September 30, 2008

TERRY J. WILSON
VICE PRESIDENT SOUTHEAST AREA OPERATIONS

SUBJECT: Audit Report – Management of Delivery Points – Southeast Area
(Report Number DR-AR-08-012)

This report presents the results of our self-initiated audit of delivery point management in the Southeast Area (Project Number 08XG002DR000). The overall objective was to determine whether the Southeast Area effectively managed vacant and no-stat delivery points.[1] This audit addresses operational risk. Click here to go to Appendix A for additional information about this audit.

Conclusion

Southeast Area officials did not always effectively manage delivery points address information to eliminate vacant and no-stat[2] indicators. As a result, the U.S. Postal Service unnecessarily expended time and funds delivering mailpieces destined to unoccupied addresses that had to be returned to the sender, the addressee, or forwarded to a mail recovery center. Maintaining accurate and current address information eliminates Undeliverable-As-Addressed (UAA[3]) mail, reducing the Postal Service's UAA-related cost, which is well over $1 billion annually.

Management of Delivery Points

Southeast Area officials did not always monitor delivery point status to eliminate vacant and no-stat indicators. The Delivery Sortation Management Research Tool[4] (DSMART), identified 89,191 addresses requiring verification and update in the area. Of these, we

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[1] Our original audit objective was changed to address delivery point management overall, with a focus on vacant and no-stat updates and verifications.

[2] Vacant indicates the delivery point was active in the past, but is currently vacant (in most cases unoccupied over 90 days) and not receiving mail delivery. "No-stat" is an indicator flag at the delivery point level set in the Address Management System (AMS) to indicate no delivery, and the address is not to be counted as a possible delivery.

[3] Mail the Postal Service cannot deliver as addressed and must forward to the addressee, return to the sender, or send to a mail recovery center.

[4] A system developed to provide data by digit for analysis with the purpose of increasing the proficiency to delivery point sequence (DPS) mail. The National Customer Service Center (NCSC) developed this tool to provide an efficient means for verifying and removing the vacant or no-stat flags, restoring saturation and downstream revenue to the Postal Service, and increasing customer confidence in AMS product accuracy.

potentially found 24,894 addresses that still require correction. This occurred because supervisors and managers did not provide adequate oversight of AMS technicians and city letter carriers responsible for updating and submitting edit book sheet submissions.

As a result, the Postal Service unnecessarily expended time and funds delivering mailpieces destined to unoccupied addresses that had to be returned to the sender, the addressee, or forwarded to a mail recovery center. Maintaining accurate and current address information reduces UAA mail costs.

We are making no recommendations in this report. During our review, the Southeast Area initiated corrective action by reissuing the AMS Model Post Office Program on May 30, 2008, to establish consistent AMS reporting practices for each district office and delivery unit. Click here to view the reissuance memorandum in Appendix C. The actions taken should resolve the issues identified in the report.

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

E-Signed by Robert Batta
VERIFY authenticity with ApproveIt
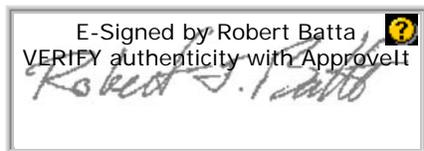
Robert J. Batta
Deputy Assistant Inspector General
  for Mission Operations

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[APPENDIX A: ADDITIONAL INFORMATION]{.underline}

BACKGROUND

The Postal Service managed approximately 148 million possible delivery points[5] during fiscal year (FY) 2007. AMS accounts for every delivery point managed by the Postal Service. AMS accuracy is maintained from information submitted by delivery units through the edit book process.[6] Click here for a flowchart in Appendix D.

The Postal Service's Handbook M-39, *Management of Delivery Services,* published in March 1998, with updates through March 18, 2004, requires management to review edit books several times during an accounting period and conduct annual route[7] and unit reviews consisting of an analysis of workhours, volumes, and possible deliveries. Possible deliveries influence letter carrier operating costs.

Maintenance of vacant and no-stat information affects active delivery versus possible delivery statistics. These statistics are used as the baseline counts for mailing discounts and influence the workload credits[8] associated with city delivery units. If management does not maintain vacant or no-stat on city delivery routes properly, the units will either not receive enough, or receive too much, workload credit associated with mail delivery. As a result, a unit may overstate or understate its budgeted workhours.

NCSC created an automated process to monitor and update vacant and no-stat city delivery points using Change of Address information. The NCSC generates and sends addresses via email to district and delivery unit AMS staff to monitor vacant and no-stat points. Delivery supervisors and managers verify and update vacant and no-stat delivery point status through discussion with carriers and AMS technicians, and enter the updated delivery point data into the DSMART website.

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[5] Possible deliveries include Active, Vacant, Seasonal, and Drop.
[6] The edit book is a product created from the current data in AMS. Every carrier route and every Post Office Box unit has an edit book used to document additions, deletions, and changes entered into the database.
[7] To continue improving address information, headquarters introduced the Address Quality Reporting Tool that identifies all delivery routes in a district that have the greatest opportunity for improvement.
[8] The difference between the estimated prior year and current year workload volume and delivery point forecasts.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether the Southeast Area effectively managed vacant and no-stat delivery points. To accomplish our objective, we interviewed appropriate area, district, and unit officials to obtain information on the policies and procedures for managing delivery points. To select an area to complete this review, we obtained data for FY 2007 from the Intelligent Mail Address Quality (IMAQ) Delivery Statistics website and determined the area with the largest number of delivery points in each Postal Service area. Using this information, we judgmentally selected the Southeast Area with the second largest number of delivery points (1.3 million). We did not select the first area because of our recent work in the Western Area.[9]

Table 1 – Nationwide Possible, Active, and Inactive Deliveries

Area	Possible Deliveries	Active Deliveries	Inactive Deliveries
New York Metro	9,960,582	9,540,162	420,420
Northeast	10,252,262	9,599,550	652,712
Eastern	17,594,495	16,412,532	1,181,963
Western	24,035,579	22,426,655	1,608,924
Pacific	16,272,862	15,787,945	484,917
Southwest	17,990,118	16,815,668	1,174,450
Southeast	21,723,388	20,400,519	1,322,869
Great Lakes	17,141,673	15,985,524	1,156,149
Capital Metro	12,841,538	12,133,039	708,499
TOTAL	**147,812,497**	**139,101,594**	**8,710,903**

Source: Intelligent Mail and Address Quality - Delivery Statistics

We obtained data from the DSMART/NCSC email verification information to judgmentally select districts and delivery units for site visits. We also visited the NCSC to interview Postal Service officials and obtain supporting documentation used for delivery point management. In addition, we reviewed applicable policies and procedures with regard to managing and monitoring updates of vacant and no-stat delivery indicators and carrier edit books.

We conducted this performance audit from October 2007 through September 2008 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 relied on computer-

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[9] *Review of Growth and Delivery Point Management Program* (Report No. DR-AR-07-016, dated September 29, 2007).

processed information from the Postal Service's IMAQ delivery statistic website, NCSC reports, the SEALog[10] web application, and DSMART. We did not directly audit the systems that generated delivery statistics and edit book management information, but performed a limited data integrity review to determine whether the data was reliable. We discussed our observations and conclusions with management officials on August 27, 2008. Management agreed with the finding and will continue to improve delivery management in the Southeast Area.

PRIOR AUDIT COVERAGE

In 2007, the U.S. Postal Service Office of Inspector General (OIG) issued a national capping report summarizing a series of eight area reports on delivery point management that identified opportunities to improve managing delivery points.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
Address Management Information System – National Capping	DR-AR-07-012	August 29, 2007	$26,902,945	Opportunities existed for area officials to implement best management practices similar to the New York District to improve quality of AMS data to process and deliver the mail.

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[10] The SEALog web application is used by AMS offices to track the movement of edit books from the delivery unit to the AMS office and back. It gives AMS the ability to record the type of maintenance contained in each edit book, the date received, and the date that the work is completed. However, it is not linked to the web-based Electronic Edit Sheets.

APPENDIX B: DELIVERY POINT MANAGEMENT

Southeast Area officials did not always monitor delivery point address information to eliminate vacant and no-stat indicators.

Vacant and No-Stat Indicator Updates

During the period May 27 through July 24, 2008, Southeast Area district officials had 89,191 addresses requiring verification and update. According to DSMART, we potentially found 24,894 addresses that still require correction, see Table 2 below.

Table 2. Southeast Area Summary of Vacant and No-Stat

District	Vacant and No-Stat via Email	Vacant and No-Stat Updated	Unchanged	Percent Unchanged
Alabama	10,351	8,084	2,741	26%
Atlanta	13,456	9,741	4,610	34%
Central Florida	12,228	10,168	2,363	19%
Mississippi	3,842	2,804	1,270	33%
North Florida	9,480	6,578	3,426	36%
South Florida	6,398	4,893	1,708	27%
South Georgia	6,872	5,525	1,647	24%
Suncoast	15,468	11,358	4,901	32%
Tennessee	11,096	8,939	2,228	20%
TOTAL	**89,191**	**68,090**	**24,894**	**28%**

Source: DSMART Vacant and No-Stat Summary Reports

At the South Florida and Tennessee Districts' delivery units visited, we found indications of inadequate oversight from supervisors and managers when updating and submitting the edit book activity logs. As a result, the edit books were sometimes not properly filled out and the logs were not always complete. See Table 3.

Table 3. Delivery Units' AMS Edit Book and Log Activity

District and Delivery Unit	Edit Book Submissions	Complete AMS Activity Logs	Did Carriers Initial AMS Activity Logs Indicating No Change to Edit Books?
South Florida District			
▮▮▮▮▮	Yes	No	No
▮▮▮▮▮	Yes	No	No
▮▮▮▮▮	Yes	No	No
▮▮▮▮▮	No	Yes	Yes
Tennessee District			
▮▮▮▮▮	No	Yes	Yes
▮▮▮▮▮	Yes	No	No
▮▮▮▮▮	Yes	No	No
▮▮▮▮▮	Yes	No	No
▮▮▮▮▮	Yes	No	No

Source: Delivery Unit Edit Books and AMS Activity Logs

The primary reason for inadequate supervisory oversight at delivery units is that management did not always place a high priority on the completion of AMS duties or provide the carriers and AMS technicians with sufficient time for managing the edit book process. Since management did not always carry out the weekly edit book process, they were unaware of carriers who were not updating and submitting their edit books timely to the AMS technician for forwarding to the district AMS office.

As a result, the Postal Service unnecessarily expended time and funds delivering mailpieces destined to unoccupied addresses that had to be returned to the sender, addressee, or forwarded to a mail recovery center. Maintaining accurate and current address information reduces UAA mail, of which results in wasteful costs. The Postal Service's UAA-related costs are very significant – well over $1 billion annually – and the goal is to cut these costs in half by 2010.

Management's Corrective Action During the Audit

During our review, Southeast Area officials reissued guidance for the AMS Model Post Office Program on May 30, 2008. The memorandum established consistent reporting practices throughout each district office and delivery unit. The program provides a tool for postmasters, managers, and supervisors to maintain accurate and current AMS data. Additionally, postmasters, managers, and supervisors are responsible for ensuring carriers and AMS technicians are provided sufficient time to complete AMS work each week. Finally, the memorandum includes using current tools, strategies, and techniques for officials such as updating DSMART delivery point information. By

reissuing the guidance, Southeast Area officials reemphasized to district managers the importance of the supervisory oversight required to manage delivery points.

<u>APPENDIX C: MEMORANDUM REISSUING</u>
<u>AMS MODEL POST OFFICE PROGRAM</u>

OPERATIONS SUPPORT
SOUTHEAST AREA

**UNITED STATES
POSTAL SERVICE.**

May 30, 2008

DISTRICT MANAGERS

SUBJECT: AMS Model Post Office - Reissue

A process management based model office concept was developed and implemented in all Southeast Area Districts during 1999. The model was designed to give delivery units a day-to-day process where Letter Carriers can work with AMS Technicians and Delivery Supervisors to consistently report address data to the Address Management Systems (AMS) office. Since its inception, the program has been widely credited for helping delivery offices maintain an accurate AMS database without adding unnecessary spikes in AMS workload when offices were preparing for National AMS/Quality Street Reviews.

However, recent OIG Audits have found there are inconsistent practices in the way information is being collected by delivery offices and submitted to the AMS office. As the cost of delivery and mail processing operations continue to increase, we must offset some of these expenses by fine tuning our daily processes for Carriers, AMS Technicians and Delivery Supervisors in reporting accurate address data to the AMS office.

As the Postal Service pursues increasing levels of automation to control cost and improve services, the importance of address quality also increases. Address quality has a direct impact on the extent to which the benefits of automation can be realized. It is vital to realize the full benefits of Delivery Point Sequencing (DPS) of mail and the elimination of expenses and environmental impacts incurred attempting to deliver, handle, and waste undeliverable as addressed (UAA) mail.

The attached AMS Model Post Office SOP has been revised to incorporate the latest strategies and techniques for validating and resolving delivery point address information.

If you have questions, please contact Janie Yates at 901-747-7426 or Bobby Harris at 601-351-7317. Your support and cooperation are appreciated.

David M. Patterson
Manager, Operations Support

Attachment

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APPENDIX D: ADDRESS MANAGEMENT SYSTEM UPDATE FLOWCHART

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