

LIBRARY REFERENCE J-172

OFFICE OF INSPECTOR GENERAL AUDIT REPORT NUMBER AC-AR-01-001 -
CERTIFIED MAIL PROCESSING AND DELIVERY FUNCTIONS,
PROVIDED IN RESPONSE TO INTERROGATORIES OCA/USPS-T36-1(A),
OCA/USPS-T36-8, AND DFC/USPS-2

March 9, 2001

**JOHN E. POTTER
CHIEF OPERATING OFFICER
AND EXECUTIVE VICE PRESIDENT**

**DANNY C. JACKSON
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS**

**DAVID L. SOLOMON
VICE PRESIDENT, NEW YORK METRO OPERATIONS**

**JON M. STEELE
VICE PRESIDENT, NORTHEAST AREA OPERATIONS**

**ALFRED INIGUEZ
ACTING VICE PRESIDENT, PACIFIC AREA OPERATIONS**

**SUBJECT: Audit Report - Certified Mail Processing and Delivery Functions
(Audit Report Number AC-AR-01-001)**

This report presents the results of our review of the certified mail processing and delivery functions (Project Number 00NA015AC000). The report responds to a request from the former Chairman, Subcommittee on the Postal Service, to review media reports of delayed certified mail.

The audit confirmed that certified mail was delayed at four of the five locations cited by the media. These delays exceeded delivery standards by 2 to 38 days. We found that the delays were primarily attributable to inadequate planning, staffing, and supervision of mail processing operations. In addition, in some cases, mail arrived late due to transportation delays and went undetected because of the lack of a standard system to report certified mail. Management generally agreed to our recommendations and has initiatives in progress, completed, or planned addressing the issues in this report. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Stew Dorris, director, Accepting and Processing, at (703) 248-2357 or me at (703) 248-2300.

Debra S. Ritt
Assistant Inspector General
for Business Operations

Attachment

cc: Nicholas F. Barranca
John R. Gunnels

TABLE OF CONTENTS

Executive Summary	i
Part I	
Introduction	
Background	1
Objectives, Scope, and Methodology	2
Part II	
Audit Results	
Condition of Certified Mail and Causes of Delays	4
California	5
Connecticut	7
Illinois	8
New York	11
Recommendations	12
Management's Comments	12
Evaluation of Management's Comments	12
Management's Response to Reports of Delayed Mail	15
California	15
Connecticut	15
Illinois	16
New York	17
Recommendation	18
Management's Comments	18
Evaluation of Management's Comments	18
Government Agencies Expenses Due to Delayed Certified Mail	19
Other Observations	20
Sorting Program for Certified Mail	20
Unique Agreements with Customers	20
Equipment Loans to Customers	20
Implementation of Electronic Records Management	20
Appendix A. Analysis of Certified Mail Delays	21
Appendix B. Management's Comments	22

EXECUTIVE SUMMARY

Introduction

In July 2000, various newspaper articles reported that certified mail had been delayed by as much as 30 days in California, Connecticut, Delaware, Illinois, and New York. The media also reported that problems with a new computer system for tracking certified mail and the failure to assign enough workers to move the mail created the delays.

The former Chairman, Subcommittee on the Postal Service, Committee on Government Reform, United States House of Representatives, requested we complete an audit to determine whether certified mail delays reported by the media were valid. Specifically, the former Chairman requested that we

- Identify the causes of the delays.
- Determine whether delays were systemic or isolated.
- Evaluate the actions taken by headquarters and local management.
- Identify customer expenses incurred due to late delivery of certified mail.

Results in Brief

Our audit confirmed certified mail was delayed in four of the five locations cited in media reports.¹ The delivery standard for First-Class Mail, which includes certified mail, is one to three days depending on destination.² These delays exceeded delivery standards by 2 to 38 days. The delays were caused by one or more of the following:

- Inadequate planning, staffing, and supervision.
- Inconsistent processing, measuring, and reporting of certified mail.

¹ Delayed mail was not confirmed in Delaware because state revenue officials indicated that they were not having a problem with certified mail.

² Service commitments are contained in Your Guide to Postal Information.

- Heavy reliance on manual processing and the use of outdated workstations and software.
- Late arriving certified mail at destinating processing and distribution centers and post offices.
- Acceptance of lower delivery standards for certified mail during prior tax seasons, which set a precedent.

In addition, certified mail was further delayed in New York because Postal Service supervisors did not notify customers and higher management that a contract courier left mail available for pick up at a postal facility.

Further, while no one specifically attributed certified mail delays to managers' annual cash awards under the Economic Value Added Variable Pay Program,³ we noted that budget considerations were factors in overtime decisions.

The effectiveness of management's responses to reports of delayed certified mail varied by level of management. Local Postal Service managers were aware of delayed certified mail, but did not take timely action to address the problems. Managers at the district and area levels were not initially informed of the delays by local facility supervisors and certified mail processing and delivery delays were not documented in the daily reporting systems. The lack of reporting of delayed certified mail to upper management postponed corrective action. However, these managers took appropriate actions when notified. Additionally, district managers took disciplinary action at two locations. Management at headquarters played a limited role because most of the problems with delayed mail had been resolved by the time they were informed.

We could not determine the total cost incurred by government agencies due to delayed certified mail; but state revenue officials interviewed indicated substantial interest income was lost. One of the four government revenue departments documented interest income losses from certified mail delays of as much as \$280,000.

³ The Economic Value Added Variable Pay Program is a group incentive program based on achieving performance targets.

Because the scope of our audit was limited to the five locations identified in media reports, we could not determine whether mail delays were systemic. In fiscal year 2001, we plan to conduct a nationwide audit of certified mail to identify systemic issues in processing this type of mail. However, if these types of delays are allowed to continue at even a few locations, the Postal Service's reputation and relationship with customers may be damaged, resulting in lost revenue and reduced public trust.

**Summary of
Recommendations**

We recommend the chief operating officer and executive vice president develop and implement standard procedures to process, measure and report certified mail. We also recommend the vice presidents of the Great Lakes, New York Metro, Northeast, and Pacific area operations develop methods to leverage existing technology to decrease heavy reliance on manual procedures and require facilities to develop plans to handle seasonal increases in certified mail. We further recommend that the vice presidents, area operations, review the lack of consistency in disciplinary actions for delayed certified mail and take corrective action as appropriate.

**Summary of
Management's
Comments**

Management indicated agreement with our findings and recommendations and has initiatives in process, completed, or planned to address all issues identified in this report. These initiatives include updating operating plans to handle the increased volume of certified mail during the tax season, uniform reporting of any problems with the processing and delivery of certified mail, and using additional scanners and workstations to decrease the heavy reliance on manual operations. We summarized these comments in the report and included the full text of the comments in Appendix B.

**Overall Evaluation of
Management's
Comments**

Management's planned or implemented actions are responsive and address the issues identified in this report.

INTRODUCTION

Background

Certified mail is a special service offered by the Postal Service that provides the sender with a receipt at the time of mailing, and a record of delivery at the post office of address.⁴ Certified mail must be sent at the regular First-Class or Priority Mail rate. If sent as First-Class Mail, it is dispatched and handled in transit as ordinary mail.

During fiscal year (FY) 1999, the Postal Service reported that it received \$651.4 million from certified mail and ancillary services. Certified mail accounted for approximately 1.0 percent of total mail and service revenues.

Certified mail requires special handling that may increase delivery time when compared with regular First-Class Mail. The customer requests and pays for the record of delivery, not expedited service. The Postal Service does not guarantee delivery of certified mail within a specified time, but First-Class Mail or Priority Mail service standards apply. Certified mail may also be combined with return receipt service that documents to whom the piece was delivered, the recipient's signature, and date of delivery.

On July 22, 2000, the Postal Service transitioned from manually-filed delivery records to electronically-filed delivery records. These electronic records provide the customer with easier access to delivery information. Scanners are used to link the certified mail barcoded identification numbers to the barcoded signature records at the time of delivery.

Many high-volume mail customers purchase post office box service, which separates mail by post office box number and allows mail pick-up during the hours the box lobby is open. When mail volume exceeds the largest installed box size, caller service⁵ enables the customer to pick up mail at a post office call window.

The final processing of certified mail is not standardized in the Postal Service. Either processing and distribution

⁴ United States Postal Service Publication 32, Glossary of Postal Terms

⁵ Caller service is a premium service that allows a customer to pick up mail at a post office call window, Domestic Mail Manual, D920.

center or customer service employees may complete the final processing and delivery of certified mail. If completed in the processing and distribution center, delayed certified mail should be reported in the Mail Condition Reporting System. If completed in customer service, delayed certified mail should be reported in the Customer Service Daily Reporting System.

Objectives, Scope, and Methodology

In July 2000, various newspaper articles reported that certified mail had been delayed by as much as 30 days in California, Connecticut, Delaware, Illinois, and New York. At the request of the former Chairman, Subcommittee on the Postal Service, Committee on Government Reform, United States House of Representatives, we conducted an audit to:

- Determine whether certified mail delays reported by the media were valid.
- Identify the causes of the delays.
- Determine whether the delays were systemic or isolated.
- Evaluate the actions taken by headquarters and local management.
- Identify customer expenses incurred due to late delivery of certified mail.

We limited the scope of our audit to high-volume caller service tax revenue customers at facilities identified in media reports, during the period March 2000 to October 2000. These customers included city, state, and federal revenue officials that had tax deadlines, which created high-volume surges in certified mail. Also, because our audit was limited to the five locations reported in the media, we could not determine whether postal-wide systemic problems exist.

In completing the audit, we interviewed key individuals referenced in media reports, which included Postal Service managers and employees; and federal, state, and local revenue officials. We also reviewed certified mail policies, procedures, operational records, Daily Mail Condition Reports, and internal Postal Service audits of certified mail.

In addition, we visited the Los Angeles, Sacramento, Hartford, Springfield, and Church Street Processing and Distribution Centers.

These facilities were selected based on media reports of delayed certified mail. Postal facilities in Delaware were not visited because state revenue officials there indicated they were not having a problem with certified mail.

This audit was conducted from August 2000 through March 2001 in accordance with generally accepted government auditing standards and included such tests of internal controls, as were considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

AUDIT RESULTS

Condition of Certified Mail and Causes of Delays

Our review, which focused on high-volume caller service customers, disclosed that allegations reported by the media were generally true. Certified mail delays occurred in four of the five locations identified in media reports. The delivery standard for First-Class Mail, which includes certified mail, is one to three days, depending on destination. The delays we identified exceeded delivery standards by 2 to 38 days. These delays were caused by one or more of the following:

- Inadequate planning, staffing, and supervision.
- Inconsistent processing, measuring, and reporting certified mail.
- Heavy reliance on manual processing caused by automation difficulties and the use of outdated workstations and software.
- Late arriving certified mail at destinating processing and distribution centers and post offices.
- Acceptance of lower delivery standards for certified mail during prior tax seasons, which set a precedent.

In addition, certified mail was further delayed in New York because Postal Service supervisors did not notify customers and higher management that a contract courier left mail available for pick up at a postal facility. We believe if the customer was notified of this situation, the delays could have been reduced and corrective action taken earlier.

Further, while no one specifically attributed certified mail delays to managers' annual cash awards under the Economic Value Added Variable Pay Program, we noted that budget considerations impacted on overtime decisions. The FY 2000 Economic Value Added Variable Pay Program focused on net income as a compensable indicator under the Voice of the Business.⁶ We believe the reluctance to use overtime to reduce certified mail backlogs may have occurred because reducing operating costs was a financial performance goal considered in the Economic Value Added

⁶ Postal Service Management Instruction EL-470-1999-6, FY 2000 Economic Value Added Variable Pay Program.

Variable Pay calculations, while delivery time for certified mail was not.

The media also reported that problems with a new computer tracking system for certified mail created the delays, however, we found no evidence to substantiate this allegation.

If these conditions are allowed to continue, the Postal Service's reputation and relationship with customers may be damaged, resulting in lost revenue and reduced public trust.

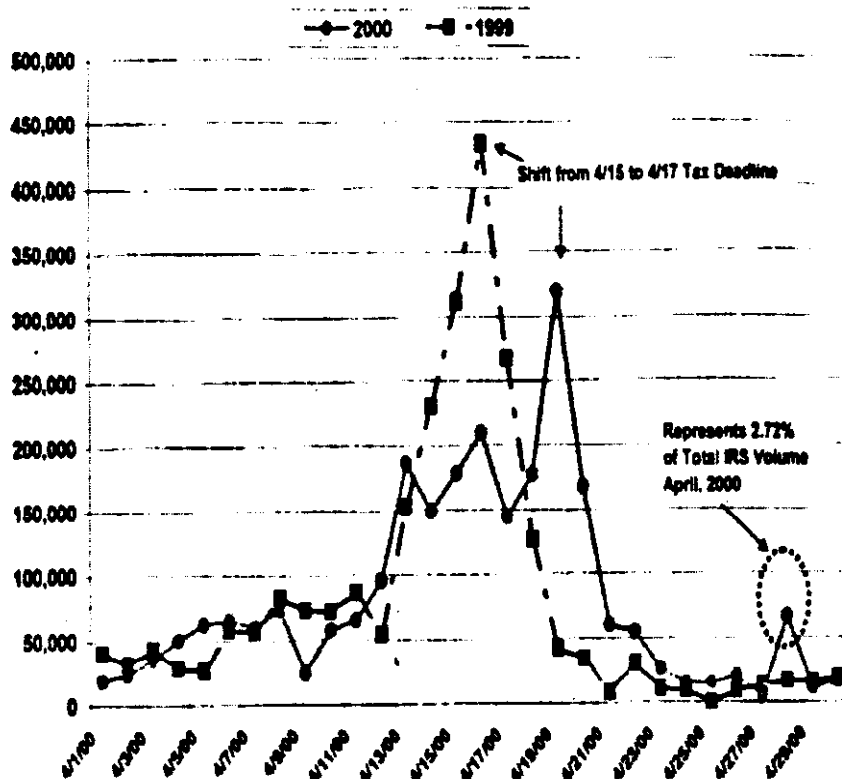
California

While we did not identify certified mail delays in Sacramento, Los Angeles had delays in the final processing of certified mail by as much as 12 days during April 2000. These delays occurred with mail destined for the Internal Revenue Service, who contracts with ten banks across the country to expedite the deposit of tax payments. The courier for the bank in southern California picked up the mail and delivered it to the bank where the payments were deposited. The returns were then forwarded to the Internal Revenue Service Center for further processing.

A large increase in the volume of delayed certified mail received by a bank caused the bank to notify the Postal Service of a problem. For example, on April 26, 2000, the bank received approximately 20,000 pieces of certified mail addressed to the Internal Revenue Service that were postmarked prior to the April 17, 2000, tax deadline. On April 28, 2000, the bank received another 170,000 pieces of certified mail. The following chart shows First-Class Mail flows to the Internal Revenue Service Center located in California during the 1999 and 2000 tax seasons.⁷

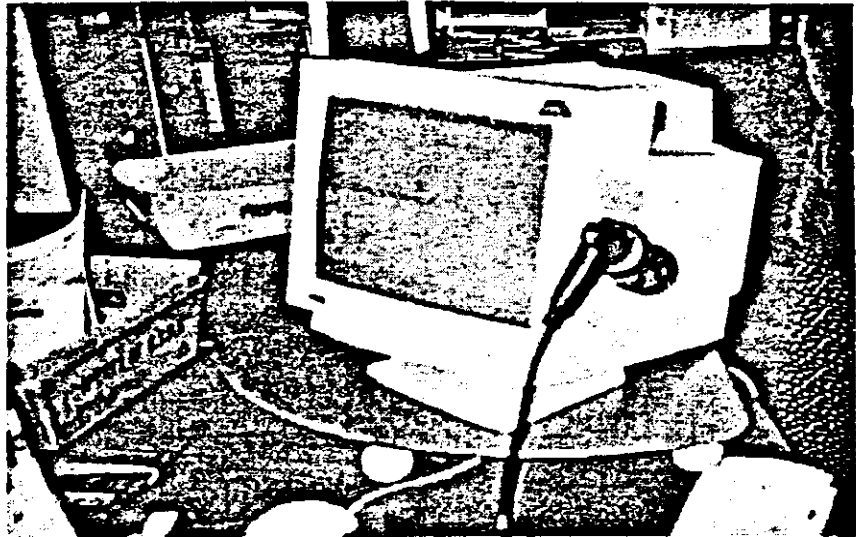
⁷ Postal Service officials in Los Angeles, California, provided data.

Comparison 1999 vs 2000 IRS Volumes



The certified mail delays in Los Angeles were caused primarily by local managers' lack of planning for the increased volume of certified mail during the tax season. Sufficient personnel were not assigned to process certified mail and the center was not equipped with enough scanning equipment to process the increased workload.

In addition, the use of outdated workstations and automation programs increased manual processing. Some of the older delivery receipts systems used for accountable mail were not compatible with the new barcoded mail labels required for electronic scanning. The photograph below depicts an old workstation with an optical reader that was used to process certified mail at the Los Angeles Processing and Distribution Center.



Further, certified mail processing delays were not reported in the Daily Mail Condition Reports. The postmaster indicated that delayed certified mail should have been reported as First-Class Mail delays, but could not explain why it was not reported.

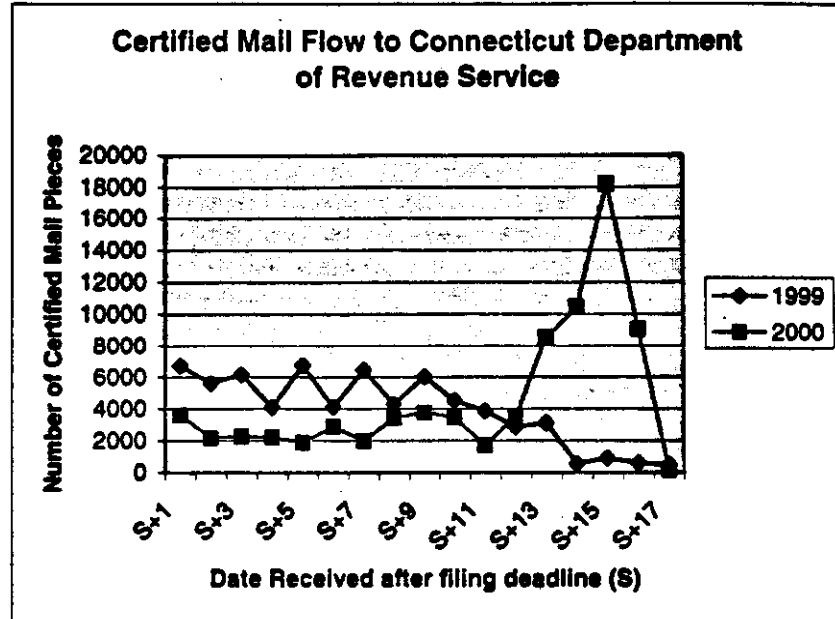
Connecticut

Certified mail was delayed by as much as 17 days at the Post Office in Hartford, Connecticut, between April and May 2000. The majority of this mail contained state tax documents destined for the Department of Revenue Services. Certified mail was also delayed by up to 6 days during our field visit to this location in August 2000.

The certified mail processing delays were primarily caused by local managers' lack of planning for the increased volume of certified mail during the tax season and failure to provide sufficient staffing. The heavy reliance on manual processing and late arriving certified mail at the processing and distribution center also contributed to delivery delays.

Certified mail processing delays impacted operations at the state revenue department and resulted in state budget miscalculations. As a result of these delays, the Commissioner for the Department of Revenue Services submitted a formal complaint to the postmaster general.

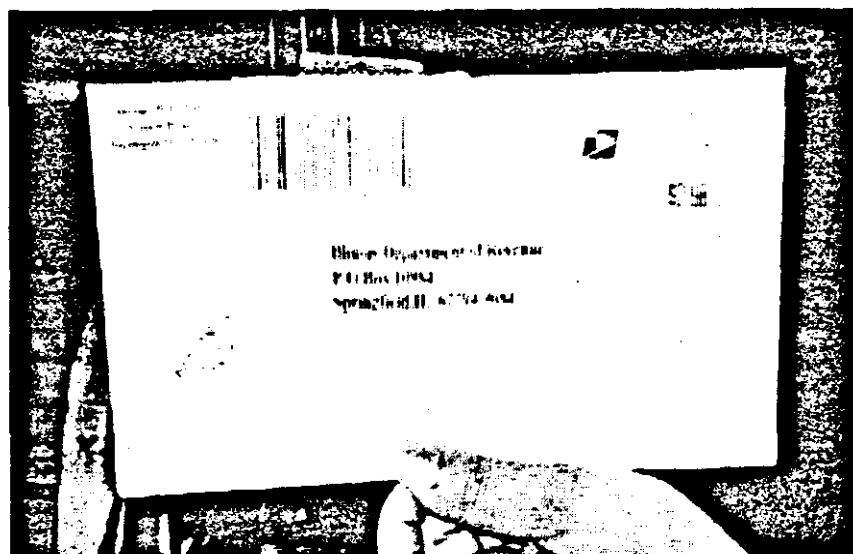
The chart below compares certified mail flows to the Connecticut Department of Revenue Services after the deadline for filing tax returns during the 1999 and 2000 tax seasons.⁸



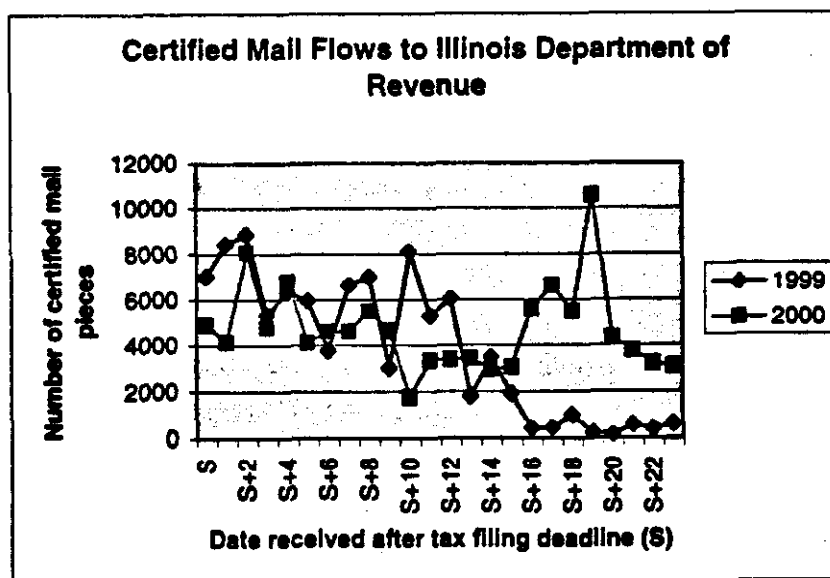
Illinois

Certified mail was delayed as much as 38 days at the post office in Springfield, Illinois, between April and May 2000. The majority of this mail contained state tax documents and remittances for the Department of Revenue. Certified mail was also delayed by up to 7 days during our field visit to this location in August 2000. The following photograph shows a certified letter in the processing and distribution center on August 16, 2000, that was postmarked August 9, 2000.

⁸ Officials for the Connecticut Department of Revenue Services provided data



Our audit also disclosed the Springfield facility experienced increased seasonal delays in delivering certified mail to the state revenue department between April and May 2000. The postmaster also was responsible for final processing and delivery of certified mail as a customer service function. During May 2000, the Springfield Post Office continued to deliver heavy volumes of certified mail as much as three weeks after the tax-filing deadline. The chart below compares certified mail flows to the Illinois Department of Revenue during the 1999 and 2000 tax seasons.⁹

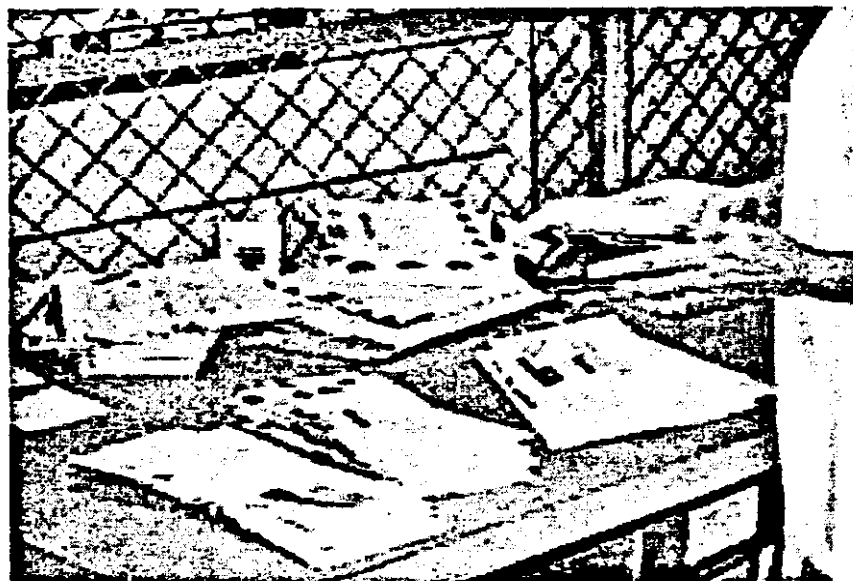


⁹ Officials for the Illinois Department of Revenue provided the data.

The certified mail processing delays were primarily caused by the postmaster's lack of planning for the heavy volume of certified mail during the tax season and his failure to provide sufficient staffing. Since the delayed processing of certified mail had been accepted in prior years, the postmaster did not develop a plan to process the seasonal surge in certified mail. The postmaster's decision to limit employee overtime hours after encountering delayed mail increased the length of the delays. The postmaster reduced overtime to stay within budget constraints. We believe this was caused in part because controlling costs to improve financial performance was a factor in Economic Value Added calculations, while delivery time for certified mail was not.

Several other factors also contributed to delayed certified mail at the Springfield facility. The heavy reliance on manual processing increased processing time. The lack of computer scanners for accountable mail and the failure to update software were also factors. This location received guidance to upgrade to new equipment, but continued to use the antiquated equipment. In addition, late-arriving certified mail at the processing and distribution center from the Chicago and St. Louis areas contributed to the delays.

The photograph below shows certified mail information being entered into a scanner at the Springfield Processing and Distribution Center.



As a result of these increased delays in the delivery of certified mail, the revenue department submitted a formal complaint to the chairman, Postal Service Board of Governors.

New York

Postal Service personnel at the Church Street and Morgan Processing and Distribution Centers did not always process certified mail in accordance with postal service standards, ensure timely pick up by the courier,¹⁰ or report delays. Consequently, certified mail was delayed by as much as 26 days. A comparison of postmarked certified envelopes with delivery receipts disclosed delays of as much as 9 days. Additionally, a review of Daily Mail Condition Reports for 18 days from June 13 through June 30, 2000, for both of the processing and distribution centers revealed delays on 10 of the days at the Church Street facility and on 7 of the days at the Morgan facility.¹¹

We also noted Daily Mail Condition Reports indicated delayed mail during the same timeframes as the delayed certified mail destined for the New York City Department of Finance. Postal Service management at both processing and distribution centers could not provide an explanation for these delays.

Further, Postal Service personnel did not report delays in pick-up of certified mail by the bank courier, which contributed to delayed delivery to the New York City Department of Finance. Certified mail was delayed as much as 17 days at the Church Street facility between June and mid-July 2000. For example, on June 23, the Church Street facility processed 1,417 pieces of certified mail, but the bank courier only picked up 294 of those pieces. Of the remaining 1,123 pieces available from June 23 processing, 1,003 were picked up by July 10. We could not account for pick-up of the remaining 120 pieces because Postal Service records were incomplete.

Further, supervisors did not document attempts to resolve the issue of certified mail left by the courier. There were no

¹⁰ Contractor who picks up caller service mail (First-Class and certified mail) for the New York City Department of Finance

¹¹ No report was available at the Morgan facility for June 20, 2000.

established procedures for postal employees to follow when a courier did not pick up all available certified mail. Additionally, the station manager's periodic reviews did not detect certified mail left by the courier. The lack of a reporting system to record the amount of certified mail that remained in the facility delayed corrective action.

Recommendation

The chief operating officer and executive vice president should:

1. Develop and implement standard procedures for the processing, measuring, and reporting of certified mail.

**Management's
Comments**

Management agreed with our recommendation and has taken or will take the following actions to address this issue.

- The managers, Operations Support (Area), are to ensure that standardized plans are in place to manage the processing and delivery of certified mail, with specific attention paid during the tax filing period in FY 2001.
- The managers, Operations Support (Area), will review and update operating plans for certified mail in each cluster by March 9, 2001.
- During accounting period 8 of FY 2001, weekly reports will be submitted to headquarters identifying any problems with the processing and delivery of certified mail and the steps taken to address these problems.
- By May 1, 2001, the vice presidents, area operations, will send a written report to the chief operating officer verifying that all certified mail has been delivered to state agencies and detailing any problems encountered and steps taken to improve the process.

**Evaluation of
Management's
Comments**

Management's actions taken or planned are responsive to our recommendation.

Recommendation The vice presidents, Great Lakes Area Operations, New York Metro Area Operations, Northeast Area Operations, and Pacific Area Operations should:

2. Develop methods to leverage existing technology to decrease the heavy reliance on manual procedures in the processing of certified mail.

**Management's
Comments**

Management generally agreed with our recommendation and will obtain additional scanners and workstations for use in processing certified mail. In addition, a supplemental workforce will be trained on the use of scanning equipment and the handling of certified mail. Management stated these actions would increase the use of technology and decrease the heavy reliance on manual operations during peak periods.

**Evaluation of
Management's
Comments**

Management's comments and planned actions are responsive to our recommendation.

Recommendation

The vice presidents, Great Lakes Area Operations, New York Metro Area Operations, Northeast Area Operations, and Pacific Area Operations should:

3. Require facilities that experience seasonal increases in certified mail to develop plans that would ensure adequate planning, staffing, and supervision to handle these increased volumes.

**Management's
Comments**

Management agreed with our recommendation and stated that plans have been or will be implemented to handle the increased volume of certified mail during the tax season. Management stated these plans include:

- Hiring casual employees during the tax season to help process certified mail.
- Training limited and light duty employees as back ups to process certified mail should the need arise.

- Increasing visibility of certified mail volumes and delays on Daily Mail Condition Reports and in district telephone conferences.
- Maintaining daily communications with tax revenue customers during the heavy-volume tax season.

**Evaluation of
Management's
Comments**

Management's actions taken or planned are responsive to our recommendation.

**Management's
Response to Reports
of Delayed Mail**

Management's response to reports of delayed certified mail varied by level of management. Generally, local level managers did not take appropriate and timely corrective action. Certified mail delays were not documented in the Daily Mail Condition Reports and were not reported to district, area, or headquarters. However, area management implemented timely and effective actions to remedy the delayed certified mail when informed of the delays. Management at headquarters played a limited role because certified mail delays had been resolved by the time they became involved. If the Postal Service fails to address delayed certified mail, its reputation, and relationship with customers may be damaged, resulting in lost revenue and reduced public trust.

California

An internal review by Postal Service district officials revealed that senior managers of Distribution Operations were ineffective in addressing the delayed certified mail. These managers were informed of the certified mail backlogs by subordinate supervisors, but did not take action to clear the backlogs. Responsible managers were also given letters of warning for not taking appropriate action to handle the increased workload.

The senior plant manager was unaware of the situation until bank officials reported the problem to him. The senior plant manager immediately took action to rectify the situation. Managers in Distribution Operations should have included the delayed certified mail in Daily Mail Condition Reports, but did not.

Connecticut

The various tour managers and lead manager, Distribution Operations, at the Hartford facility did not take timely corrective action to address the certified mail processing delays. These managers did not have reasons to justify their inaction and did not report the delayed certified mail to higher management. The lead plant manager was out of the office during part of this period and was not initially aware of the delays. Once informed, he took corrective action. No managers received disciplinary action as a result of the delayed certified mail.

The managers in Distribution Operations were aware of the delays, but the backlogs were not documented due to

confusion about reporting requirements. The failure to report unprocessed certified mail delayed corrective action by management. The vice president, Northeast Area, subsequently implemented uniform reporting procedures to prevent recurrences.

Local management did not report delayed certified mail to area or headquarters management. The lack of standard procedures to identify and report delayed certified mail contributed to communication difficulties between levels of management. The failure to identify and communicate the number of delayed certified mail pieces on a daily basis postponed prompt corrective action.

State revenue officials expressed some disappointment with Postal Service officials' responses to their problems with certified mail. Although state revenue officials initially requested Postal Service assistance with certified mail processing before the tax season began, it was not until after the delays occurred that meetings were conducted.

Area management implemented corrective action to address service failures and the confusion about Daily Mail Condition Reports after this issue surfaced. On May 18, 2000, personnel from the Northeast Area Office visited the Hartford Processing and Distribution Center to investigate. On May 22, 2000, new procedures were implemented to address the problems identified.

Illinois

The postmaster, Springfield, Illinois, did not take action to address certified mail processing delays until Department of Revenue officials complained. The postmaster placed more importance on limiting overtime to remain within budget constraints than delivering mail to customers on time. The postmaster's decision to limit employee overtime hours after encountering delayed mail increased the severity of the delays.

The postmaster did not report the delayed certified mail to his supervisors in the Customer Service Daily Reporting System. The postmaster was ultimately responsible for reporting delayed mail, but told us he did not report the unprocessed certified mail because delays had not been reported in previous years. The lack of standard reporting procedures to identify and report delayed certified mail

contributed to communication difficulties between levels of management and postponed corrective action.

State revenue officials were generally satisfied with Postal Service officials' response to their problems with certified mail. The postmaster, plant manager, and area vice president continue to contact state revenue officials on a periodic basis to monitor progress.

District and area managers were not aware of the delayed certified mail until Department of Revenue officials complained. After the issue surfaced, these managers implemented immediate corrective action to address the problem. There was no evidence that disciplinary action against these managers was taken.

New York

Local Postal Service managers told us the delays did not occur within the processing and distribution center. They believed the delays only occurred within the customer service area of the Church Street Station; consequently no corrective actions were taken.

Local Postal Service managers did not take timely action to address the certified mail left by the courier service. This occurred because supervisors within the delivery unit did not inform Postal Service managers of certified mail left by the courier. Subsequently, delivery unit supervisors did not report this volume of certified mail on the Customer Service Daily Reporting System. Both of these omissions contributed to corrective actions being delayed. Two delivery unit supervisors received Letters of Warning from the acting station manager.

Managers at the district level were not initially informed of the delays by local Postal Service managers, but took appropriate action when notified. The acting station manager received a Letter of Warning as a result of the problems experienced with delayed certified mail.

Revenue officials and bank officials were dissatisfied with the responses from postal managers at both the local and district level. They told us that effective communications had not been established. Consequently, they were not convinced that preventive measures were in place for the next surge of certified mail.

Recommendation	<p>We recommend the vice presidents, Great Lakes Area Operations, New York Metro Area Operations, Northeast Area Operations, and Pacific Area Operations:</p> <p>4. Review the lack of consistency in disciplinary actions taken at the Church Street, Hartford, Los Angeles, and Springfield facilities and take corrective action as appropriate.</p>
Management's Comments	<p>Management generally agreed with our recommendation and stated that different disciplinary actions were taken based upon the history of the individuals involved. Management also stated they would ensure appropriate disciplinary and corrective actions were taken when the field does not follow established procedures and the result is service failures.</p>
Evaluation of Management's Comments	<p>Management's actions taken or planned are responsive to our recommendation.</p>

**Government
Agencies Expenses
Due to Delayed –
Certified Mail**

Various state revenue department officials indicated they incurred additional costs due to the late delivery of certified mail. With one exception, they indicated delayed certified mail impacted their operations, but expenses could not be verified. Some of these impacts could not be quantified, such as increased telephone calls and office visits, idle workers, and the loss of customer goodwill. Only one of the four government revenue departments we visited documented interest income losses due to certified mail delays. In that instance, the state revenue department calculated it lost up to \$280,000 in interest income. Losses by the other three government agencies could not be determined due to lack of documentation.

Other Observations	During our fieldwork, a number of other issues surfaced that warrant further review. The full extent and causes of these problems could not be determined during our visits, but we plan to address these issues in future audits.
Sorting Program for Certified Mail	Automation programs failed to accurately sort certified mail and caused a heavy reliance on manual processing. Managers at the Springfield and Los Angeles Processing and Distribution Centers decided not to use these sort programs due to recurring automation problems. Manually screening mail trays for certified mail labels is inefficient and adds to processing time.
Unique Agreements with Customers	Postal Service officials negotiated unique agreements with various state revenue officials that did not comply with established service commitments. In Illinois and California, Postal Service officials agreed to process all certified mail within five days of the tax-filing deadline. In Connecticut, the agreement was seven days. Setting unique processing agreements with various customers can cause perceptions of preferential treatment.
Equipment Loans to Customers	In Sacramento, California, Postal Service officials loaned a scanner for processing certified mail to the State Franchise Tax Board. The customer's employees then aided the Postal Service facility by scanning certified mail items that were erroneously delivered with First-Class Mail. This process resulted in the Postal Service losing control over the processing of some certified mail.
Implementation of Electronic Records Management	The signature capture program provides the infrastructure to electronically store delivery records in a national database. This new system became effective on July 22, 2000. During our fieldwork in August 2000, a potential problem with caller service at the Los Angeles Processing and Distribution Center surfaced where they continued to use old scanning equipment for accountable mail. Items scanned with the old equipment may not be linked to the national database.

APPENDIX A

ANALYSIS OF CERTIFIED MAIL DELAYS

	Media Reports Accurate Not IAW service standards (1 to 3 Days)	Causes for service delays					Adequate Management Response	
		Planning, staffing, supervision	Inconsistent processing, measuring, reporting	Manual processing/ Automation problems	Late arriving mail	Acceptance of delays	Local	District, Area, Headquarters
New York	X	X	X	X			NO	YES
Illinois	X	X	X	X	X	X	NO	YES
Connecticut	X	X	X		X	X	NO	YES
California	X	X	X	X			NO	YES
Delaware								

Notes:

- (1) Could not determine expenses incurred by other government agencies.
- (2) Potential impacts of certified mail delays include: reputation damaged, lost revenue, and reduced public trust.
- (3) Management at headquarters had limited role due to timing (late notification).

APPENDIX B

MANAGEMENT'S COMMENTS

JOHN E. POTTER
Chief Operating Officer,
Executive Vice President



February 20, 2001

DEBRA S. RITT

SUBJECT: Transmittal of Draft Audit Report - Certified Mail Processing and Delivery Functions (Report Number AC-AR-01-DRAFT)

This is in response to your January 16 letter, subject as above.

In response to your summary of recommendations, the following actions are being taken.

I have tasked the managers, Operations Support (Area) (MOS) with the responsibility of ensuring that standardized plans are in place to manage the processing and delivery of certified mail, with specific attention paid during the tax filing period in fiscal year 2001. This will include:

1. The senior plant manager and district manager in each performance cluster will jointly identify a local coordinator who will oversee the planning and monitoring of this mail for processing and delivery operations.
2. For each state, the appropriate cluster coordinator will identify a point of contact in the state agency to work with ahead of time to ensure that ongoing lines of communication are established.
3. Operating plans in each cluster will be reviewed and updated to ensure timely processing and delivery of this mail. These plans will be reviewed by the MOSs by March 9.
4. During accounting period 8 of fiscal year 2001 (March 24 through April 20), weekly reports will be submitted by the MOSs to headquarters Operations to be included on the Weekly Operating Conditions Report. These reports will detail any problems with the processing and delivery of this mail and the steps being taken to address these problems. Also, any daily problems will be sent to headquarters Operations and brought to my attention on the Current Situation Report for the chief operating officer.
5. By May 1, the vice presidents, area operations, will send a written report to the chief operating officer verifying that all certified mail has been delivered to state agencies. These reports will also detail any problems that were encountered and the steps that will be taken to improve the processing and delivery of this mail.

If you have any questions concerning my response, please contact Nick Barranca at 202-268-5766 or Pat Mendonca at 202-268-6070.

A handwritten signature of John E. Potter in dark ink.
John E. Potter

cc: Nicholas Barranca; Vice Presidents, Area Operations; Manager, Capital Metro Operations; Managers, Operations Support (Area)

475 L'Enfant Plaza SW
Washington DC 20020-0080
202-268-4842
Fax 202-268-4843

DANAY JACKSON
Vice President, Great Lakes Area Operations



February 2, 2001

Debra S. Ritt
Assistant Inspector General for Audit and Business Operations
1735 N. Lynn Street
Arlington, VA 22209-2020

SUBJECT: Draft Audit Report - Certified Mail Processing and Delivery Functions
Report Number AC-AR-01-DRAFT

This response addresses the findings at the Springfield IL Post office and the Springfield IL Processing and Distribution Center. I agree in part with the conclusion and recommendations of the audit and would like to thank the team for their efforts.

The following plans have been put into place at these offices to handle the increase in Certified Mail during the tax season and throughout the year.

1. Plans are in place to run a two tour operation (Tours 1 and 2) to ensure all Certified Mail received is processed and delivered to the customer on time. The Department of Revenue picks up mail from the Springfield office at 6:30 a.m., 8:00 a.m., and 8:50 a.m.. The Springfield Post Office and Plant have made arrangements with the Department of Revenue to deliver any residue mail after 8:50 a.m. and Certified Mail after 10:00 a.m. to the Department of Revenue via our Motor Vehicle Services. This was put into effect on July 27, 2000 and continues today.
2. Six casual employees will be hired on our about March 15, 2001. These employees will be dedicated solely to the processing of Certified Mail. The Processing & Distribution Center will train limited and light duty employees to use as back up to process Department of Revenue mail, should the need arise.
3. There are six scanners available for use in scanning Certified Mail. Two are programmed to work Department of Revenue mail and the other four can be programmed within minutes to process this mail.
4. There is currently one print workstation in the Certified Mail room. Four additional print workstations have been ordered and should be available for backup. Should these not arrive and the need arises, the print workstation in Jacksonville, IL will be used.
5. On hand Certified Mail volumes will be reported daily in the CSDRS comment section. These volumes will also be reported on the daily district telecon beginning April 1.

244 KNOXWOOD DRIVE FLOOR 4
BLOOMINGDALE, IL 60117-1000
833/538-5858
FAX: 833/538-7171

6. The Postmaster will continue to have dialog with the Department of Revenue on a daily basis during the heavy tax season to ensure operations are running correctly. The Postmaster and Plant Manager have had monthly meetings with the Department of Revenue since last tax season and will continue these meetings.
7. The Department of Revenue was not accepting Saturday delivery during tax season. To improve mail service, the Springfield Post Office has made an agreement with the Department of Revenue to deliver all DOR mail on Saturdays. This process will result in the DOR having mail first thing on Monday morning for their personnel to process. This process began on July 20, 2000 and continues today.
8. Disciplinary actions were not taken on any manager in the Springfield Plant or Post Office. Both the Postmaster and Plant Manager have been told and understand the severity of the situation. They also understand that any recurrence of this nature will result in disciplinary action.
9. Postal officials did not negotiate a unique agreement with the Department of Revenue concerning the establishment of service commitments. The Department of Revenue was told that normally, they should expect their mail within the three day service standards but no later than five days from the postmark. The Department of Revenue stated that they could accept that timeframe.
10. The Manager, Processing and Distribution Center will ensure that the Certified Mail detectors are operational and used in the automation area.

If you need further information, please contact Jim Holmes, District Manager, Central Illinois District, at 708 563 7800.



Danny Jackson

cc: Jim Holmes

JON M. STEELE
Vice President, Northeast Area Operations



UNITED STATES
POSTAL SERVICE

February 1, 2001

MEMORANDUM FOR DEBRA S. RITT
ASSISTANT INSPECTOR GENERAL
FOR AUDIT AND BUSINESS OPERATIONS

SUBJECT: Draft Audit Report on Certified Mail Processing and Delivery Functions

I have reviewed the findings and recommendations contained in the draft audit report and agree with the report.

Based on the recommendations contained in the draft audit report the following actions have or will be implemented:

- All Northeast Area facilities continue to be required to report any and all delays on the Daily Morning Condition Report (DMCR). This report is reviewed daily by the Northeast Area staff and discussed with all Plant Managers on our daily telecons.
- Additional personnel have been trained in all facilities on the use of scanning equipment and the handling of the green return receipt cards. This will increase the use of technology and decrease the heavy reliance on manual operations during peak periods.
- Planning workgroups have been established in all clusters that experience seasonal increases of certified mail, which is predominately during the spring tax season.
- Action plans have or are in the process of being developed for all facilities impacted by seasonal increases of certified mail. All action plans are scheduled for completion by February 16, 2001.
- All employees working in operations where seasonal increases of certified mail may occur have been instructed on the proper handling, identification, recording, and urgency of certified mail.
- The Northeast Area staff will monitor performance throughout the 2001 tax season to ensure compliance with all procedures and policies.

Meetings have been held between USPS operations and the tax agencies to ensure full communications and cooperation year-round, but especially at tax season.


Jon M. Steele

cc: Distribution List

6000 River Road, Suite 100
Washington, DC 20506-7019
800 285-7148
Fax 800 285-1253

VICE PRESIDENT, AREA OPERATIONS
NEW YORK METRO AREA



January 23, 2001

Ms. Debra S. Ritt
Assistant Inspector General
for Audit and Business Operations
Office of Inspector General
1735 N Lynn Street
Arlington, VA 22209-2020

SUBJECT: Response to Draft Audit Report – Certified Mail Processing and Delivery Functions (Report Number AC-AR-01-DRAFT)

We have reviewed the Draft Report of the subject audit. Our responses to the three recommendations addressed to the New York Metro Area are as follows.

Recommendation #2

Develop methods to leverage existing technology to decrease the heavy reliance on manual procedures in the processing of certified mail.

Response

The implementation of Print Work Station equipment in September of 2000 has effectively addressed the technology issue. Scanning technology minimized the need for manual input through the manifest capabilities of the software. This equipment has been installed and is in daily use in Church Street Station.

Recommendation #3

Require facilities that experience seasonal increases in certified mail to develop plans that would ensure adequate planning, staffing, and supervision to handle these increased volumes.

Response

Staffing of certified mail operations is currently adequate to handle seasonal volume at Church Street Station. The delayed certified mail in this instance was primarily attributed to the refusal of messengers to pick up all available mail. In order to address this issue, Operations Programs Support established a Standard Operating Procedure (SOP) in August of 2000. The SOP requires that local managers contact the customer via telephone in the event a messenger refuses to pick up all available mail. In addition, managers must notify appropriate senior management in the event that this situation recurs. A service talk has been given to P.O. Box, letter carrier, and platform employees to ensure that they are aware of the requirement to notify their immediate supervisor of such a situation.

143-02 20th Avenue, Room 318
Flushing, NY 11351-0001
(718) 321-5523
Fax: (718) 321-7180

Recommendation #4

Review the lack of consistency in disciplinary actions taken at the Church Street, Hartford, Los Angeles, and Springfield facilities and take corrective action as appropriate.

Response

Proper application of disciplinary action requires that it be progressive in nature. Different levels of discipline should be utilized and will be dependent upon the history of the individuals involved.

In summary, we believe the New York District responded immediately and appropriately to rectify the situation and provided the proper service for the customers.



David L. Solomon

cc: John E. Potter
Nicholas F. Barranca
John R. Gunnels

PACIFIC AREA OFFICE
OPERATIONS SUPPORT



February 1, 2001

MEMORANDUM FOR DEBRA S. RITT
ASSISTANT INSPECTOR GENERAL
FOR AUDIT AND BUSINESS OPERATIONS

SUBJECT: OIG Draft Audit Report – Certified Mail Processing and
Delivery Functions

The Pacific Area has reviewed the findings and recommendations in the draft audit report concerning certified mail processing and delivery functions. We concur with the report and will implement activities to correct the deficiencies cited and ensure that certified tax returns are processed and delivered properly and within service commitments.

The Los Angeles and Sacramento clusters have initiated the following actions in response to the specific findings and recommendations in the draft report:

Los Angeles

- Staff box section with light/limited duty to process IRS certified.
- Request Pacific Area plants to hold out IRS Los Angeles ZIP Codes.
- Provide supervisory overlap on tours at P&DC to provide consistent turnover of volumes and staffing.
- Tag IRS mail with finalization dates to keep in sequence.
- Los Angeles PC will meet with IRS and courier services.
- Additional scanners will be purchased.
- Any delays in certified processing will be included in Daily Mail Condition Report.

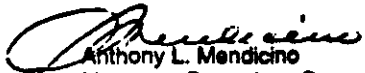
Sacramento

- Previous local agreements and loan of postal equipment eliminated.
- Add casual staffing from March 26 through April 26.
- Verify direct trays received and extract any certified not isolated at origin plant.
- Supplemental workforce will be used for verification and scanning of certified.
- Detail employees at Franchise Tax Board for scanning of mail received at FTB via direct transportation from Los Angeles Basin.

400 Oyster Point Blvd
SOUTH SAN FRANCISCO CA 94080-1000
650-636-3010
FAX: 650-636-3002

OIG Draft Audit Report – Certified Mail Processing and Delivery Functions
Page 2

Additionally, all other clusters have designated coordinators to oversee planning and monitoring of certified tax returns in mail processing and delivery functions. The clusters have submitted plans for processing of certified. To the extent possible, the Pacific Area will have plants isolate certified at origin and tray and containerize them separately for dispatch to IRS centers and state tax offices. We will also ensure that appropriate disciplinary and corrective actions are taken in the event that the procedures committed to by the field are not carried out which result in service failures.


Anthony L. Mendicino
Manager, Operations Support

cc: Executive Board
District Managers
Plant Managers