September 24, 2007

MICHAEL J. NAPPI
EXECUTIVE DIRECTOR, INTERNATIONAL NETWORK OPERATIONS

INGRID E. BREWSTER
MANAGER, LOS ANGELES INTERNATIONAL SERVICE CENTER

SUBJECT: Audit Report – Mail Condition Reporting at the Los Angeles
           International Service Center (Report Number NO-AR-07-010)

This report presents the results of our audit of mail condition reporting at the Los Angeles, California International Service Center (ISC) (Project Number 07XG036NO000). This review responds to a request from the Executive Director, International Network Operations, to review the completeness, accuracy, and timeliness of the mail condition data reported in the Web Mail Condition Reporting System (WebMCRS). This is the third in a series of reviews addressing mail condition reporting at ISCs.

Background

The U. S. Postal Service has responsibility for mail processing operations at the ISCs. The Postal Service uses the WebMCRS as a repository for information on the results of mail processing operations. WebMCRS provides information to management officials at all levels for analysis, forecasting, and planning. Specifically, WebMCRS reports the volume of mail on-hand and the volume of mail ready for processing. It also reports the volume of mail that has not met operational clearance times (CT) and/or service commitments, according to the facility's local operating plan. Personnel at the facility manually count the mail when possible or estimate the mail count and enter the data into WebMCRS.[1] Illustration 1 shows employees conducting a mail count. All mail associated with the facility, regardless of the amount, should be counted in its respective WebMCRS category (on-hand, plan failure, late arriving, delayed processing, and delayed dispatch). See Appendix A for definitions of these categories.

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[1] Mail inventories are determined by national standard conversion rates. However, WebMCRS does not require conversion to mailpieces prior to input. Volume is entered by container type and mail type and the system automatically converts the inventory to mailpieces. In situations where standard conversion rates are not available, local conversion rates may be used based on headquarters' approval.

Illustration 1: Personnel at the facility counting the mail (July 26, 2007 at 5:45 a.m.).

The Los Angeles ISC is one of five ISCs. It processed about 61 million first handling pieces (FHP) [2] or about 7 percent of the total mail volume handled by all of the ISCs in fiscal year (FY) 2006. See Chart 1 for details.

Chart 1. ISCs Volume as a Percent of Total Mail
Volume Handled - FY 2006

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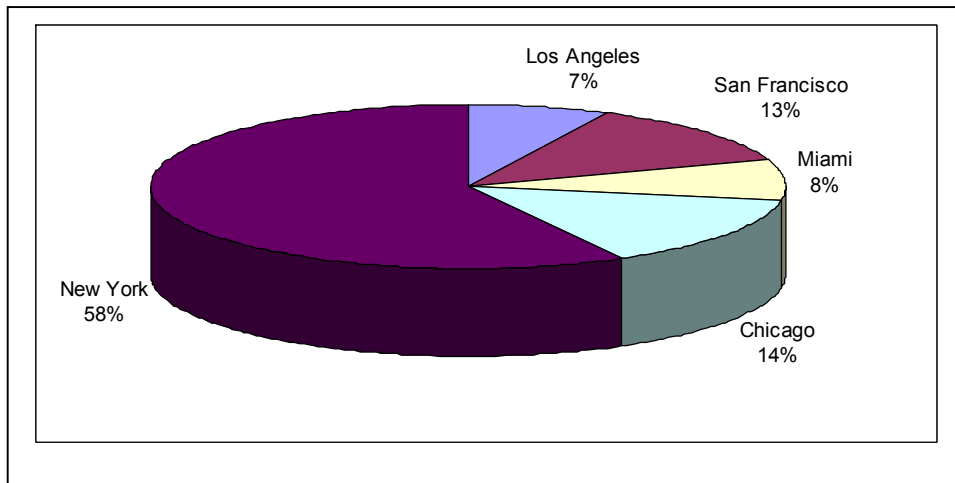
[2] FHP — Letters, flats, and parcels sorted in a local post office for the first time.

Objective, Scope, and Methodology

Our objective was to assess the accuracy, completeness, and timeliness of mail condition data reported in WebMCRS for the Los Angeles ISC. To accomplish our objective, we conducted interviews with managers and employees and analyzed the facility's performance to identify trends and potential issues. We also performed analytical procedures and observed mail condition counts. Further, we assessed accuracy by determining whether the volume recorded in each category was reflective of the conditions at the facility. We assessed completeness by determining whether facility personnel reported all available mail in all applicable WebMCRS categories. Finally, we tested for timeliness by verifying whether mail condition information was available in accordance with WebMCRS daily reporting requirements.

We used computer-processed data from the WebMCRS Daily Facility Summary generated from October 2006 through July 2007. We did not test controls over this system. However, we checked the reasonableness of results by confirming our analyses and results with management and another data source.

We conducted this audit from July through September 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on July 26, 2007, and included their comments where appropriate.

Prior Audit Coverage

The Office of Inspector General (OIG) recently issued the following two reports on mail condition reporting at ISCs:

Mail Condition Reporting at the San Francisco International Service Center (Report Number NO-AR-07-006, dated August 20, 2007). We determined that employees of this ISC submitted mail condition data on a timely basis, but the data was incomplete and inaccurate. The mail condition reports were incomplete and inaccurate because the San Francisco ISC did not have a process to identify plan failures and used local conversion rates without approval from headquarters. Management concurred and their planned actions were responsive to the issues identified.

Mail Condition Reporting at the Miami International Service Center (Report Number NO-AR-07-009, dated September 20, 2007). We determined that employees of this ISC submitted mail condition data on a timely basis, but the data was sometimes incomplete

and inaccurate. This occurred because the Miami ISC did not have a process to identify, review, and record all mail volumes in the required WebMCRS categories; and employees did not have adequate training. Management concurred and their planned actions were responsive to the issues identified.

Results

Generally, mail condition reporting at the Los Angeles ISC was accurate, complete, and timely. However, improvements could be made in the reporting of inbound parcels[3] and plan failures for each processing operation.

Accurate and Complete Reporting

Employees properly counted and reported on-hand, late arrival, plan failures, and delayed mail. Either the Los Angeles ISC Manager or the In-Plant Support Manager properly verified these counts. Our analysis of service scores also corroborated proper data reporting. For example, during the past 2 quarters, the Los Angeles ISC reported no mail delays except for 1 processing day. If improper reporting occurred, the Los Angeles ISC should have service scores well below the national average. However, service scores for the Los Angeles ISC were above the national average. (See Appendix B.)

We found that management could improve the reporting of inbound parcels.

- On July 25, 2007, we counted 41 containers[4] of inbound parcels dated July 23, 2007, that personnel should have counted and reported as plan failures and delayed processing, as required by the operating plan. This equates to approximately 17,758 mailpieces. (See Illustration 2.)

- Similarly, on July 26, 2007, we counted 45 Over-The-Road (OTR) containers of inbound parcels dated July 24, 2007, that personnel should have counted and reported as plan failures and delayed processing, as required by the operating plan. This equates to approximately 21,094 mailpieces.

Consequently, ISC management could not rely on the inbound parcel data to make decisions and identify problem areas. This occurred because Los Angeles ISC management believed that inbound parcels did not have a service commitment until after the mail cleared Customs. However, according to the operating plan, facility personnel should complete distribution of inbound parcels the facility receives by 3 p.m. by its 11 p.m. clearance time.

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[3] Inbound parcel mail volume accounts for between 10% and 12% of total ISC volume and would not cause the mail condition report as a whole to be unreliable.
[4] The total included 36 OTR containers and five All-Purpose containers.

Illustration 2: OTR containers should have been counted as plan failures and delayed processing on July 25, 2007.

In addition, during our observations we found employees only conducted plan failure counts at the facility's clearance time of 11:59 p.m. Employees were not counting at each of the operations to identify possible plan failures as required.[5] The operating plan identifies clearance times for each operation, and employees should regard mail that was not processed by a particular operation's clearance time as a plan failure. Since employees were conducting no counts at each operation, management could not identify existing plan failures. Therefore, management may not be aware of particular operations that may not be processing mail timely. Management stated they were unaware that counts were required at each operation.

Timely Reporting

The Los Angeles ISC submitted mail condition reports timely. During our observations, personnel performed their respective mail condition counts between 5 a.m. and 6 a.m.; and provided counts to in-plant support by 6:30 a.m. for consolidation to WebMCRS by 7 a.m. As required, the reports were available by 7:30 a.m. daily for management to discuss any operational issues with headquarters executives. Interviews with Postal Service Headquarters management corroborated that mail condition reports the Los Angeles ISC submitted have been timely. Illustration 3 shows an in-plant support employee consolidating the mail condition report for submission.

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[5] *WebMCRS Training/User Guide*, updated March 17, 2005.

Illustration 3: In-plant support employee consolidating manual count data into WebMCRS.

Recommendation

We recommend the Executive Director, International Network Operations, direct the Manager, Los Angeles International Service Center, to:

1. Provide training to ensure that employees properly record inbound parcels and plan failures by operation on the Mail Condition Report.

Management's Comments

Management acknowledged the audit results and has implemented processes to remedy and/or correct the incompleteness and inaccuracy of WebMCRS data. Management's comments indicated the Manager, Los Angeles ISC, provided the recommended training. We have included management's comments, in their entirety, in Appendix C.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the actions taken should correct the issues identified in the finding.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions, or need additional information, please contact Robert J. Batta, Director, Network Processing, or me at (703) 248-2100.

E-Signed by Colleen McAntee
ERIFY authenticity with Approve]
C. McAntee
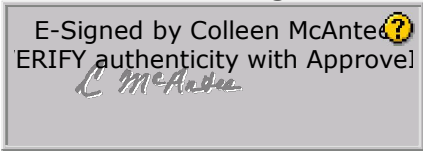
Colleen A. McAntee
Deputy Assistant Inspector General
 for Mission Operations

Attachments

   cc: Patrick R. Donahoe
      Paul E. Vogel
      John W. Holden
      Katherine S. Banks

APPENDIX A

DEFINITIONS OF WebMCRS MAIL CATEGORIES

- **On-Hand Mail** – the total of all available mail at the beginning of the day, by designated operation within the facility, regardless of service commitment. Available mail includes, but is not limited to:

  - Mail in the vehicle yard;

  - Mail in transit between local or auxiliary processing facilities;

  - Mail at the receiving dock that is waiting to be unloaded or is in the process of being unloaded;

  - Mail on the workroom floor, in the staging and storage areas, or ahead of or in or between operations; and

  - All managed mail or area distribution volume.

- **Plan Failure** – occurs when mail entered an operation prior to its Critical Entry Time (CET), but was not processed by the line operation CT.

- **Late Arriving** – mail received after the facility CET for the corresponding service commitment, regardless of its processing status.

- **Delayed Processing** – occurs when mail that arrived at a facility prior to the CET was not processed and finalized in time to be dispatched on the designated Dispatch of Value (DOV) to meet the programmed delivery day. This includes mail recovered within the facility from downstream operations after CT that will not meet its intended service commitment.

- **Delayed Dispatch** – occurs when mail is processed and finalized but not dispatched on its designated DOV trip.

APPENDIX B

FISCAL YEAR 2007 INTERNATIONAL SERVICE CENTER SERVICE SCORES

	Custom Scanning			International EXFC[6] 2-Day			International EXFC 3-Day			International EXFC Overnight			UNEX[7] Overnight Import		
	Qtr 1	Qtr 2	Qtr 3	Qtr 1	Qtr 2	Qtr 3	Qtr 1	Qtr 2	Qtr 3	Qtr 1	Qtr 2	Qtr 3	Qtr 1	Qtr 2	Qtr 3
Los Angeles ISC	98.99	98.85	99.47	97.31	93.97	98.22	83.98	79.6	88.76	97.76	97.6	96.37	89.1	95.7	94.3
National	97.01	97.46	98.4	91.15	89.71	94.2	84.01	81.6	88.42	94.43	94.5	95.84	80.4	81.8	85.8
Goal	98	98	98	92	92	92	90	90	90	95	95	95	87	87	87
Los Angeles ISC Ranking	1	1	1	1	3	1	3	3	4	2	1	3	2	1	1

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[6] International External First-Class Measurement System (EXFC).
[7] Unipost External Measurement System (UNEX).

APPENDIX C. MANAGEMENT'S COMMENTS

GLOBAL BUSINESS

UNITED STATES
POSTAL SERVICE

September 18, 2007

COLLEEN MCANTEE

SUBJECT: Draft Audit Report – Mail Condition Reporting at the Los Angeles International Service Center
          (Report Number NO-AR-07-DRAFT)

In reference to the Draft Audit Report submitted September 13, I acknowledge the results identified by the Office of Inspector General and have implemented processes to remedy and/or correct the inaccuracy and incompleteness of reporting as stated in the report:

We found that management could improve the reporting of inbound parcels.

- On July 25, we counted 41 containers of inbound parcels dated July 23, that personnel should have counted and reported as plan failures and delayed processing, as required by the operating plan.

- Similarly, on July 26, we counted over 45 Over-The-Road (OTR) containers of inbound parcels dated July 24, that personnel should have counted and reported as plan failures and delayed processing, as required by the operating plan.

In response to these results, Ingrid Brewster, Los Angeles ISC Plant Manager, promptly responded and established the following as recommended:

1. Provided training to ensure that employees properly record inbound parcels and plan failures by operation on the Mail Condition report.

This report contains no FOIA exempt information. If you have any questions or concerns, please contact me at (202) 268-7198.

Michael J. Nappi
Executive Director
International Operations

cc: Mr. Vogel
    Mr. Batta
    Mr. Holden
    Ms. Stroud