

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-21)**

The United States Postal Service hereby files its responses to the following
interrogatory of the Newspaper Association of America, dated January 13, 1998:
NAA/USPS-21.

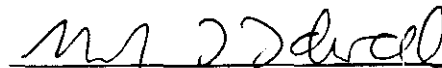
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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Washington, D.C. 20260-1137
(202)268-2998/FAX: -5402
January 30, 1997

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF NAA**

NAA/USPS/-21

Please refer to the article published on page 1 of the January 10, 1998, issue of *The Washington Post*, a copy of which is attached, regarding alleged "cheating" on the Price Waterhouse First-Class mail service performance measurement system by Postal Service personnel in West Virginia.

- a. Is the article generally accurate? If the Postal Service's understanding of the facts differs in any material way from the account in the article, please provide the Postal Service's description of relevant events.
- b. Please confirm that, as a result of the activities described in that article, the reported First-Class Mail results in West Virginia showed a better performance than would otherwise have been the case. If you cannot confirm, please explain why not.
- c. Does the Postal Service have actual knowledge (as distinct from confidence or belief) that no such "cheating" is occurring in other areas of the nation?

RESPONSE:

- a. The Postal Service is taking action in response to allegations that certain employees engaged in improper activity which was intended to influence service performance scores reported by the External First-Class Mail (EXFC) measurement system.
- b. It is not known with certainty what the EXFC service performance scores for the affected areas would have been in the absence of such improper activity; therefore, the degree to which such activity influenced the reported scores also is not known with certainty.
- c. Because the Postal Service is committed to ensuring the integrity of EXFC, a review of the system currently is underway.

A 'Special' Delivery in W. Virginia

Postal Employees Cheat To Beat Rating System

By Bill McCallister
Washington Post Staff Writer

Since 1990, it has been one of the U.S. Postal Service's most revered statistical measures—the key index for how well the agency delivers the mail. Every week, the accounting firm of Price Waterhouse sends mail to selected households across the country to determine how quickly individual post offices deliver the mail.

But last month, postal officials discovered that West Virginia postal employees had figured out a way to make themselves look good. With inside information on where the test letters were being sent, they organized an elaborate system to speed the test letters to their destinations.

In this instance, no expense was spared to make sure the mail got through—the postal employees hired “Kelly girls” from a temporary help firm to pick out the test letters from the bags of incoming mail.

Their aim: to show postal service higher-ups in Washington that West Virginia had one of the best mail systems in the nation. That would entitle the West Virginians to good job ratings and big bonuses. As improbable as the scheme was, postal officials say it worked for months—until recently.

This week, postal officials in Washington acknowledged that 11 postal

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District Manager Diarmuid Dunne and Charleston Postmaster Rick Eisinger—have been suspended in what postal spokesmen describe as the first suspected case of widespread cheating on the U.S. Postal Service's critical first-class measurement system.

Under Postmaster General Marvin T. Runyon, those Price Waterhouse scores have become the single most important measurement for the effectiveness of postal operations. They are the yardstick by which virtually all postal managers are measured.

The scores have won high praise from Vice President Gore, who reportedly has praised the Postal Service for creating a performance index of the type that the Clinton administration wants all government agencies to adopt. Only when such indexes are widely used will the public be confident that government is performing more effectively, the administration has said.

But the West Virginia scandal has shaken and embarrassed senior postal executives, who fear it could undermine public confidence in all mail delivery scores. Postal officials, who would be interviewed only with the understanding that they not be named, said they were shocked by the extent of the West Virginia operation and how long it went undetected.

The West Virginia cheating began after an individual, believed to be hired by Price Waterhouse and told to drop off test letters at a number of different locations, instead went to a

West Virginia post office last year and mailed them all.

Although such mailings are supposed to be composed of letters of various sizes and weights, the window clerk somehow recognized the letters as a test mail and alerted a supervisor. To the postal managers, a Price Waterhouse bundle would be

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a gold mine, because each letter would have the address of the nearly 100 “reporters” in the state.

These are individuals that Price Waterhouse had hired to report on when the test letters were delivered. After all the letters arrive, Price Waterhouse computes the effectiveness of local postal operations based on the percentage of letters that arrive overnight.

Using the Postal Service's internal e-mail system, the West Virginians were able to alert post offices around the state about the addresses of all but 15 of the 100 Price Waterhouse reporters. Special mail delivery

plans were concocted to insure that the reporters' mail arrived promptly. It did.

But the irony of the scheme was that West Virginia already had some of the best overnight mail delivery rates in the nation. In early 1997, 91 percent of the test letters dropped in Charleston were being delivered overnight before the scheme began sometime last year—and the scheme by the West Virginians probably added only 2 percentage points to their overnight delivery scores.

That brought the Charleston post office up to a score of 93 percent in the latest test period, 1 percentage point above the improving national average.

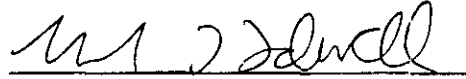
When the scheme was discovered, postal officials say, those involved attempted to cover up their planning, destroying the incriminating e-mail messages. The most senior official suspended—District Manager Dunne—was not part of the actual scheme, but he was placed on administrative leave with pay—along with the others—because officials say he did not act swiftly to discipline the offenders.

Postal spokeswoman Kathleen McDonough said yesterday that the matter is being treated “with the greatest attention and seriousness” by postal executives. She did not know when the investigation would be concluded. A Price Waterhouse spokeswoman declined to comment.

Thus far, officials say their investigation is an administrative proceeding. But it could be serious for some managers because the cheating has raised the possibility of “compensation fraud,” one manager said.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "M. T. Tidwell", written over a horizontal line.

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
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January 30, 1997