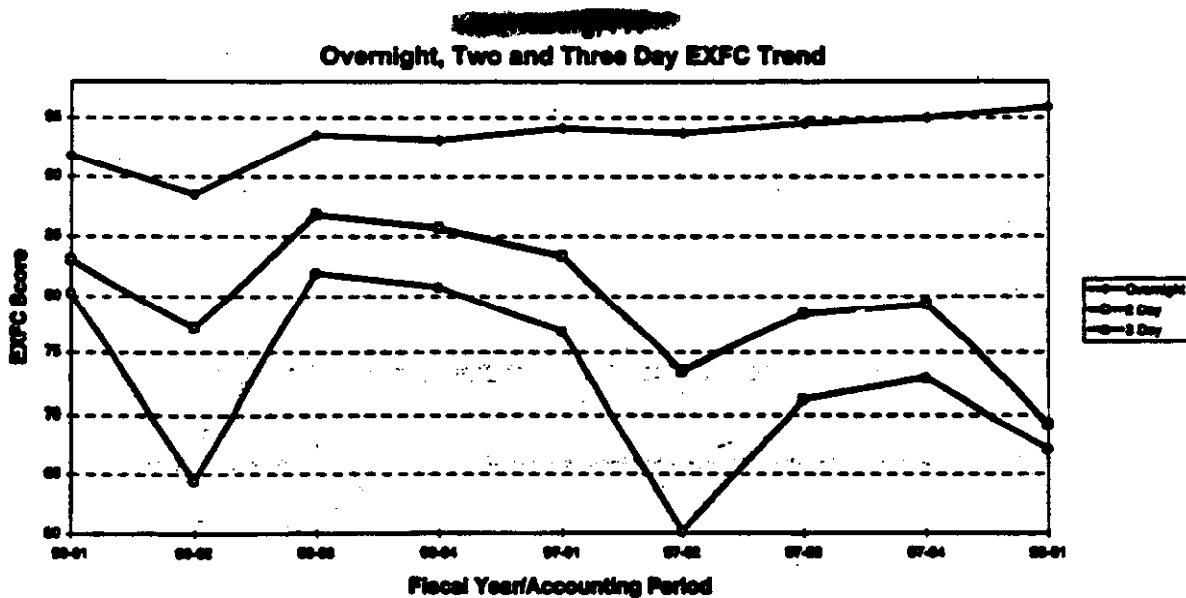
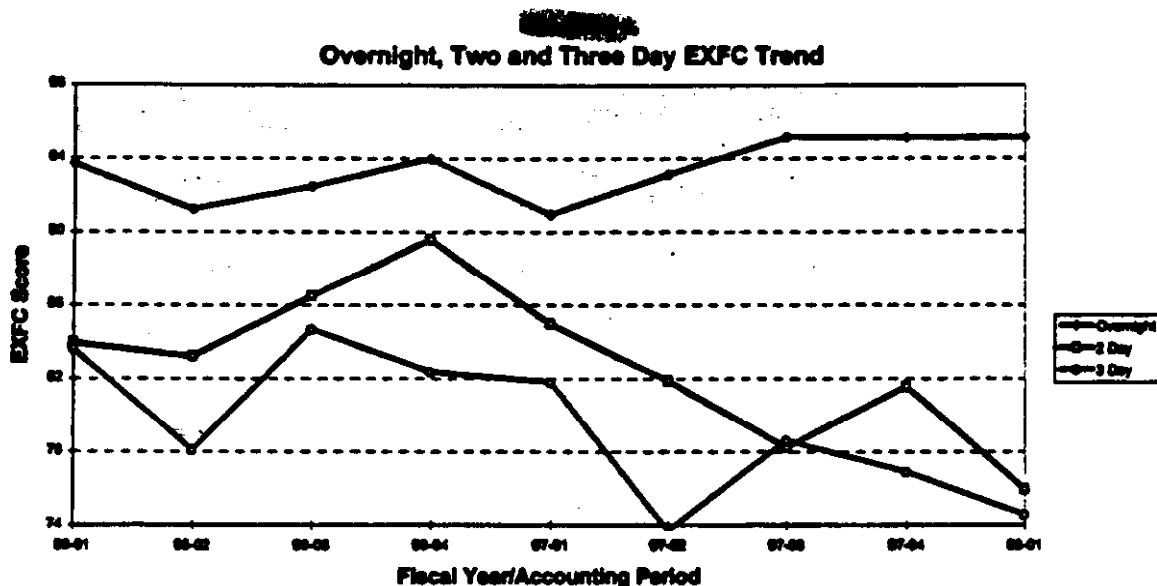
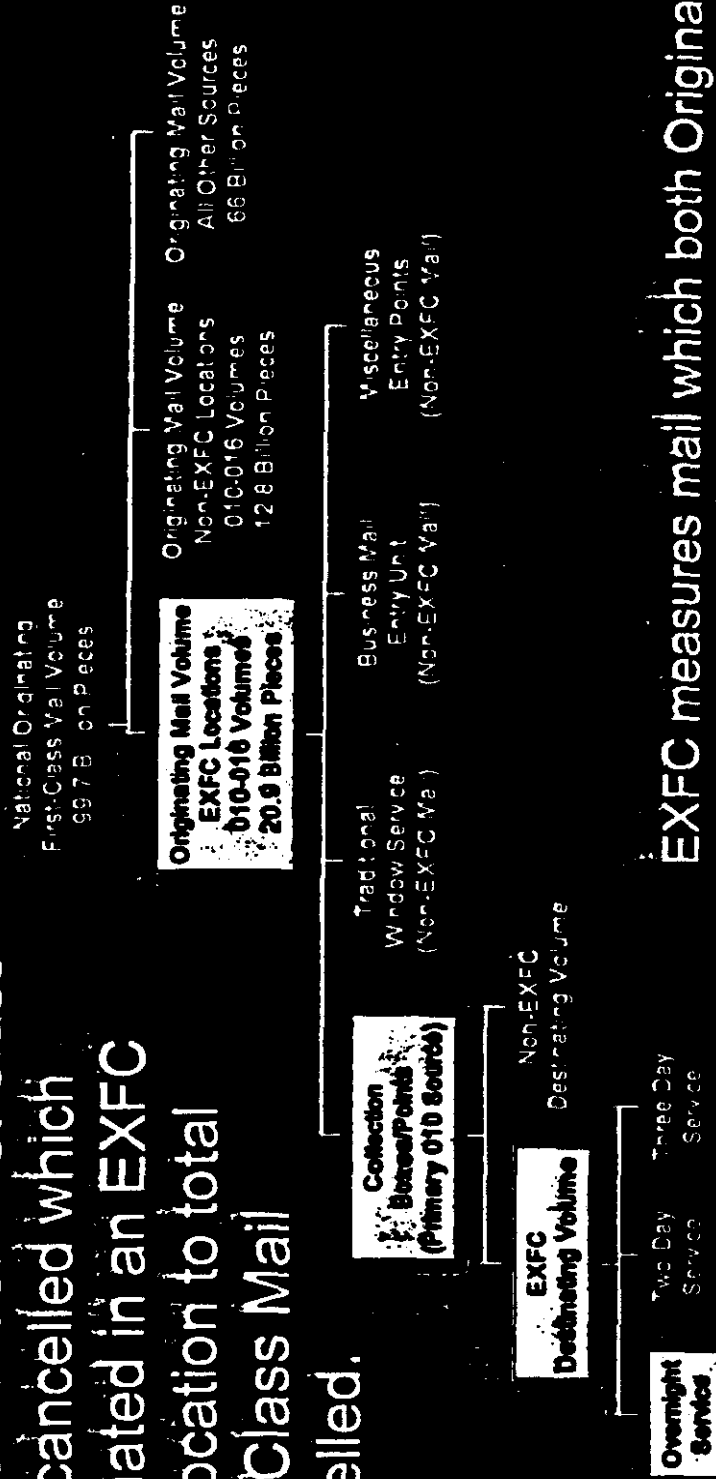


EXHIBIT 3

RESTRICTED INFORMATION

# Universe Represented by EXFC

The 20.97% represented the percent of First-Class Mail cancelled in an EXFC test location to total First-Class Mail cancelled.



EXFC measures mail which both Originates and Destimates in an EXFC "City". The Overnight Score measures a sub-segment representing mail which Originates and Destimates within the given City.

**EXHIBIT 6**



May 10, 1996

**VICE PRESIDENTS, AREA OPERATIONS**

**SUBJECT: Service Measurement, Management, and Integrity**

Because it is worth keeping in the forefront of everyone's consciousness, I want to repeat this for emphasis: The value of the External First-Class measurement system (EXFC) to the Postal Service depends entirely on its public credibility. People have to believe that the system is fair, and, above all, free of any bias due to internal manipulation. They must be confident that the dramatic improvements we have been publishing each quarter are due solely to our hard work.

This past year we have reached heights of performance that would have seemed impossible just two years ago, and the trend has shown no sign of leveling off. That is good news for us, for our business, and for those who watch over our business in the larger community. But as we strive to reach ever higher performance targets, there may be some among us who are tempted to take short cuts. Rather than managing and improving their processes, they could be tempted to focus on managing the measurement. They may, for example, attempt to locate reporters or identify where and when test mail is being dropped.

The credibility of EXFC measurement rests on the complete anonymity of the reporters and test mail droppers. Any action which even suggests that their anonymity has been compromised would shake public confidence in the objectivity of the measurement and jeopardize the viability of our investment in the EXFC system. In the worst case, it could even negate all the progress we have made in the last two years.

This is an issue of such gravity, that any attempt to subvert the system should be regarded as an attack on the integrity of postal management and dealt with accordingly. I cannot over-emphasize the damage that would be done to the credibility of this organization and its top staff, if public faith in the objectivity of EXFC results were shaken. For this reason, I would like you to take time in the very near future to discuss this issue with your performance clusters and staff. Do not give anyone the opportunity to knock the wind out of our sails just as we are cresting the wave.

  
William J. Henderson

475 L Street, N.W.  
Washington, DC 20001-0001  
202-268-4642  
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**EXHIBIT 8**



# AUDIT REPORT

AREA COORDINATION AUDIT  
2-3 DAY AND PRIORITY MAIL  
AUGUST 1998



POSTAL INSPECTION SERVICE

RESTRICTED INFORMATION

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## **EXECUTIVE SUMMARY**

The Postal Inspection Service conducted an Area Coordination Audit in the [REDACTED] Area on 2-3 Day and Priority Mail between January 1998 and May 1998. The audit task force was comprised of postal inspectors from the [REDACTED] Divisions and postal managers from the [REDACTED] Metro Area. The audit was initiated as a result of the Inspection Service risk assessment process. The audit was conducted at three (3) Processing and Distribution Centers (P&DC), three AirMail Centers (AMC), an Incoming Mail Facility, and a Hub and Spoke facility (HASP) in the [REDACTED] Metro Area.

The objectives of the audit were: to ascertain if postal management had developed effective strategies for identifying process improvements to address the on-time delivery of Priority and 2-3 Day Mail; to evaluate P&DC operations to determine if efficient processing of Priority and 2-3 Day Mail was in place to ensure meeting service commitments; and to determine if scheduled transportation, both air and surface were adequate to support the Postal Service in attaining its service commitments.

The audit disclosed that delays impacting service scores were incurred but not identified as a result of inaccurate operating plans and/or inaccurate reporting of plan failures. The audit team recommended that all facility operating plans be updated; that the P&DCs be retrained on the proper completion of the Mail Condition Report; and that Management takes steps to ensure the completion of the DMCR in accordance with the operating plans. Management agreed with the finding and advised that a letter would be sent out requesting the update of all P&DC and AMC Operating Plans, and provide a definition of "On Hand", "Plan Failure" and "Delayed Volumes". They stated that they would request National Headquarters support in providing training on the DMCR system to all P&DCs. Management would also provide follow up on discrepancies identified by the audit team at specific P&DCs.

The audit disclosed that mail preparation guidelines had not been updated and re-issued to Stations, Branches, and Associate Offices. The audit team recommended that mail preparation guidelines be updated and that carriers and collectors at all facilities receive refresher training. Management agreed with the finding and advised that a letter would be sent to each District requesting that all mail preparation guidelines be updated prior to the end of the fiscal year. They also required the Districts to train all appropriate personnel on the updated guidelines and monitor compliance on an accounting period basis.

The audit disclosed that destinating 2-3 Day First Class Mail was not consistently identified, separated and processed in accordance with service standards. The audit team recommended that all Plants provide expeditious handling of First Class mail in green sacks, utilize the ~~Restricted Information~~ system, and comply with regulations requiring First Class flats and letters to be transported to ADCs/AADCs in mail trays rather than green sacks. Management agreed and stated they would advise all Plants to take steps to improve the handling of First Class mail in green sacks. They also advised that on 3/13/98 each Plant received training on ~~Restricted Information~~ and were instructed to implement one of the programs.

The audit disclosed that mail processing equipment was not adequately staffed and effectively managed in order to achieve productivity and throughput goals. The audit team recommended that the Plants be held accountable for machine utilization, that leave control measures be emphasized at all levels, and that the need to aggressively push all mail volumes "up the ladder" be re-emphasized. Management agreed to follow up on all deficiencies noted relative to equipment utilization. They further stated that they would compute Ladder A, B, and C performance by Plant and provide Quarterly tracking.

The audit determined that there was poor dispatch discipline at the Plants visited. Management agreed with this finding and advised that the Distribution Networks Office would conduct quarterly reviews of dispatch discipline at each Plant and provided dispatch discipline training to the Plants on an as needed basis.

The audit disclosed that information regarding the arrival and departure times of trucks was not recorded at all times. The audit team recommended that the Manager, Metro Operations ensure TIMES is properly utilized by all TIMES-capable facilities and that PS Forms 5398, Transportation Performance Record, be completed in a timely manner at all non-TIMES facilities. Management agreed to have the Distribution Networks Office conduct a TIMES system assessment to determine the requirements to achieve one hundred percent compliance. They advised full compliance would be accomplished by the end of Quarter 1, Fiscal Year 1999.

## INTRODUCTION

The Postal Inspection Service conducted an Area Coordination Audit (ACA) on 2-3 Day and Priority Mail in the [REDACTED] Area between January 1998 and May 1998. The audit task force was comprised of postal inspectors from the [REDACTED] and [REDACTED] Divisions, as well as five postal managers from the [REDACTED] Area. The audit was initiated through a risk assessment process and was conducted in accordance with generally accepted government auditing standards.

## OBJECTIVES

The objectives of the audit were to:

- Ascertain if postal management has developed effective strategies for identifying process improvements to address the on-time delivery of Priority and 2-3 Day Mail.
- Evaluate P & DC operations to determine if efficient processing of Priority and 2-3 Day Mail is in place to ensure meeting service commitments.
- Determine if scheduled transportation, both air and surface are adequate to support the Postal Service in attaining its service commitments.

## SCOPE AND METHODOLOGY

The objectives were accomplished through site reviews at three Processing & Distribution Centers (P & DC), three Air Mail Centers (AMC), an Incoming Mail Facility, and a Hub and Spoke facility (HASP) in the [REDACTED] Area. The reviews consisted of observations of the processing and transportation of 2-3 Day and Priority Mail within the [REDACTED] Area. At the AMCs, particular attention was provided to the handling of mail by the air carriers and the impact their performance had on service performance.

In addition to observations, interviews were conducted with postal management at each site. At the conclusion of each site review, an informal site report was provided to the respective District Manager and Plant Manager.

The following facilities were included in the audit:

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

## **BACKGROUND**

Since 1990, the Postal Service has contracted with the accounting firm of Price Waterhouse to measure First-Class Mail service performance independently and objectively. External First-Class (EXFC) is a slot-to-slot service performance measurement system. EXFC measures First-Class Mail performance from the time the mail enters the mail stream until delivery. EXFC was intended to measure performance from a customer's perspective and to produce accurate, independent, externally generated results.

EXFC provides quarterly estimates of "Destinating First Class Mail" service performance for 96 cities, encompassing about 300 3-digit Zip Code areas. This coverage includes overnight, two-day and three-day service commitment areas.

Since 1997, the Postal Service expanded its external measurements to include Priority Mail Service. Priority End to End (PETE) is a "point-of-acceptance to point-of-delivery" service performance measurement system for destinating Priority Mail.

## CONCLUSION

The on-time delivery of Priority and 2-3 Day Mail is a critical factor in ensuring customer satisfaction and financial stability of the Postal Service. In order to ensure efficient service in these areas, the Postal Service must ensure effective strategies are developed, effective processing procedures are followed, and adequate transportation is in place. The [REDACTED] Metro Area has committed to improving service and attaining Postal Service performance goals as they relate to EXFC and PETE measurement scores.

Our review of the Hub and Spoke facility (HASP) and the Processing and Distribution Centers (P&DCs) disclosed that Area management had developed effective strategies for identifying process improvements to address the on-time delivery of Priority and 2-3 Day Mail. However, several improvement opportunities were identified relating to operating plans, mail preparation guidelines, machine utilization, dispatch discipline, and [REDACTED], which hindered their ability to ensure service commitments were met, and performance goals were attained.

During our review, all of the facilities were determined to have one or more problems relating to inaccurate operating plans, untimely processing, and/or inaccurate reporting of plan failures and delays. As a result, delays impacting service scores were incurred but were not identified so that management could correct problems with 2-3 Day and Priority Mail service.

The review disclosed that mail preparation guidelines had not been updated and re-issued to Stations, Branches, and Associate Office letter carriers and mail collectors. This has contributed to the P&DCs' inability to achieve target times for clearance, and percentage of mail cancelled by 6:00 P.M. and 8:00 P.M. Additional time was needed in collection mail breakdowns in the P&DCs, and in some cases mail was sent to the wrong operation.

All of the facilities visited during the review failed to capitalize on opportunities to push mail volumes "up-the-ladder". Under-utilization of equipment was attributed to insufficient staffing, ineffective staffing, excessive leave, and failure to capitalize on the capability of equipment. At one facility, heavy First Class flats and Priority Mail could have been processed on FSM 1000 machines at a [REDACTED] plus Total Piece Handling Per Hour (TPH/H) rate, but were instead processed on Small Parcel and Bundle Sorters (SPBS) at approximately [REDACTED] TPH/H.

Regarding poor dispatch discipline, our review disclosed that mail in the Delivery Bar Code Sorter Operation (DBCS) was being double or triple stacked and staged on the tray racks. This mail was not dispatched to the Scan Where You Band (SWYB) operation until DBCS processing was completed. Given the parameters necessary to transport mail by air to meet 2 Day Critical Entry Time as early as 3:00 P.M., the backup at the SWYB created the potential for failure in 2-3 Day Service scores.

Destinating 2-3 Day First Class Mail and Priority Mail were not consistently handled in a manner that would allow for the achievement of desired service standards. Delays occurred as a result of inadequate staffing and supervision, uninformed employees, failure to follow instructions, poor communication, Mail Transport Equipment shortages and untimely dispatch of mail. In one facility, approximately 7000 pieces of committed First Class 2-3 Day destinating letter mail was identified as having been available for distribution and delivery, but was still on hand at 11:00 A.M. At another facility, the audit team identified sacks of First Class Mail that had been in the facility for 19.5 hours without being processed.

Air and surface transportation were determined to be adequate to support the Postal Service in attaining its service commitments. However, the HASP needed to do a better job of ensuring that all available mail is dispatched on the next scheduled trip. In addition, at each facility visited, the review determined that PS Forms 5398, Transportation Performance Record, were not accurately maintained and/or updated on a regular basis. Poor communication between the dock clerks completing the PS Forms 5398 and the transportation office contributed to this condition. Furthermore, not all of the P&DCs of the [REDACTED] Metro Area were in compliance with TIMES recording procedures.

## DETAILED FINDINGS AND RECOMMENDATIONS

### OPERATING PLAN

#### FINDING

The Operating Plan is an operational tool that is used to lay the foundation for service achievement. It must accurately reflect current mail processing equipment, techniques, and transportation. This includes processing done offsite. It defines a start time, Critical Entry Time (CET), and Clearance Time (CT) for each operation.

During our review of 2-3 Day and Priority Mail performance at [REDACTED] Area Processing and Distribution Centers (P&DCs) and Hub and Spoke facility (HASP), all of the facilities reviewed were determined to have one or more problems relating to inaccurate operating plans, untimely processing, and/or inaccurate reporting of plan failures and delays.

At the [REDACTED] P&DC, a review of the Operating Plan revealed that the CET for OCR/ISS Distribution was at 3:30 P.M. However, the Inbound Dock Critical Entry Time for Automated Area Distribution Center (AADC) First Class Letters was listed as 5:00 P.M. This technical error leaves mail received in automation from 3:30 P.M. to 5:00 P.M. open for interpretation as to whether or not the mail is committed for next day's delivery. Therefore, plan failures impacting 2-3 Day service performance may go unreported.

Incoming mail processing at the [REDACTED] was not completed in accordance with the Operating Plan. Mail destined for Associate Offices (AO) which missed Dispatch of Value (DOV) trips was sent to [REDACTED] to be delivered to the Associate Offices by express mail carriers. Some of this mail did not reach the carrier units in time for same day delivery, and thus was delayed.

While at the [REDACTED] P&DC's [REDACTED], on one occasion approximately 6200 pieces of [REDACTED] originating Priority and First Class Small Parcels and Rolls (SPRs) were observed at 3:00 A.M. and determined to be a plan failure. However, the [REDACTED] Mail Condition Report for that same day indicated no Line 1 or Line 4 plan failure or delay.

When mail is not completed according to the plan the volume of mail not meeting this criteria is referred to as a *"plan failure"*. However, there is still a chance that the mail may be finalized in time for the DOV transportation to the receiving facility. But, if this mail is not dispatched on the DOV transportation it then becomes a *"delay"*. Plan failures and delays must be reported each day via the Mail Condition Reporting System (MCRS) where they are viewed as a *"red flag"*. This observation allows for early detection of service problems that may be only isolated today, but could be chronic or systemic in the near future.

Section 424.2 of the Postal Operations Manual states, *"P&DCs review all standard operating plans submitted by their P&DF's for completeness and compatibility with the long-range mail processing and delivery needs of the center's area of responsibility. The P&DC submits appropriate plans in a complete package to the area office. ADCs and AADCs for all classes of mail are proposed by the Vice President, Area Operations, for approval by Operations Support, Headquarters."*

Section 451 of the Postal Operations Manual states, *"Outgoing mail is mail received in local collections and from associate offices involved in the area mail processing plan. Incoming mail is received from other P&DCs from around the country for delivery in a given service area. Outgoing and incoming mail must be processed according to the established operating plan. This processing must be completed by established clearance times."*

As a result of inaccurate operating plans and failed reporting procedures, senior management was unable to equate failing 2-3 Day and Priority Mail service scores to plan failures and delays.

## **RECOMMENDATION**

We recommend the Manager, [REDACTED]:

- Ensure that facility Operating Plans for the P&DC's of the [REDACTED] are current, complete, and accurate.
- Ensure the [REDACTED] provide training that covers the Mail Condition Report and the correct way to distinguish "On Hand", "Plan Failure" and "Delayed Volumes".
- Ensure the completion of mail in accordance with operating plans.



## MANAGEMENT'S RESPONSE

Management's response was provided on July 13, 1998. After review, they noted that operating plans for all [REDACTED] Plants had not been updated since 7/17/96. An Operating Plan Call will be sent out by 7/17/98 requesting any necessary updates, i.e. equipment, transportation, CET and CT changes. This will include operating plans for all mail processing facilities including the BMC and AMCs.

Due to limited resources in [REDACTED], management stated this recommendation would be pursued at the Headquarters level enlisting their training support. Prior to the formal training, correspondence defining "On Hand", "Plan Failure" and "Delayed Volumes" will be sent out to all offices required to input into the DMCR system.

Management at [REDACTED] also stated reviews of the DMCR are conducted daily and discrepancies are followed-up directly with the Plant in question. All [REDACTED] have taken action to both minimize "Plan Failures" and eliminate "Delays". Specifically they are monitoring destinating 2- and 3-"On Hand" volumes at strategic times via DMCR inputs on line 28. Since this tracking began 2 and 3 day composite performance has improved significantly.

## MAIL PREPARATION GUIDELINES

### FINDING

Collection mail received at the [REDACTED] Processing and Distribution Centers (P&DCs) was not consistent with the needs of the culling and canceling units (010 operation). Loose letters and flats were often mixed with Priority Mail in flat trays and 10-46 hampers. Priority flats and Priority outsides arrived commingled instead of the flats being separated and trayed for processing on the Flat Sorting Machine 1000 (FSM 1000). This condition existed because mail preparation guidelines had not been updated and re-issued to Stations, Branches and Associate Offices.

Mail preparation guidelines indicate the manner in which collection mail should be separated, containerized, and transported to the P&DCs. The Mail Preparation Handbook (PO-415) states that each District must have mail preparation guidelines that support the P&DC's mail preparation needs without significantly impacting District Operations. The Plant Manager and District Manager must closely monitor compliance with these guidelines on a daily basis. The guidelines should be periodically reviewed to reflect technological advances and changes in local conditions. These guidelines should be effectively communicated to all Stations, Branches, Associate Offices, letter carriers, and mail collectors. Irregularities should be expeditiously reported to the responsible manager so that corrections can be made in a timely manner.

The lack of mail preparation guidelines resulted in the culling and canceling operation's failure to achieve target times for clearance or percentage cancelled by 6:00 P.M. and 8:00 P.M. Additional time was needed in collection mail breakdowns in the P&DCs and in some cases mail was sent to the wrong operation. For example, [REDACTED] orange priority sacks were loaded on top of loose collection mail that was sent to the Priority Mail Processing Center (PMPC) located at the [REDACTED] several miles from the Plant. The missent collection mail then had to be returned to the Plant by special transportation measures. Back flow issues such as in the case of collection mail being sent from the [REDACTED] to the [REDACTED] impacted both service and budget.

In the [REDACTED] and at the [REDACTED] mail preparation guidelines reflected current technology, such as the FSM 1000, and both the Plant and the District monitored compliance frequently. As a result, flat sized pieces were pushed "up-the-ladder" from the Small Parcel and Bundle Sorter (SPBS) to the FSM 1000 for processing. In addition, percentages cancelled by 6:00 P.M. and 8:00 P.M. were at or near goal on a daily basis.

## RECOMMENDATION

We recommend the Manager, [REDACTED]

- Ensure that current mail preparation guidelines reflect technological advances and changes in local conditions.
- Ensure that all Stations, Branches, Associate Offices, letter carriers and mail collectors receive refresher training in mail preparation guidelines. Once the employees are trained, we recommend that the District monitor current mail preparation no less than once an accounting period for compliance.

## MANAGEMENT'S RESPONSE

Management stated a joint letter from the [REDACTED] MIPS and MOPS would be sent to each cluster requesting that all mail preparation guidelines be updated prior to the end of the fiscal year. Changes in several 010 systems throughout the [REDACTED], along with anticipated deployment, make the timing right for this request.

Through the Manager, Operations Support, a request will be made in the [REDACTED] to train all appropriate personnel on the updated mail preparation guidelines and to assign accountability to monitor compliance on an accounting period basis.

## **HANDLING**

### **FINDING**

Destinating 2-3 Day First Class Mail was not consistently handled in a manner conducive to the achievement of service standards. In most cases, the delays involved First Class mail in green sacks. These delays often occurred in sack opening units and were due to sacks not being opened in accordance with the service commitment indicated on the slide label, sacks not opened in a timely manner, and failure to process the mail in "first-in-first-out" (FIFO) order.

At 4:00 A.M. on March 12, 1998, in the [REDACTED] P&DC two (2) All Purpose Containers (APCs) of First Class mail in green sacks with arrival tags indicating that the containers arrived at 8:30 A.M. on the previous morning were staged near the Small Parcel Bundle Sorter (SPBS). At the same time, mail that arrived after these two (2) APCs was being dumped and processed. As a result of this failure to work mail in FIFO order, the two (2) APCs of First Class mail remained on the mailroom floor of the Washington DC P&DC for nineteen and one half (19.5) hours without being dumped and processed.

The delay in handling at the destinating site was frequently compounded by [REDACTED] and [REDACTED] coming from an originating Area Distribution Center/Automated Area Distribution Center (ADC/AADC). Destinating 2-3 Day mail arriving at a facility after Critical Entry Time (CET) is referred to as [REDACTED]. Observations made at all of the [REDACTED] Processing and Distribution Centers (P&DCs), Air Mail Centers (AMCs), and the Hub and Spoke facility (HASP) revealed that the predominance of the [REDACTED] was arriving in green sacks. For example, on March 9, 1998, at 11:10 P.M. nine (9) containers of First Class Mail in green sacks at the [REDACTED] P&DC were reviewed. The mail arrival tags indicated that eight (8) of these containers of mail arrived at the [REDACTED] P&DC after the Plant's Critical Entry Time (CET) making the contents [REDACTED]. Further investigation determined that many of these [REDACTED] green sacks originated at either [REDACTED] or [REDACTED]. Several sacks were scheduled for delivery on the previous day. Mail that is already in a delayed status when it reaches its destination is referred to as being [REDACTED]. The most prevalent offender of the [REDACTED] mail identified in these nine mail containers was [REDACTED].

Successful handling of 2-3 Day destinating mail is reliant upon the timely identification, separation, and processing of committed volumes at the destination, as well as, the timely clearance and transport of originating volumes at the Plant of origin. Section 456 of the Postal Operations Manual states, [REDACTED] is a distribution system where First-Class Mail, for a specific ZIP Code span, is massed at an automated/mechanized facility for distribution and dispatch. Initially, originating post offices identify and distribute First-Class Mail for a state or a specific ZIP Code span that is to be transported to ADCs/AADCs in destination geographic areas beyond the range of overnight delivery. Processing at origin points requires separation of mail to destination distribution centers by automated, mechanized, or manual case distribution. ADCs/AADCs will, to the extent possible, use machines and process destinating managed mail on Tour II. This, however, does not preclude performance of necessary distribution on other tours to achieve service standard commitments. The prime objective and benefit of [REDACTED] is the reduction in secondary workload at origin post offices, primarily on the evening tour."

As a result of inefficient handling of [REDACTED] at the originating site, and/or the destinating site, delayed First Class mail was observed on many occasions in the P&DCs of the [REDACTED]. Ultimately, these delays negatively impact 2-3 Day destinating and composite service scores.

## RECOMMENDATION

We recommend the Manager, [REDACTED]

- Ensure expeditious handling of destinating 2-3 Day First Class mail in green sacks.
- Ensure the utilization of [REDACTED] or other methods of notification of origin sites outside the [REDACTED] of [REDACTED] and/or [REDACTED] 2-3 Day First Class destinating mail.
- Ensure compliance with national Postal regulations requiring First Class flats and letters to be transported to ADCs/AADCs in mail trays rather than green sacks.

## MANAGEMENT'S RESPONSE

Management stated the [REDACTED] MIPS would advise all Plants of this potential service impact via letter by end of AP 11.

On 3/19/98, all Capital Metro Plants were provided a 1-day training session on both [REDACTED] and [REDACTED]. They were instructed to select either the [REDACTED] or [REDACTED] program for implementation in their plant. Although 2-3 Day service performance had improved and ranked high Nationally, management stated stressing the importance of these tracking programs could make continued improvements. Management has tasked the DNO to audit compliance with [REDACTED] tracking.

Management advised that although they discourage the use of green nylon sacks, there were instances whereby the use of this equipment was necessary. All [REDACTED] Plants are attempting to use as many trays as possible in all areas subsequent to the DOV. Management said their policy requires the plants to dispatch as much mail as possible on the trips prior to the DOV. Due to this practice, management stated some minimal volumes of letters and flats would continue to be dispatched in green nylon equipment.

## **MACHINE UTILIZATION**

### **FINDING**

Maximization of mail processing equipment is a vital element necessary for achievement of service performance. During our review of 2-3 Day and Priority Mail service performance at [REDACTED] Processing and Distribution Centers (P&DCs), it was determined that all of the facilities reviewed failed to effectively or efficiently utilize all mechanized processing equipment.

During our audit, it was determined that all three sites reviewed failed to capitalize on opportunities to push mail volumes "up-the-ladder". For example, at the [REDACTED] P&DC, heavy First Class flats and Priority Mail could have been processed on the Flat Sorting Machine 1000 (FSM 1000) at a [REDACTED] plus Total Piece Handling Per Hour (TPH/H) rate, but were processed on the Small Parcel and Bundle Sorter (SPBS) at approximately [REDACTED] PH/H. Additionally, we observed these pieces being processed on a Linear Parcel Sorter (LIPS) or manual operations at an even lower productivity rate.

Mail processing equipment must be adequately staffed and effectively managed in order to achieve productivity and throughput goals. These goals are designed to ensure finalization of threshold volumes within the time frame set by the Operating Plan and to achieve budgetary goals necessary to maintain financial solvency.

During our review of the [REDACTED] P&DC, Managers, Distribution Operations attributed the inefficient operation of equipment to insufficient staffing and excessive light and limited duty assignments. However, our observations revealed that the underlying issues of ineffective staffing (supervisors exceeding staffing index per machine) and excessive leave ([REDACTED]) were the major contributors to this problem. In addition, management failed to fill existing automated or mechanized vacancies with unassigned regulars. The [REDACTED] P&DC and the [REDACTED] P&DC failed to maximize the FSM 1000 (flat sorting machine designed to process bulky and/or heavy flat sized envelopes, magazines, or fliers) resulting in mail volumes being worked in less efficient operations.

As a result of management's failure to maximize machine utilization, 2-3 Day and Priority Mail was delayed. As a further consequence, costly overtime was often used to compensate for staffing shortfalls, and extra trip transportation was used to transport plan failed volumes to prevent delays.

## RECOMMENDATION

We recommend the Manager, [REDACTED]

- Ensure the accountability for machine utilization, productivity and throughput goal achievement, and leave control measures be emphasized at all levels.
- Re-emphasize the need to aggressively push all mail volumes "up-the-ladder" to ensure processing by the most productive means.

## MANAGEMENT'S RESPONSE

Management at [REDACTED] advised they would monitor, track and report any deficiencies noted relative to equipment utilization to Plant Managers. Additionally a recommendation would be sent to the Plant Managers to reinforce the use of the "Hours/ Use Analysis" portion of the MODS reports. The information obtained would identify those pay locations recording high absenteeism due to [REDACTED] etc. for local corrective action.

Management also stated it has been their policy to move mail up the processing ladder. They stated they would re-emphasize the need to focus attention in this area via direct communication with the In-Plant Support Managers and the Plant Managers as necessary. Area, MIPS, will compute Ladder A, B, and C performance by Plant and provide quarterly tracking.



## DISPATCH DISCIPLINE

### FINDING

During the audit of the [REDACTED] Processing and Distribution Centers (P&DCs) and the Hub and Spoke facility (HASP), errors were identified in dispatching. At the [REDACTED] P&DC, the audit disclosed mail in the Delivery Bar Code Sorter Operation (DBCS) was being double or triple stacked and staged on the tray racks. This mail was not dispatched to the Scan Where You Band (SWYB) operation until DBCS processing was completed. The audit disclosed that, due to late clearance times, the [REDACTED] P&DC would occasionally bypass the SWYB operation and dispatch this mail directly to the Air Mail Centers (AMC) for scanning. Given the parameters necessary to transport mail by air to meet 2 Day Critical Entry Time (CET) as early as 3:00 P.M., the backup at the SWYB created the potential for failure in 2 and 3 Day Service Scores.

At the [REDACTED] HASP, the review disclosed that all available mail was not dispatched on the next scheduled trip. Confusion over trip destination and alternate routing existed between HASP management and dock personnel. One day during the review, at 11:45 A.M., members of the audit team observed a trailer loaded with fifteen All Purpose Containers (APC). PS Form 5398 (Transportation Performance Record) indicated that the trailer was destined for [REDACTED], however, dock personnel advised that the trailer made stops at both [REDACTED] and [REDACTED]. The trailer was scheduled to depart at 12:45 P.M. At approximately 11:50 A.M., thirty-three (33) APCs destined for the [REDACTED] were observed in their designated staging area. Members of the review team assumed that these APCs would be loaded on the trailer scheduled to depart at 12:45 P.M., however, a review of PS Form 5398 at 2:30 P.M. indicated that the 12:45 P.M. trip to [REDACTED] departed with a load of 38%. PS Form 5398 further indicated that at 2:00 P.M. a trip to [REDACTED] departed with a load of 100%.

When brought to the attention of HASP management, they advised that the 12:45 P.M. [REDACTED] trip terminated at the [REDACTED] and not the [REDACTED], as indicated by dock personnel. However, [REDACTED] P&DC management indicated that HASP management had the option of continuing the 12:45 P.M. [REDACTED] trip to the [REDACTED] P&DC based on volume available for dispatch. Had Hasp management taken this option, 62% load of First Class and Priority Mail would have been advanced to the [REDACTED] P&DC by one hour and fifteen minutes.

An effective dispatch requires that proper signage be visible throughout the facility and that all available mail flows to the appropriate operation. Each operation must ensure they meet CET and Clearance Time (CT) to make a quality dispatch of the right mail on the right truck at the right time.

As a result of poor dispatch discipline, potential delays of mail existed which could have impacted service scores. Our review determined that Plant Operations in the [REDACTED] Area were geared towards a Dispatch of Value (DOV), which is in fact a last chance dispatch to make service. Achievement of EXFC originating and destinating 2-3 Day goals dictate that finalization of the mail be geared towards earlier dispatches. Managed Mail Processing was initially designed for early receipt and processing of the mail. Section 456 of the Postal Operations Manual states, "ADCs/AADCs will, to the extent possible, use machines and process destinating [REDACTED] mail on Tour II".

#### **RECOMMENDATION**

We recommend the Manager, [REDACTED]

- Ensure that all available mail is processed and targeted for first available surface/air transportation;
- Re-emphasize the need for proper dispatch discipline throughout the [REDACTED]

#### **MANAGEMENT'S RESPONSE**

The Manager, [REDACTED] stated he will have the Distribution Networks Office conduct reviews quarterly of dispatch discipline within the [REDACTED]. The reviews will encompass visual aids, Scan Where You Band, distribution tables, dispatch procedures and containerization.

The Distribution Networks Office will conduct Dispatch Discipline classes to Plants as necessary. As of management's response on July 13, 1998, [REDACTED] P&DC and [REDACTED] P&DC had been completed.

## **TRANSPORTATION PERFORMANCE RECORD (PS FORM 5398)**

### **FINDING**

During our review of 2-3 Day and Priority Mail performance at [REDACTED] Processing and Distribution Centers (P&DCs) and Hub and Spoke facility (HASP), an analysis of PS Forms 5398 Transportation Performance Record was performed at each of the sites. The analysis revealed these documents were not accurately maintained and/or updated on a regular basis. Information regarding the arrival and departure times of trucks was not recorded at all times. In addition, each site was reviewed for utilization of the Transportation Information Management and Evaluation System (TIMES). This review determined that most sites were either not in compliance or were only in partial compliance.

A review of PS Forms 5398 for Accounting Period 7, Fiscal Year 1998, for [REDACTED] P&DC indicated, on several occasions inbound data was not recorded for 26 inbound trips. In addition, a review of [REDACTED] P&DC's PS Forms 5398 revealed trips which were no longer operating, or had been modified but were not reflected on the forms currently in use. The accuracy of the PS Forms 5398 was verified against the Statements of Service.

Accurate, current and properly input TIMES data, or completed PS Form 5398, are necessary in order for a facility to monitor the movement of mail via surface transportation. These documents are used to record the actual times and volumes of mail that are arriving and departing a facility. The information recorded can be used to determine if mail is clearing a facility in compliance with the Operating Plan. TIMES and PS Forms 5398 are also used as measuring devices to determine if vehicle size and scheduling are complying with the current needs of the facility. Further utilization of TIMES and PS Forms 5398 include using historical data as a tool to establish a transportation budget (i.e. plan vs. actual), and to determine if current transportation is adequate to meet the Critical Entry Time (CET) and Clearance Time (CT) of the facility.

Our review determined quality checks were not performed on the completed PS Forms 5398 to verify accuracy. The Transportation Offices did not periodically update PS Forms 5398 nor did they insure updated PS Forms 5398 were provided to the proper locations. In addition, no procedure existed to ensure current PS Forms 5398 were in use. Poor communication between the dock clerks completing the PS Forms 5398 on a daily basis and the transportation office contributed to the continued use of inaccurate transportation schedules.

Without accurate, current and properly input TIMES data or completed PS Forms 5398, historical data cannot be used to:

- Adjust transportation schedules to expedite the transport of originating 2-3 Day First Class and Priority Mail from P&DCs to Air Mail Centers (AMC) and Hub and Spoke facilities (HASP) for transfer.
- Adjust transportation schedules to expedite destinating 2-3 Day First Class and Priority Mail from AMCs and HASPs to P&DCs for processing.
- Analyze load percentages to determine the need to increase or decrease vehicle size in order to more efficiently and effectively transport 2-3 Day and Priority Mail between postal facilities.
- Combine transportation and eliminate unnecessary or extra trips.
- Determine on time performance, and identify delivery failures as transportation or plant issues. Determine on time performance, and identify delivery failures as transportation or plant issues.

## **RECOMMENDATION**

We recommend the Manager, [REDACTED]

- Ensure that TIMES is properly utilized by all TIMES-capable facilities.
- Ensure timely and accurate completion of PS Forms 5398 at non-TIMES facilities.
- Ensure the timely and accurate updating of trip information contained in TIMES or listed on PS Forms 5398.

## MANAGEMENT'S RESPONSE

The Manager [REDACTED] stated the DNO would conduct a Times system assessment to determine the requirements to achieve 100% compliance. Full compliance would be accomplished by the end of Quarter 1, FY 1999. The review would encompass the following data base systems and training: Highway Contract Support System-all HCR Service; National Air and Surface System-PVS and MVS Service; Drop Shipment Appointment System-Mailer Prepared Mailings; Vitals System-Interface to NASS and TIMES; Data Entry-Weekly Performance Report.



M. Sherwin Green  
Postal Inspector



# AUDIT REPORT

EXFC OPERATIONAL REVIEW

[REDACTED]

CASE NO. [REDACTED]

APRIL 1998



POSTAL INSPECTION SERVICE

TAMPA DIVISION

RESTRICTED INFORMATION

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## **EXECUTIVE SUMMARY**

The Postal Inspection Service conducted an External First Class (EXFC) Operational Review in the [REDACTED] District, the [REDACTED] Processing and Distribution Center and selected EXFC and non-EXFC offices. The topic was chosen as a result of analyzing comparisons of EXFC and Origin Destination Information System (ODIS) scores between EXFC and non-EXFC SCFs during the 1996 Mail Classification Reform review. Several offices were identified that appeared to have implemented operational methods to improve EXFC scores without improving total First-Class mail service. [REDACTED] was one of the offices identified.

The primary objective of the audit was to determine if the comparison between EXFC and ODIS scores had validity as an indicator for differences in mail service between EXFC and non-EXFC SCFs. Our objective was to evaluate the impact of EXFC programs and operational decisions on the [REDACTED] P&DC and the overnight delivery area service by 1) determining if the level of service for First-Class mail was the same for both EXFC and non-EXFC offices; 2) identifying and evaluating the use and cost effectiveness of any local programs designed to improve EXFC; and, 3) determining the reasons for the variances in EXFC and ODIS scores.

The audit revealed local operating plans and decisions were made based upon preferential treatment afforded EXFC candidate mail and EXFC offices to improve scores. Local delivery and mail collection service improvement policies were implemented in EXFC SCFs and were not expanded to the other SCFs. In some instances, EXFC candidate mail was separated and given preferential treatment over non-EXFC candidate mail.

In all of the four findings reported, Collections, Delivery, Plant Operations, and ODIS Versus EXFC, the recommendations were similar. Any resources and programs implemented to improve service in EXFC SCFs should be applied equally to all SCFs throughout the district in order to maintain equal levels of service to our postal customers.

## **INTRODUCTION**

During the Mail Classification Reform review in 1996 and continuing with the ongoing attention to automation utilization, the Postal Inspection Service utilized comparisons of External First-Class (EXFC) and Origin Destination Information System (ODIS) as indicators of performance between EXFC and non-EXFC SCFs. Several offices were identified that appeared to have implemented operational methods to improve EXFC scores without improving total First-Class service. The improvements were selective and affected levels of service to postal customers based upon whether the First-Class mailpiece originated and destined within an EXFC overnight area.

The indicators, EXFC versus ODIS scores and EXFC overnight versus EXFC two and three day combined scores, were analyzed for all EXFC offices for Postal Quarter (PQ) 3, Fiscal Year (FY) 1997. The significance of a higher EXFC score than ODIS score related to EXFC measuring service from the collection box to the customer's mailbox while ODIS only measured from the origin Processing and Distribution Center (P&DC) to the letter carrier's case. Although there were several offices identified with higher EXFC scores than ODIS scores, the [REDACTED] operations were selected for review based on available audit resources.

The [REDACTED] EXFC overnight score for PQ 3, FY 97 was 91.8. The overnight ODIS score for the same period was 86.4. The comparison between overnight EXFC and ODIS scores was based on the [REDACTED] and [REDACTED] SCFs only. The Orlando P&DC processes originating and destinating mail for the [REDACTED], [REDACTED], and [REDACTED] SCFs. Only [REDACTED] and [REDACTED] SCFs were included in the EXFC testing while all three SCFs plus [REDACTED], which was processed at the [REDACTED] P&DC, were included in the ODIS overnight service area.

## **OBJECTIVE**

The primary objective of this review was to determine if the comparison between EXFC and ODIS scores had validity as an indicator for differences in mail service between EXFC and non-EXFC SCFs. As explained in the introduction, [REDACTED]

was one of several offices we could have visited to review postal operations. However, once [REDACTED] was selected for review, our objective was to evaluate the impact of EXFC programs and operational decisions on the [REDACTED] P&DC and the overnight delivery area service by:

- A. Determining if the level of service for First-Class Mail was the same for both EXFC and non-EXFC offices;
- B. Identifying and evaluating the use and cost effectiveness of any local programs designed to improve EXFC;
- C. Determining the reasons for the variances in EXFC and ODIS scores.

## SCOPE

The audit included interviews with the District Manager, Postmasters; Plant Managers; Managers, Post Office Operations; Managers In-Plant Support; Manager Operations Support; mail processing and delivery supervisors; and craft employees regarding mail processing, collection and delivery procedures. Observations and interviews were conducted at the [REDACTED] District, the [REDACTED] P&DC and the following delivery units:

### EXFC Offices

- 1. [REDACTED]
- 2. [REDACTED]
- 3. [REDACTED]

### NON-EXFC Offices

- 1. [REDACTED]
- 2. [REDACTED]
- 3. [REDACTED]

Reviews were conducted of Daily Mail Condition Reports; EXFC data; ODIS data; Collection Management System (CMS) schedules; Customer Service Delivery Reporting System (CSDRS) data; Corporate Data Base information and automation sort plans. Attention was given from July through October 1997.

## **CONCLUSION**

The accuracy and integrity of the EXFC system relies on the premise that the improvement in EXFC scores reflects a measurable improvement in all First-Class service. Any activity that gives disparate treatment and service to selected First-Class Mail pieces, based upon where the mail originated or destined, or the type of postage affixed to the mailpiece, could result in an EXFC score that is not representative of the level of service provided to First-Class mail.

The audit revealed local operating plans and decisions were made based upon preferential treatment afforded EXFC candidate mail and EXFC offices to improve scores. Local managers and supervisors in EXFC SCFs interpreted Area and District policies concerning "hot case" mail to literally mean all First-Class "hot case" mail had to be delivered, even if the carriers were already delivering mail on the street. The implementation of these policies caused service to be placed ahead of budget in the EXFC offices. The P&DC used additional resources to ensure EXFC candidate mail was processed in a timely manner and that any originating plan failures were confined to the non-EXFC originating mail.

Local delivery and mail collection service improvement policies were implemented only in EXFC SCFs and were excluded from non-EXFC SCFs. The policies were not expanded to the other SCFs because they were not cost effective. In some instances, EXFC candidate mail was separated and given preferential treatment over non-EXFC candidate mail, which raised EXFC scores rather than overall service. Postal management should either discontinue practices documented in this report or expand such practices to all overnight SCFs to ensure all postal customers receive similar First-Class mail service.

Our decision to review operations at the ████████ P&DC was based on Postal Quarter (PQ) 3, FY 1997 EXFC and ODIS data. Our review took place during PQ 4, FY 1997 and coincided with the arrival of a new Plant Manager. A review of PQ 4 data shows considerable improvement in ODIS scores and indicates a positive improvement in mail processing operations. The Plant Manager concurred with our use of EXFC and ODIS comparisons as indicators of

differences in mail service between EXFC and non-EXFC SCFs. The plant manager stated we would have been able to document additional mail processing findings if we had started the audit in PQ 3, prior to the implementation of corrective measures in PQ 4, FY 1997.

## DETAILED FINDINGS AND RECOMMENDATIONS

### COLLECTIONS

#### FINDING:

██████ used more resources and provided better service for mail collection in EXFC SCFs than non-EXFC SCFs. Collection service in EXFC SCFs was expanded to ensure over 85 percent of all last pick-ups (LPU) were on dedicated collection routes. All of the EXFC collection route boxes were monitored through the use of wands and barcodes to ensure collectors did not miss any which could create EXFC zero bundles. The National, Area, and District emphasis on EXFC scores was the primary reason for these collection changes.

The following chart illustrates the comparison between the percentage of LPU collection times by dedicated collection routes in EXFC SCFs and non-EXFC SCFs within the ██████ overnight service area:

EXFC			
<u>SCF</u>	<u>COLLECTION BOXES</u>	<u>LPU ON COLL. ROUTES</u>	<u>PERCENT ON COLL. ROUTES</u>
██████	██████	508	96
██████	389	353	91
TOTAL	917	861	95
NON-EXFC			
██████	786	384	49
██████	222	66	30
TOTAL	1,008	450	45

The reason given for attempting to put all LPU on collection runs was to ensure no EXFC zero bundles were recorded in the ██████ District. References were also made to a January 25, 1996, letter from the Headquarters Manager, Delivery that stated, "Consider the feasibility of developing dedicated collection runs in EXFC zones for the structured collection of mail from those boxes that

are currently picked up by letter carriers in conjunction with the delivery of their assigned routes." The collection schedules in SCF [REDACTED] and [REDACTED], however, were not changed and appear to mirror what SCF [REDACTED] did before 1994 when residential boxes were serviced by the carrier on the route. From 1994 to 1997, for instance, in the [REDACTED] Branch, collection work hours increased from approximately 34 hours per Accounting Period (A/P) to over 200 hours per each A/P. The number of total collection boxes increased only slightly during the same period. In 1994, less than 35 percent of the boxes were scheduled for last pick-up on a collection route. By 1997, all of the last pick-ups were on collection routes. The changes were made to improve EXFC scores by ensuring collection box LPUs were wanded and monitored electronically.

A comparison of Labor Distribution Code (LDC) 27, collection hours, was made between the EXFC SCFs and the non-EXFC SCFs from 1994 to 1997 as follows:

#### COLLECTION HOURS, LDC 27

EXFC	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
[REDACTED]	5,533	5,054	7,489	8,343
[REDACTED]	<u>5,773</u>	<u>6,001</u>	<u>7,387</u>	<u>8,240</u>
TOTALS	11,306	11,055	14,876	16,583
NON-EXFC				
[REDACTED]	11,425	10,466	9,900	10,438
[REDACTED]	<u>2,670</u>	<u>2,246</u>	<u>2,269</u>	<u>2,180</u>
TOTALS	14,095	12,712	12,169	12,618

As the Collection Hours, LDC 27 chart indicates, dedicated collection resources increased over 5,277 hours or 46 percent in the EXFC offices while the same workhours decreased 1,477 hours or 10 percent in the non-EXFC offices from 1994 to 1997. A possible explanation offered by management was that changes in methods for recording collection hours were made during the period and an undetermined amount of LDC 27 workhours could have been recorded in LDC 22. We question how this explanation does not have the same effect on LDC 27 workhours in non-EXFC offices.

## **RECOMMENDATION:**

We recommend the [REDACTED] District ensure that any resources and programs implemented to improve collection service in EXFC SCFs are applied equally to all SCFs throughout the district in order to maintain equal levels of service to our postal customers.

## **MANAGEMENT'S RESPONSE:**

The [REDACTED] District Manager responded as follows:

If a performance cluster had problems with collections, a lower EXFC (vs. ODIS) score would have been the result. Had the EXFC score been significantly lower than ODIS, we would understand the desire to review collection operations.

The practice of placing nearly all collection boxes on collection routes was a result of limited wand availability. The practice of wanding every box does not in itself provide better service, but rather a more controlled tracking capability to ensure all collection boxes were collected as scheduled. We think it was perfectly logical to deploy wands to ensure full coverage in EXFC offices.

Prior to moving collections from the carriers to the collection routes, these collection workhours were charged to LDC 22 (carrier street time). They are now being charged to LDC 27 (collection). Therefore, we would expect to see an increase in LDC 27. Furthermore, we had increases in LDC 27 in ZIP Codes [REDACTED] and [REDACTED] (non-EXFC ZIPs) between 1994 and 1997. Separating collections from carrier routes for EXFC zones was a Headquarters recommendation and was intended to provide more controlled tracking capability, which does not necessarily improve service. With the deployment of Delivery Confirmation, every carrier will have a wand, which will allow us to move some collections back to individual routes, if necessary.

We believe that the collection practices in the [REDACTED] District are consistent with National and Area practice/policy. If this were not the case, we would ask that the United States Postal Service Headquarters issue clarification to all 10 Areas and all 85 Districts to ensure consistency.



**INSPECTORS' COMMENTS:**

We concur with management's response that if the [REDACTED] District collection practices are in compliance with National and Area practices/policies, then the practices are a national concern and not confined to the [REDACTED] EXFC SCFs. The following chart is a national comparison between the EXFC offices and non-EXFC offices for LDC 27, collection workhours:

<u>OFFICES</u>	<u>1995</u>	<u>1996</u>	<u>95/96</u>	<u>1997</u>	<u>95/97</u>
EXFC	2,277,801	2,505,215	10%	3,086,293	36%
NON-EXFC	3,471,880	3,718,099	7%	4,093,994	18%

An analysis of this chart indicates collection hours increased twice as much in the EXFC offices as the rest of the nation from FY 1995 to FY 1997.

## **DELIVERY**

### **FINDING:**

Offices in SCFs [REDACTED] and [REDACTED] implemented measures to ensure all First-Class Mail was delivered daily, regardless of whether the mail was missent, missorted, or arrived after the carriers were on the street. The measures were implemented to achieve EXFC goals and were in excess of reasonable service. The measures were not cost effective and were only directed at the EXFC offices.

Hot case mail sorted after the carriers left the office was dispatched to carriers while on their routes. If a carrier was not available to take the hot case mail to the other carriers, management utilized clerks or other supervisors to dispatch this mail. Carriers receiving the mail, sometimes in the middle of their routes, were instructed to backtrack if necessary to make the delivery. Carriers were also instructed to backtrack to deliver all DPS missorts. Missent mail, normally full trays or containers, were dispatched to the appropriate delivery unit as soon as possible by any available personnel, including custodians if necessary. The primary reason for implementing these measures was to improve the EXFC scores. Postmasters interviewed in SCFs [REDACTED] and [REDACTED] (non-EXFC areas) claimed these measures were not cost effective and not implemented in their offices. Neither the district nor local management projected or tracked the costs associated with these procedures.

In an interview with the [REDACTED] Postmaster, he expressed equal concern over the service provided to deliver periodicals. However, his managers were not instructed to take periodicals out to the carriers and have them backtrack to deliver the mail. Management claimed the periodicals in the hot case were too heavy to take out to carriers for same day delivery.

Although the purpose of the second delivery was to ensure a better EXFC score, there was an irony in providing two deliveries in the same day to a residence. A customer who received mail twice in one day might not be aware of the second delivery. In that case the mailpieces would not be discovered or credited (by an EXFC recorder) until the following day.

The practice of backtracking to deliver hot case mail could expand City Carrier, LDC 22, Street Work Hours. Since traditional carrier route inspections and adjustments could utilize the "eight week analysis" to establish carrier route street time, the expanded street times created the potential for improper route adjustments.

#### **RECOMMENDATION:**

We recommend the [REDACTED] District ensure that any resources and programs implemented to improve service in EXFC SCFs are applied equally to all SCFs, in order to provide the same level of service to all postal patrons. In addition, the practice of delivering hot case mail remaining after carriers leave the unit and having carriers backtrack should be discontinued.

#### **MANAGEMENT'S RESPONSE:**

The [REDACTED] District Manager responded as follows:

The Inspection Service stated in the introduction, "the implementation of these policies caused service to be placed ahead of budget in the EXFC offices." All post offices (EXFC and non-EXFC) are ranked on the [REDACTED] District Customer Perfect! Ranking Report. This report considers all three voices of Customer Perfect! and is heavily weighted on Voice of the Business. For example, [REDACTED] Office missed their EXFC goal of 92.50 and was penalized 415 points. [REDACTED] Post Office missed the budget goal and was penalized 22,535 points. A copy of the report was provided to the Inspection Service during the audit.

Copies of all District delivery policies and procedures were made available to the Inspection Service during the review. All [REDACTED] District post offices are required to follow these policies and procedures. There were no District mandates to the delivery units that encouraged the distinction between "EXFC" and "non-EXFC" mail. The only separation made in delivery units is between preferential mail and standard mail. District-wide standard operating procedures were sent to ALL postmasters on December 3, 1996. There was no attempt to differentiate between post offices in EXFC and non-EXFC ZIP Codes.

No basis has been provided for the statement that the measures were in excess of reasonable service. Neither EXFC nor ODIS scores are significantly higher than the other performance clusters in the [REDACTED] Area. No basis has been provided for the statement that the measures were not cost effective. While we acknowledge that there is an associated cost, all measures taken in FY 97 were done within budget. The [REDACTED] Performance Cluster ended the fiscal year approximately \$2 million below budget.

The Inspection Service appears to be painting a worst-case scenario regarding the cost of these procedures. The intent of the policy was to improve quality and system discipline in delivery units PRIOR to carriers leaving the office. In fact, many managers have implemented local improvements, which have virtually eliminated the need for redelivery, etc. This was precisely the intent of the policy. It has never been the intent of the District to spend "unreasonable" costs to improve service.

These missent mail procedures have been in effect for several years, dating back prior to reorganization in 1992 and prior to EXFC testing. This information was provided to the Inspection Service during the audit. We do not consider redirecting full trays of missent mail to be "in excess of reasonable service." This practice is not limited to EXFC-sites. The Inspection Service neither indicated whether they actually observed redeliveries or have they provided any evidence of the frequency of redeliveries.

The most recent delivery policies and standard operating procedures issued by the [REDACTED] District (December 3, 1996) do not require carriers to backtrack. This was issued to all post offices in the [REDACTED] District and did not differentiate between EXFC and non-EXFC offices. The District Delivery Programs office, during the adjustment process, disallowed any backtracking which may have occurred during route inspections. The eight-week analysis, Form 1840-B, was not used to adjust routes in the [REDACTED] Post Office in FY 96. The Form 1840 data (actual observation during week of inspection) was used.

Even though we are attempting to rifle mail in the office to catch errors and avoid redelivery while on the street, we do not believe that the practice cited by

the Inspection Service violates National policy/procedure. If we are incorrect, we would ask that the United States Postal Service Headquarters issue clarification to all 10 Areas and all 85 Districts to ensure consistency, fairness, and a level playing field as we pursue National targets.

#### **INSPECTOR'S COMMENTS:**

Management's statement that, "while we acknowledge that there is an associated cost, all measures taken in FY 97 were done within budget," relates to the District budget. The District consisted of two EXFC SCFs, [REDACTED] and [REDACTED] and four non-EXFC SCF, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]. The [REDACTED] SCF, [REDACTED] is the larger of the two EXFC SCFs and, considering the 22,535 penalized points for exceeding budget, the non-EXFC SCFs must have been under budget for the District to end "the fiscal year approximately \$2 million below budget."

We concur that discretion should also be used when backtracking to deliver missorted DPS mail. However, management's response does not address the "hot case" mail issue identified in the finding. Hot case mail was observed being sent to the street after the carriers were dispatched. This procedure was not listed in the December 6, 1996, instructions, but while we were in the offices, the local managers sent only First-Class hot case mail out to the street to be delivered by the carriers. Our position remains that if this procedure is cost effective, then this service should be provided to all postal customers regardless of where they reside. We also questioned why this policy was cost effective for First-Class mail only.

## PLANT OPERATIONS

### FINDING:

The [REDACTED] Processing and Distribution Center (P&DC) overnight service area included SCFs [REDACTED], [REDACTED], and [REDACTED]. However, the EXFC SCFs, [REDACTED] and [REDACTED], were afforded better service than the non-EXFC SCFs, [REDACTED] and [REDACTED]. The primary reason for the differences was to improve EXFC overnight scores. As a result, EXFC scores did not represent the service provided to all of the [REDACTED] overnight service areas and the EXFC score improvements did not reflect an actual service improvement for all overnight First-Class mail.

The P&DC processed originating collection mail from SCFs, [REDACTED], [REDACTED], and [REDACTED] in order of arrival, during low volume periods. On heavy volume days, when cancellation totals were expected to approach one million pieces, or if a plan failure was anticipated, SCF [REDACTED] mail was either staged for processing after SCF [REDACTED] and [REDACTED] collections, or the [REDACTED] mail was dispatched to the [REDACTED] P&DC for canceling and processing. Although this allowed all of the EXFC candidate mail to be processed and expedited, management claimed there were operational considerations for identifying and isolating SCF [REDACTED] which included the secondary processing of SCF [REDACTED] mail at the [REDACTED] P&DC and the early dispatch of SCF [REDACTED] mail to the Delivery Distribution Centers (DDC).

A review of the outgoing Multi-Line Optical Character Reader (MLOCR) sort plan revealed opportunities for reducing the number of trays sorted through the Tray Management System (TMS), and reducing re-handled mail which would also reduce manual outgoing volumes. According to the Manager, In-Plant Support, the sort plans were designed to ensure the destinating mail was available for the DDC dispatches and all of the local EXFC offices were sorted through the DDCs. The dispatch of value for the DDCs was 3:30 A.M. and the Operating Plan was designed to complete outgoing operations by 12 A.M., providing nearly three hours of operational time to finalize the local mail. The sort plans reduced the number of handlings for the local overnight mail, and isolated EXFC overnight mail from all other incoming two and three day mail by ensuring all EXFC directs were held out on all sort-plans, regardless of the volume.

An analysis of Accounting Period (A/P) 13 End of Run (EOR) reports identified large volume two and three day holdouts that were combined on the Outgoing MLOCR sort-plan with other mail. The holdout mail had to be rerun on a secondary sort-plan to distribute the mail for dispatch. The same A/P 13 reports identified low volume directs for the EXFC SCFs, such as Patrick Air Force Base (AFB), that were held out on the Outgoing MLOCR. As a result, TMS was used to transport trays from the MLOCR to be staged for the Delivery Bar-Code Sorter (DBCS) and then moved again for banding and dispatch. Since the EXFC offices were isolated as holdouts on the outgoing sort programs for automation equipment, excess trays were utilized for low-density holdouts such as [REDACTED]

However, at dispatch time, when the TMS was already overloaded with trays, there were four trays from the MLOCR, nine trays from the OSS BCS, and two trays from the DBCS machines, all for [REDACTED] and none of the trays were half full. It should be noted that management has since removed [REDACTED] from having a separate holdout.

Two and three day states mail flowed from the Outgoing MLOCR (881) operation to the Outgoing DBCS (891) operation. The following chart identifies the ten lowest density stackers on the 881 MLOCR sort-plan and the ten highest density stackers on the 891 DBCS sort-plan operations that were in effect during A/P 13, FY 1997:

<u>MLOCR 881 SORT PLAN</u>			<u>DBCS 891 SORT PLAN</u>		
STACKER DENSITY	PIECE VOLUME	TRAY EQUIVALENT	STACKER DENSITY	PIECE VOLUME	TRAY EQUIVALENT
.02	2,039	4	3.80	71,755	144
.02	2,039	4	2.91	54,949	110
.07	7,137	14	2.52	47,585	95
.07	7,137	14	2.31	43,620	87
.08	8,157	16	1.93	36,444	73
.10	10,196	20	1.79	33,801	68
.12	12,235	24	1.65	31,157	62
.12	12,235	24	1.61	30,402	6
.12	12,235	24	1.60	30,213	60
.16	16,314	33	1.45	27,380	55
TOTAL	89,725	179		407,306	815

The above example indicates a greater number of letters could be finalized on the first pass of automation operations which would reduce the number of trays entering the TMS if sort plans were designed based on densities. In addition, with a four- percent reject rate on the DBCS, a percentage of the re-handled pieces were finalized manually. At the current manual 030 operation productivity rate of 229 pieces per hour, the P&DC could have saved manual processing hours by finalizing the larger density holdouts on the first pass.

The Tour III Outgoing manual operation, 030, relied on a cadre of casuals that placed additional challenges on the supervisory staff to assure proficient mail processing service levels were maintained. In order to ensure EXFC candidate mail was not missorted, other casuals performed quality verifications on all [REDACTED], [REDACTED], and [REDACTED] direct trays. This was implemented because of the number of casuals working 030 since the removal of the MPLSMs and to ensure no mishthrown [REDACTED] and [REDACTED] mail was dispatched to the wrong office.

Tour I also performed a modified version of these verifications. Emphasis was placed on reviewing individual letters in all remaining trays of First-Class mail in the manual section that would not be completely processed by the 8 A.M. dispatch. The verification process isolated and extracted all remaining originating SCF [REDACTED] and [REDACTED] postmarked mail from the mail that would not be finalized for dispatch. The SCF [REDACTED] mail was dispatched with the late arriving Express Mail runs. The SCF [REDACTED] mail was dispatched to the [REDACTED] city offices on "late" trips directly to the station. The SCF [REDACTED] and [REDACTED] mail and the destinating [REDACTED] and [REDACTED] two and three day mail were excluded from this special treatment.

#### **RECOMMENDATION:**

We recommend the [REDACTED] District ensure that any resources and programs implemented by the [REDACTED] P&DC, to improve service for EXFC SCFs, are applied equally to all SCFs throughout the district in order to maintain equal levels of service to our postal patrons.



## **MANAGEMENT'S RESPONSE:**

The [REDACTED] District Manager responded as follows:

During the audit period (July through October, 1997), cancellations exceeded one million pieces on only two days. We acknowledge mail from ZIP [REDACTED] was only diverted to [REDACTED] P&DC on one of those two days (50,000 pieces from ZIP [REDACTED] on the day after the Labor Day Holiday). There was no indication that this volume was delayed. [REDACTED] P&DC has always been utilized as the overflow plant for [REDACTED] P&DC.

The Inspection Service has concluded that, because the dispatch of value for the DDCs was 3:30 A.M., the P&DC has a three-hour operating window. In fact, the P&DC window is much shorter since the P&DC has committed to dispatch 80% of the automated letter volume to DDCs (including ZIP Code [REDACTED] - which is non-EXFC) on the 01:15 - 01:45 dispatches. This is to allow a sufficient operating window in DDCs to process DPS mail. Contrary to what is stated in the report, overnight mail and two/three day mail is processed together in down-flow operations.

We have several offices in the EXFC service area which are not served by DDCs. The DDC concept for [REDACTED] was established long before the inception of EXFC. The Manager, In-Plant Support during the audit, provided this information to the Inspection Service. The rationale for the [REDACTED] holdout was to simplify containerization and dispatch procedures on the machine. The Manager, In-Plant Support, related this information to the Inspection Service. We have since replaced this holdout due to the opening of a new facility.

Regardless of the volume per holdout, at dispatch time, there is a tray for every holdout and virtually all trays are partial trays. The DBCS densities provided in the Inspection Service report are incorrect, as they include down-flows from operation 971 (OSS Outgoing Primary) and FIM Mail. It should be noted that the Operation 030 volumes are artificially low, since we do not down-flow all subsequent handling volume from other operations. The Inspection Service has not demonstrated that any of the measures noted in the findings under plant

operations have resulted in delayed mail to EXFC ZIP Codes or non-EXFC ZIP Codes.

The Inspection Service report stated that "a cadre of casuals...performed quality verifications on all [REDACTED], [REDACTED], and [REDACTED] direct trays." During the audit period, we used up to three casuals to verify direct trays. It should be noted that ZIP [REDACTED] is a non-EXFC ZIP area. We have found this to be beneficial in reducing missent trays and improving service to both EXFC and non-EXFC ZIPs. Verification of originating ZIP [REDACTED] trays was temporarily discontinued several weeks ago. We are working on long term systemic service solutions. While we realize that there are costs associated with this activity, we may have to resume this process to improve service.

Many of the service-improvement procedures in place in the [REDACTED] Performance Cluster are tried-and-true measures, which are in place in other Districts throughout the nation. If the Inspection Service feels we should eliminate or discontinue some of these measures, they should be addressed at the Area or Headquarters level. United States Postal Service Headquarters should be encouraged to issue clarification at the National level to all 10 Areas and all 85 Districts.

#### **INSPECTOR'S COMMENTS:**

All of the above responses and others were discussed with management and the finding was amended when valid. The remaining issues could not be resolved based on the audit field work and management's responses.

On the first day of the audit, SCF [REDACTED] mail was diverted to the [REDACTED] P&DC as a result of a bomb threat. When the [REDACTED] P&DC supervisors were interviewed, they stated SCF [REDACTED] mail was isolated and diverted whenever the cancellation volumes exceeded capacity. SCF [REDACTED] mail was not included in the EXFC testing.

The clearance times and dispatch of value were obtained from the [REDACTED] P&DC Operating Plan. If this is not correct, the plant manager should submit a revised operating plan with the corresponding levels of approval.

The DBCS sortplan that processed the two and three day destinating mail for the DDCs, sorted mail during the entire outgoing tour. The overnight, originating, EXFC candidate mail should be fed into the sort plan continuously with the two and three day mail and not staged for processing for the one to three and a half hour window at the end of the tour. Two DBCS are capable of processing over 50,000 pieces of mail an hour, which should be more than adequate to produce 80 percent of the automated volume for the DDCs by 1:00 A.M.

The DBCS densities were provided by In-Plant Support and were the best available. No recommendations were made to use the specific stackers listed in the Sort Plan chart. The example was used to demonstrate the differences in the low density stackers on the Outgoing Primary sort plan. The more mail that can be finalized on the first pass or primary operation, the less mail has to be rerun on subsequent operations and the less rejects and damaged mail is created for manual operations. The [REDACTED] P&DC is a Tray Management System (TMS) site and automation sort plans not based on densities can only increase the amount of trays processed through the system.

The "cadre of casuals...performed quality verifications..." was taken out of context. The "cadre of casuals" referred to the staffing used in the 030 operation to manually sort outgoing letter mail. Since casuals were used instead of regular clerks, the missort rate was higher than normal. As a result, management assigned three additional casuals to correct any mishrwn mail. All three SCFs were verified to ensure no SCF [REDACTED] or [REDACTED] mail was missorted to each other or to SCF [REDACTED]

The Inspection Service is not questioning management's decision to verify trays of mail. Our concern is that clerks were observed isolating only stamped letters destinating in the [REDACTED] EXFC SCF that originated in the [REDACTED] overnight EXFC area. These letters were sorted to the associate offices and dispatched on the Express Mail run. Only EXFC candidate mail was dispatched so the destinating office could limit the volume of mail requiring sortation into the hot case. This in turn would limit any carrier backtracking to only EXFC candidate mail.

## ODIS VERSUS EXFC

### FINDING:

From Postal Quarter (PQ) 3, FY 96 to PQ 3, FY 97, the [REDACTED] ODIS scores for First-Class overnight service, were consistently lower than the EXFC overnight scores. Management programs and directives may have inflated EXFC test results with minimal impact on the ODIS scores. Since the performance emphasis shifted from ODIS scores to EXFC scores, the statistically valid ODIS scores may more accurately represent the actual service conditions in the [REDACTED] area. As a result, the EXFC scores may not be representative of actual service performance.

The [REDACTED] ODIS overnight service area included SCFs, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]. The EXFC overnight service area only included two SCFs, [REDACTED] and [REDACTED]. A comparison was made between the ODIS paired city First-Class overnight test results for both stamped and metered mail and the EXFC test results for the previous eight postal quarters. The following chart illustrates the differences in EXFC and ODIS scores:

POSTAL QUARTER	<u>1-96</u>	<u>2-96</u>	<u>3-96</u>	<u>4-96</u>	<u>1-97</u>	<u>2-97</u>	<u>3-97</u>	<u>4-97</u>
EXFC SCORES	90.5	91.3	90.5	92.6	91.3	89.3	91.8	91.5
ODIS SCORES								
* EXFC TO EXFC	92.4	92.5	89.8	88.5	81.3	82.3	86.4	92.0
* ODIS TO EXFC	91.8	92.7	86.6	83.3	73.8	71.0	79.7	89.2

- \* EXFC -- Includes only SCFs [REDACTED] and [REDACTED]
- \* ODIS - Includes SCFs [REDACTED], [REDACTED], [REDACTED] and [REDACTED].

The ODIS scores measured service from the time the originating mailpiece was processed in the cancellation operation of the processing plant until it destined at the delivery office. EXFC scores, however, were based on service from the time the mailpiece was dropped into a collection box until it was delivered to the

addressee. Since the EXFC scores measured additional service, from the collection box to the cancellation operation in the plant and from the delivery office to the mail box, there were more opportunities for delays with EXFC candidate mail pieces than with the ODIS candidate mail pieces. Using this premise, if both tests represented the service provided to customers, then the above comparison indicated that the EXFC scores may have been influenced by the conditions identified in the Collection, Delivery and Plant Operations findings.

An analysis of the above chart also revealed that when the non-EXFC ODIS overnight SCFs, [REDACTED] and [REDACTED], were included in the originating EXFC SCFs, [REDACTED] and [REDACTED], the service scores were reduced by over 10 percent in PQs 1, 2 and 3, FY 97. As a result, the above chart indicated the entire local overnight service area did not receive the same commitment or resources as the EXFC SCFs alone.

#### **RECOMMENDATION:**

We recommend the [REDACTED] District ensure that any resources and programs implemented to improve service in EXFC areas are applied equally to all SCFs throughout the district in order to maintain equal levels of service to our postal customers.

#### **MANAGEMENT'S RESPONSE:**

The [REDACTED] District Manager responded as follows:

In the report, the Inspection Service states, "The accuracy and integrity of the EXFC system relies on the premise that the improvement in EXFC scores reflects a measurable improvement in all First-Class service." It is our understanding that EXFC scores should be representative of service between the EXFC cities, not "all First-Class service." The following is from the February 14, 1996, memo from Chief Postal Inspector K. J. Hunter to Vice President Maguire: "Attached is a copy of the final report for the EXFC National Coordination Audit. The audit disclosed that EXFC testing performed by Price-Waterhouse provided a fair representation of quarterly First-Class Mail service for the 96 cities and associated three digit ZIP Code areas." (Emphasis added).

The Inspection Service report statement, "disparate treatment and service to selected First-Class mailpieces" implies that individual pieces are being removed from the mailstream for preferential treatment. It would be more accurate to say we are concentrating on service to entire three-digit ZIP Code areas.

The ODIS data in the Inspection Service report reflects stamped and metered composite scores. Metered mail typically reflects lower scores due to incorrect customer-applied meter dates. EXFC mail is required to have correct dates. We have provided ODIS Stamped (Intra [REDACTED] ZIP Codes) scores, which shows small differences in Postal Quarters 1 and 2, and a higher ODIS vs. EXFC score in Postal Quarter 4. (Chart was provided.) It should be noted that this information was provided to the Inspection Service during the audit.

(Another chart was provided that compared EXFC scores for Postal Quarters 1 through 4, Fiscal Years 1996 and 1997.) Of the eight postal quarters involved, four of them showed higher stamped ODIS figures for "EXFC to EXFC" ZIPs than the EXFC scores themselves. The only postal quarter with a significantly lower ODIS score for these ZIPs was FY 97 PQ 3. In addition, FY 97 PQ 4 shows an overnight ODIS score 4 points higher than the EXFC score. When comparing local EXFC scores against ODIS (ZIPs [REDACTED] to [REDACTED] for the last two years overall, there does not appear to be a significant difference between the two.

The term "inflated" implies that the EXFC score was artificially increased and did not reflect true service in the EXFC ZIP Code areas. Since EXFC testing is random and management has no knowledge of when and where pieces are being dropped and delivered, EXFC should represent the best measure of service for those ZIP Code areas.

Virtually all ODIS measures were significantly higher during FY 97 PQ 4. Despite the Inspection Service statement, "Attention was given from July through October 1997," even though the data was available, FY 97 PQ 4 was virtually ignored. The Inspection Service findings in this section comprise a numeric comparison between EXFC and ODIS scores and make no reference to resources and programs. We do not believe that [REDACTED] is employing

any steps, procedures or methods that are not commonplace with steps employed in the 85 districts throughout the postal service. If the United States Postal Service feels that the Inspection Service recommendation should be adopted, we would ask that the USPS Headquarters issue appropriate instructions to all 10 Areas and all 85 Districts.

#### **INSPECTOR'S COMMENTS:**

The first paragraph in Management's Response refers to the Conclusion rather than the ODIS versus EXFC finding. When the Postal Service publicizes the improvement in EXFC scores to congress and the American people the intent is to show a measurable improvement in service.

The "disparate treatment" phrase was also from the Conclusion. The "selected First-Class mailpieces" was intended to imply individual pieces of mail as stated in the Plant Operations finding, "The verification process isolated and extracted all remaining originating SCF [REDACTED] and [REDACTED] postmarked mail from the mail that would not be finalized for dispatch." "The SCF [REDACTED] and [REDACTED] (postmarked) mail and the destinating two and three day mail were excluded from this special treatment." The Tour I clerks were instructed to search through full trays of SCF [REDACTED] working mail and case only those letters that had [REDACTED] postmarks. The supervisor stated this was done to reduce the amount of mail that would be sorted in the hot cases at the stations and sent to the streets after the carriers left. This was done to ensure EXFC mail was not delayed.

The reason both stamped and metered ODIS scores were used was explained repeatedly to management. The EXFC scores were based on both stamped and metered mail. The AFCS machines canceled all collection mail and over rode the stale meter dates for ODIS reporting. Another reason metered scores could be low that was not addressed by management would be if large volume metered mailings were staged and processed after collection mail. These reasons led to the analysis in the chart comparing ODIS scores from EXFC to EXFC offices and then overnight ODIS to EXFC and ODIS to ODIS scores. In postal quarters 1 and 2, FY 96, all of these scores were relatively close. From AP 3, FY 96 until AP 4, FY 97, the ODIS score comparisons between the EXFC

to EXFC, ODIS to EXFC and ODIS to ODIS scores indicated changes that negatively affected the non-EXFC SCFs service.

We included in our report and explained in great length in working meetings that our decision to review operations at ████████ was based on an analysis of PQ 3 FY 97 EXFC and ODIS scores. We informed management that regardless of the improvements in PQ 4 FY 97 our review of ████████ was based on our analysis of PQ 3 data and we could have selected a number of sites, but chose ████████ based on logistical and available resources. We fully concur that other sites may have implemented methods similar to ████████ however, that does not negate management from addressing local initiatives that are not cost effective or provide different levels of service for First-Class mail.



## **MANAGEMENT'S SUMMARY RESPONSE:**

The [REDACTED] District Manager requested that our report include a management summary response, which emphasized that our findings should not be limited to [REDACTED]

Management provided a summary response as follows:

Since the review was conducted from July to October, we feel that PQ 4 service performance should have received more attention in the report. In our view, this cluster demonstrated in PQ 4 that it was possible to have respectable ODIS scores, exert extra effort to make EXFC, and budget. This improvement can be attributed to a concerted effort on behalf of appropriate cluster leaders and employees, and a change in management in the [REDACTED] P&DC in FY 97, PQ 3.

Customer Perfect! was conceived to motivate and provide focus to managers to achieve performance targets. It was formulated to drive behavior and it has. It should come as no surprise that the level of attention to compensable targets exceeds that given to non-compensable issues. Some managers have embraced the changes we are undergoing. Others are extremely uncomfortable with the level of accountability that must accompany our Customer Perfect! efforts if we are to be successful in the short and long term. This resistance has manifested itself in several ways ranging from benign compliance to overt or covert resistance to what we are trying to accomplish. We accept this dynamic and understand we have to exhaust our efforts to manage the cultural change we are trying to develop and foster in the workplace.

There is no doubt that we have employed measures to achieve the overnight EXFC target, which was the indicator for Voice of the Customer in the first two years of EVA. As the Inspection Service indicated in the exit meeting, this is not confined to the [REDACTED] District, or the [REDACTED]. This is a national issue. If there are specific actions being taken throughout the field that are inconsistent with national policy, then we would ask that appropriate guidelines be issued to all 10 Areas and all 85 Districts by Headquarters.

In FY 98, Postal Service leadership has added additional targets to address the Voice of the Customer, EXFC 2/3 day, PETE, and Ease of Use Indexes which will encompass a much larger customer base and constituency. In [REDACTED], PETE testing is now performed in all 3-digit ZIPs. Similarly, Ease of Use measures satisfaction of residential and business customers in all 3-digit ZIPs. The added targets are a natural evolution of Customer Perfect!. Perhaps as we continue to refine this process, all ZIPs will be added to EXFC testing. This is obviously not a field decision.

#### **INSPECTOR SUMMARY COMMENTS:**

Overall we concur with [REDACTED] management that the issues identified in this report are not isolated to [REDACTED]. We acknowledge that improvements were made during PQ 4 in the P&DC and the change improved overall ODIS scores. There were still areas of disparate treatment identified in the report that needed to be resolved. Our intention was that our report be corrective in nature and provide information to Senior Management that other sites may need to be reviewed, once a pattern of higher EXFC than ODIS scores occurs.

George J. Snyder  
Postal Inspector



5781  
(GOVERNMENT MAILS SECTION)

OF [REDACTED]  
PROCESSING AND  
DISTRIBUTION CENTER,  
[REDACTED]

September 29, 1999  
[REDACTED]

Office of  
United States Postal Service  
[REDACTED]



OFFICE OF INSPECTOR GENERAL

September 29, 1999

VICE PRESIDENT, [REDACTED]

SUBJECT: Government Mails Section of the [REDACTED] Processing and Distribution Center, [REDACTED]

This report presents the results of our audit of the (Government Mails Section) of the [REDACTED] Processing and Distribution Center, [REDACTED] Project Number [REDACTED]. This audit was included in our fiscal year 1999 Audit Workload Plan as a result of a complaint forwarded by Congressman John McHugh, Chairman, Subcommittee on the Postal Service, Committee on Government Reform and Oversight. The complaint, in part, alleged problems with the misdirection and delay of mail handled by the (Government Mails Section.)

STAT Our audit confirmed that problems do exist with the misdirection and delay of mail at the (Government Mails Section.) The major reasons for the delays and misdirection of mail are described in the attached report.

We have summarized management's comments after each recommendation in this report and have included verbatim comments at Appendix B. Management's comments were responsive to the issues and recommendations raised in this report. We appreciated the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact [REDACTED] or me at [REDACTED]

  
Richard Chambers  
Assistant Inspector General  
for Performance

Attachment

cc: [REDACTED]

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## EXECUTIVE SUMMARY

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### Introduction

The Government Mails Section of the [REDACTED] Processing and Distribution Center [REDACTED], processes and distributes mail to government agencies that have been assigned a unique Zone Improvement Plan (ZIP) Code. We completed an audit to examine allegations forwarded by Congressman John McHugh, Chairman, Subcommittee on the Postal Service, Committee on Government Reform and Oversight, concerning problems with the misdirection and delay of mail at the Government Mails Section. This audit was included in our fiscal year (FY) 1999 Audit Workload Plan.

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### Results in Brief

We confirmed that problems did exist with the misdirection and delay of mail at the Government Mails Section. Specifically, we found government agencies were not using assigned unique ZIP Codes and that mail that had an incorrect barcode and/or ZIP Code was not handled according to established policy. Additionally, we found that mail arrived into the Government Mails Section too late to meet processing and delivery requirements. Further, the Government Mails Section incurred [REDACTED] in overtime and penalty costs between June 20, 1998, and June 18, 1999.

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### Summary of Recommendations

We recommend the Vice President, [REDACTED], in conjunction with the Vice President, [REDACTED], and [REDACTED] implement a program to ensure federal agencies exclusively use their official unique ZIP Codes and to ensure that postal employees comply with the established policies and procedures for the identification, isolation, handling, tracking, and prevention of loop mail. In addition, we also recommend that the Center's operating plan be changed to reflect the critical entry and clearance times required for the Government Mails Section to meet their dispatch and/or delivery times. Further we recommend the Vice President, [REDACTED], ensure that the Center's operating plan be periodically reviewed to ensure key elements such as critical entry and clearance times are still valid. Finally, we recommend that the Vice President decline a request to hire [REDACTED] additional clerks for the

Government Mails Section, and coordinate automating tasks at the Government Mails Section with the addition of a flat sorting machine.

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**Summary of  
Management's  
Comments**

Management agreed with all of our recommendations except one. Management disagreed with recommendation 2, stating mail that is correctly addressed to the valid street address of a government agency rather than to their unique ZIP Code is not considered loop mail. Additionally, management felt there was no basis for claiming the [REDACTED] cost savings cited in the report. Management's comments are summarized in the report and the full text is shown in Appendix B.

Management's comments also inquired about the status of other issues raised in the original complaint. Since the issues were outside the scope of this audit, we will provide status in a separate letter.

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**Overall Evaluation of  
Management's  
Comments**

Management's comments were responsive to the issues raised in the report. Management proposed an alternative action to recommendation 2, which should eliminate the reprocessing of government mail. Also, since management had not formally considered or approved the additional staffing, we will not pursue the [REDACTED] cost avoidance.



## INTRODUCTION

### Background

In March 1997, we received correspondence from the Honorable John M. McHugh, Chairman, Subcommittee on the Postal Service, Committee on Government Reform and Oversight, written by unidentified postal employees assigned to the Government Mails Section of the [REDACTED] Processing and Distribution Center. [REDACTED]

[REDACTED] In part, the employees alleged problems with misdirection and delay of mail. Accordingly, we included this audit in our FY 1999 Audit Workload Plan.

The Official Mail and Messenger Service, currently known to the Postal Service as the Government Mails Section, provides the delivery and collection of mail to government agencies. The Government Mails Section is located in the [REDACTED] Processing and Distribution Center. [REDACTED]

In the late 1980s, the Government Mails Section was reorganized to reduce manual sorting processes and to implement automation to expedite mail processing and distribution.

Government agencies are assigned unique ZIP Codes by the Postal Service for a specific location. A unique ZIP Code is a 5-digit ZIP Code that is assigned exclusively to a single firm, government agency, or equivalent. The Government Mails Section is responsible for processing and delivering mail to government agencies in the [REDACTED] metropolitan area that have been assigned unique ZIP Codes. Currently there are 206 unique ZIP Codes assigned; however, only 190 are actively used.

Management Instruction, "Loop Mail Program," Number [REDACTED], dated March 31, 1999, establishes policies and procedures for the identification, isolation, handling, tracking, and prevention of loop mail. This instruction requires that distribution/throwback clerks cross out or slash through incorrect ZIP Codes on nonbarcoded as well as barcoded mailpieces. If known, the correct ZIP Codes should be placed on the address side of the mailpiece.

Additionally, postal managers at delivery offices, stations, and branches must periodically monitor the loop mail case and develop reports that measure the amount of loop mail by type. Stations and/or branches return this mail to the Center for processing. In areas where high concentrations

of loop mail exist, using reports and performing diagnostic testing will minimize loop mail volumes.

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**Objective, Scope, and Methodology**

Our objective was to examine allegations regarding misdirection and delay of mail at the Government Mails Section and the use of employee overtime. To accomplish our objective, we defined the universe of government agencies that have their mail processed and delivered through the Government Mails Section. We interviewed Government Mails Section employees, union and management officials, and government agency representatives. We randomly sampled overtime and various management reports processed between June 1998 and June 1999. We also reviewed documents related to delayed mail, customer complaints, and other relevant issues.

This audit was conducted from May through August 1999, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

## AUDIT RESULTS

We confirmed that problems did exist with the misdirection and delay of mail at the Government Mails Section located at [REDACTED] Processing and Distribution Center, [REDACTED]

### Misdirected Mail

Our audit confirmed problems with the misdirection of mail at the Government Mails Section. Specifically, we found:

- Government agencies were not using assigned unique ZIP Codes.
- Mail that had an incorrect barcode and/or ZIP Code was not handled according to established policy.

Unique ZIP Codes were not being used as assigned. Our discussions with 20 government agencies revealed that 6 used their physical street location ZIP Code instead of their assigned unique ZIP Code. We further determined that the mailing addresses provided on the World Wide Web sites for 12 agencies contained different ZIP Codes than the unique ZIP Codes assigned. This occurred because postal management did not ensure that government agencies were utilizing their assigned unique ZIP Codes as intended. Therefore, government mail may be misdirected.

Additionally, postal employees did not always cross out incorrect ZIP Codes or barcodes as required on mis-sent mail resulting in "loop mail."<sup>1</sup> This occurred because postal management did not ensure that postal employees complied with established policies and procedures to identify, isolate, handle, track, and prevent loop mail. This mis-sent mail should be identified and returned to the processing center to be incorporated into the appropriate mailstream.

### Recommendations

We offer the following recommendations:

The Vice President, [REDACTED], should:

1. In conjunction with the Vice President, [REDACTED] implement a program to ensure federal agencies exclusively use their official unique ZIP Codes.

<sup>1</sup> Loop Mail is mail that is incorrectly barcoded and/or ZIP coded which is discovered at a destination for which it is not addressed.

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<b>Management's Comments</b>	<p>Management agreed with the recommendation. Management pointed out however, that conflicting needs complicate the issues surrounding how mail is addressed to government agencies. They stated that the agencies' use of street addresses on WEB or telephone directory pages make it easier for their constituents to find the agencies' offices, but also leads to the use of street addresses on correspondence sent to the agencies. They noted that the Postal Service has no means to encourage individual originating mailers to use the unique ZIP Code mailing addresses.</p>
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In response to the recommendation, management stated that the [REDACTED] Performance Cluster will expand their efforts with the Government Mails Postal Customer Council to more aggressively inform government agencies regarding the use of their unique ZIP Codes. In addition, they plan to develop more efficient procedures that are sensitive to the needs of those government agencies for handling mail sent to street addresses. Management plans to work with the government agencies to convert to normal business delivery procedures using the agency's street address if so requested. However, management noted that the agency would lose its unique ZIP Code address, under those circumstances.

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<b>Evaluation of Management's Comments</b>	<p>Management's planned action is responsive to the recommendation.</p>
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- 
2. Ensure that postal employees comply with the established policies and procedures for the identification, isolation, handling, tracking, and prevention of loop mail.

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<b>Management's Comments</b>	<p>Management did not agree with the recommendation. Management stated mail that is correctly addressed to the valid street address of a government agency rather than to their unique ZIP Code is not considered loop mail. Management noted that loop mail procedures are not the most effective way to handle mail addressed to government agencies' street addresses. As an alternative action, management plans to initiate normal delivery of that mail at the agency's office as addressed.</p>
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Where this does not meet the needs of the agency because of security or other issues, they plan to instruct the station responsible for the street address to prepare the mail as for delivery and return it labeled for the agency to Government Mails for subsequent delivery. Unlike the loop mail procedure, this will eliminate reprocessing the mail manually at the Processing and Distribution Center and in the Government Mails section.

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**Evaluation of  
Management's  
Comments**

Although management did not agree with the recommendation, their proposed alternate action is responsive to the issue. Management plans to initiate normal delivery of mail to an agency's street address, which eliminates the reprocessing of government mail. This delivery alternative satisfies the intent of our recommendation.

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**Delayed Mail**

We confirmed that problems did exist with the delay of mail at the Government Mails Section located at the [REDACTED] Processing and Distribution Center [REDACTED]. Specifically, we found that mail arrived into the Government Mails Section too late to meet processing and delivery requirements resulting in excessive use of overtime. Also, 9 of the 20 government agencies contacted stated they had problems with delayed mail during the past year. This occurred because the Center's operating plan (critical entry<sup>2</sup> and clearance times<sup>3</sup>) did not match delivery requirements for the Government Mails Section. Revising the Center's current operating plan to reflect an earlier mail processing time for the Government Mails Section should reduce the amount of overtime hours.

Additionally, Government Mails Section officials could not monitor daily volumes of mail processed through the section because government mail was not being reported correctly in the performance reporting system for the Center. However, in June 1999, the Center began to correct reporting deficiencies with the Daily Mail Condition Reports.<sup>4</sup> These reports identify and allow managers to monitor problems in mail processing within a postal facility and to use resources necessary to meet the fluctuating mail volume and service commitments.

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**Recommendations**

We offer the following recommendations:

The Vice President, [REDACTED], should:

3. Revise the Center's operating plan to reflect the critical entry and clearance times required for the Government Mails Section to meet their dispatch and/or delivery times.

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**Management's  
Comments**

Management agreed with the recommendation and stated that the [REDACTED] Performance Cluster has revised the operating plan for the [REDACTED], Processing and Distribution Center as it relates to the Government Mails section. As revised, the critical entry time and the clearance

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<sup>2</sup> Critical entry time is the latest time that committed mail must be available to an operation if that mail is to complete the operation by its planned clearance time.

<sup>3</sup> Clearance time is the latest time committed mail is planned to complete an operation if that mail is to make the proper planned dispatch or delivery.

<sup>4</sup> Since management initiated action during our audit, no recommendation is provided.

time for the Government Mails section is 0630 and 0800 respectively. Management submitted the revisions to the [REDACTED] for approval.

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**Evaluation of  
Management's  
Comments**

Management's planned action is responsive to our recommendation.

- 
4. Ensure that the operating plan for the Center is reviewed periodically to ensure key elements such as critical entry and clearance times are still valid.

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**Management's  
Comments**

Management agreed with the recommendation and stated that the [REDACTED] Performance Cluster will utilize the existing procedures established by headquarters to review operating plans and submit revisions to the area for approval.

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**Evaluation of  
Management's  
Comments**

Management's planned action is responsive to our recommendation.

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**Government Mails  
Section Overtime Use  
and Staffing Issues**

We reviewed Scheduling and Staffing Summary reports and Weekly Overtime Use reports and conducted interviews to determine the level of overtime usage and staffing plans within the Government Mails Section. We noted that for the 25 weeks<sup>5</sup> reviewed, the Government Mails Section incurred [REDACTED] in overtime and penalty costs due to heavy mail volume and staff shortages. We also noted that a request was made to the Acting Postmaster to hire [REDACTED] additional full-time employees. We believe that if the Government Mails Section were to acquire a flat sorting machine at no cost<sup>6</sup> and not hire the additional staff, they would realize a total cost avoidance of at least [REDACTED] annually. See appendix A for computational methodology details.

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**Recommendations**

We offer the following recommendations:

The Vice President, [REDACTED], should:

5. Decline the request to hire additional staff and increase automation at the Government Mails Section by adding a flat sorting machine.

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**Management's  
Comments**

Management concurred with our recommendation to decline the request to hire [REDACTED] additional clerks and to possibly provide the Government Mails Section with a flat sorting machine. However, they expressed concern about our basis for estimating a cost avoidance in our draft report, since the floor supervisors' consideration of staffing needs does not constitute submission or approval of such a request. Also, they commented that the amount of overtime Government Mail employees worked, equated to only a [REDACTED] percent overtime rate, which they viewed as very efficient. Further, they clarified the availability of a flat sorting machine, and indicated that recent flat sorting machine upgrades and operational enhancements may allow for the Government Mails Section flats to be absorbed into the existing flat environment as an alternative.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to the recommendation. With regard to the cost avoidance, although a formal memorandum requesting the [REDACTED] additional staff was not prepared, we obtained evidence during the

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<sup>5</sup> June 20, 1998 through June 18, 1999.

<sup>6</sup> A flat sorting machine can be obtained from excess postal equipment according to the District Manager, [REDACTED].



[REDACTED]

audit that a verbal request had been made. We also obtained the Scheduling and Staffing Summary used by the Government Mails Manager in determining the additional staffing needs. We were also informed that this documentation was provided to the Acting Postmaster in support of the verbal request.

Although we believe the recommendation was appropriate, we will not pursue the [REDACTED] cost avoidance, since the Government Mails Manager staffing needs were not formally considered or approved.

Cost Avoidance Computation Methodology

We randomly selected the 25 weeks between June 20, 1998 and June 18, 1999. With 95 percent confidence we project an average weekly overtime hours of [REDACTED] hours plus/minus [REDACTED] hours.

During interviews with postal management, we were informed that the production capacity of a multiposition flat sorting machine is equivalent to approximately [REDACTED] full-time employees. We verified the capacity of a multiposition flat sorting machine to determine whether management's assertion was reasonable. Accordingly, a single flat sorting machine could handle a production volume equivalent to the [REDACTED] overtime workload. Labor costs for processing mail can be reduced through automation that costs [REDACTED] per thousand vs. manual processing costs of [REDACTED] per thousand.

Assuming a 40-hour week for full time employees, we project a need for between [REDACTED] and [REDACTED] clerks. Using the 1999 average hourly rate for clerks and a derived hourly rate for benefits, we projected the total annual cost for a single clerk to be [REDACTED]. Therefore the annual cost of hiring [REDACTED] full time employees would be about [REDACTED].

Government Mails Section



September 15, 1999

ASSISTANT INSPECTOR GENERAL FOR PERFORMANCE

SUBJECT: Transmittal Draft Audit Report, Government Mails Section of the  
Processing and Distribution Center, Washington, D.C.

The Performance Cluster, which has responsibility for the management of the Processing and Distribution Center (P&DC), has implemented several corrective actions to address recommendations in the draft audit report.

Detailed below are the changes the Performance Cluster will implement in response to the recommendations of the Government Mails section audit. In addition, I have included comments intended to clarify points that may have been subject to misinterpretation which were raised during the initial and exit interviews with the Performance Cluster managers and in the published draft report.

Recommendation 1:

The Vice President, in conjunction with the Vice President, implement a program to ensure Federal Agencies exclusively use their official unique ZIP Codes.

Response: We Agree

As pointed out in the review, conflicting needs complicate the issues surrounding how mail is addressed to government agencies. For example, the agencies' use of street addresses on WEB or telephone directory pages makes it easier for their constituents to find the agencies' offices, but also leads to the use of street addresses on correspondence sent to the agencies. The Postal Service has no means to encourage individual originating mailers to use the unique ZIP Code mailing addresses.

The Performance Cluster will expand their efforts with the Government Mails Postal Customer Council to more aggressively inform government agencies regarding the use of their unique ZIP Codes. In addition, they will develop more efficient procedures that are sensitive to the needs of those government agencies for handling mail sent to street addresses. Where advantageous, they will work with the government agencies to convert to normal business delivery procedures using the agency's street address if so requested. Under that circumstance, however, the agency would lose its unique ZIP Code address.

- 2 -

Recommendation 2:

The Vice President, [REDACTED], should ensure that postal employees comply with the established policies and procedures for the identification, isolation, handling, tracking, and prevention of loop mail.

Response: We Disagree

Mail that is correctly addressed to the valid street address of a government agency rather than to their unique ZIP Code is not considered loop mail. The loop mail procedures are the most effective way to handle mail addressed to government agencies' street addresses. Instead, as noted above in response to Recommendation 1, we will initiate normal delivery of that mail at the agency's office as addressed. Where this does not meet the needs of the agency because of security or other issues, we will instruct the station responsible for the street address to prepare the mail as for delivery and return it labeled for the agency to Government Mails for subsequent delivery. Unlike the loop mail procedure, this will eliminate reprocessing the mail manually at the P&DC and in the Government Mails section.

Recommendation 3:

The Vice President, [REDACTED], should revise the center's operating plan to reflect the critical entry and critical clearance times required for the Government Mails section to meet their dispatch and/or delivery times.

Response: We Agree

The [REDACTED] Performance Cluster has revised the operating plan for the [REDACTED] P&DC as it relates to the Government Mails section. As revised, the critical entry time for the Government Mails section is [REDACTED]. The clearance time for the Government Mails section is [REDACTED] in accordance with the existing requirements, this revision has been submitted to the [REDACTED] Area for approval.

Recommendation 4:

The Vice President, [REDACTED], should ensure that the operating plan for the center is reviewed periodically to ensure key elements such as critical entry and clearance times are still valid.

Response: We Agree

The [REDACTED] Performance Cluster will utilize the existing procedures established by headquarters to review operating plans and submit revisions to the area for approval.

Recommendation 5:

The Vice President, [REDACTED], should decline the request to hire additional clerks for the Government Mails section and increase automation at the Government Mails section by adding a flat sorting machine (FSM).

\* Note: Per verbal conversation with [REDACTED] on September 28, 1999, this sentence should read: The loop mail procedures are not the most effective way to handle mail addressed to government agencies' street addresses.

- 3 -

Response: We Agree

The [redacted] Performance Cluster has not hired distribution clerks in the [redacted] P&DC since September 30, 1995, and currently has no plans to hire additional staff for the Government Mails section. This recommendation appears to be premature, as the floor supervisors' consideration of staffing needs does not constitute submission or approval of such a request. In addition, such staffing decisions are made at the area level. Thus, there appears to be no basis for claiming the annual cost savings cited in both this section on Government Mails section overtime or in Appendix A, Cost Avoidance Computation Methodology.

In this section of the review, the draft audit report cites costs associated with overtime worked by employees of the Government Mails section. The local labor agreement permits employees of the Government Mails section to work overtime in other [redacted] P&DC operations. The amount of overtime Government Mails employees worked in Government Mails operations amounted to only a [redacted] percent overtime rate, which is very efficient. Over the period referenced in the report, Accounting Period (AP) 11 1998 through AP 11 1999, penalty overtime in the Government Mails section totaled only [redacted] hours out of [redacted] hours worked.

In the course of the exit interview, the auditors may have misunderstood the comment regarding the availability of an excess flat sorting machine (FSM) attributed to the [redacted] District Manager. The availability of an FSM for the Government Mails section may be possible due to the national deployment of new Automated Flat Sorting Machines (AFSM 100s). [redacted] P&DC will receive an AFSM 100 in July of 2000. As a result, an FSM 881 may be available for the Government Mails section.

However, in addition to the recent FSM OCR upgrade, the [redacted] P&DC is implementing several operational enhancements to increase the throughput of their flat sorting equipment. Improving mail preparation, more effective staffing, and setting more aggressive throughput goals will increase the flat-sorting capacity of the existing machines. As these initiatives produce results, they intend to absorb Government Mails flats within the existing flat environment. This will also increase the FSM utilization within the [redacted] P&DC.

#### ADDITIONAL COMMENTS:

In addition to the responses to the specific recommendations made in the audit report, the [redacted] Performance Cluster offered the following comments to points raised in the interviews and in the draft report.

In the section of the report discussing delayed mail, it states that the government mail operation was not included in the performance reporting system for the [redacted] P&DC until June of 1999. The [redacted] P&DC has always reported the volume for the Government Mails section on lines 15 and 16 and 34 and 35 of the Daily Mail Condition Report (DMCR). (Although in the reporting system those lines are categorized as incoming [redacted] Historically, the [redacted] P&DC has used those lines for Government Mails.) However, the on-hand volume, plan failures, and delays reported were not accurate; they were often understated. An analysis of the DMCR System revealed that since July 1998, the [redacted] P&DC has correctly reported both delays and plan failures in addition to

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more accurate on-hand volumes. This is a result of the changes cited in the Response to Recommendation 3 and better training with regard to reporting procedures and responsibilities. The [REDACTED] Performance Cluster also plans to report the delivery portion of the Government Mails operation in the Customer Service Daily Reporting System (CSDRS).

In the pre-audit interviews, the audit team cited allegations of [REDACTED] which were among the issues that instigated this audit. The draft report does not address these issues nor was the [REDACTED] Performance Cluster or [REDACTED] management shown the allegations. We are concerned that after three years (the date of the letter requesting a review), the safety and/or labor issues may not have been addressed.

Should you have any questions or require additional information, please let me know or contact [REDACTED]

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**Major Contributors to  
This Report**