August 5, 2008

MICHAEL J. NAPPI
EXECUTIVE DIRECTOR, INTERNATIONAL OPERATIONS

SUBJECT: Audit Report – Mail Condition Reporting at International
            Service Centers Capping Report (Report Number NO-AR-08-005)

This capping report summarizes the results of our audits of mail condition reporting at four of the five International Service Centers (ISCs) (Project Number 08XG010NO000). The objective was to identify opportunities to improve mail condition reporting at ISCs nationwide. This is our fifth and final report on mail condition reporting at ISCs. Click here to go to Appendix A for additional information about this audit.

Conclusion

Based on our reviews, there were opportunities to improve mail condition reporting. We found that the San Francisco and Los Angeles, California; Miami, Florida; and Chicago, Illinois (J.T. Weeker) ISCs reported mail counts in a timely manner. However, the mail condition reports were often incomplete and inaccurate.

- **Timely reporting** -- The four ISCs submitted mail condition reports timely. Personnel performed their respective mail condition counts and provided the mail condition data to in-plant support for consolidation into the Web Mail Condition Reporting System (WebMCRS). As required, the reports were available by 7:30 a.m. daily for management to discuss any operational issues with headquarters executives.

- **Incomplete reporting** -- Mail condition reporting at all four ISCs was incomplete as the ISCs did not account for 60,404 mailpieces. Click here to go to Appendix B, Table 1 for more details.

- **Inaccurate reporting** -- Mail condition reporting was inaccurate as three of the four ISCs reported 37,033 mailpieces in the plan failure category, whereas they should have reported an additional 108,634 mailpieces. Click here to go to Appendix B, Table 2 for more details.

The incomplete and inaccurate reporting occurred because personnel at the facilities did not adhere to the policies and procedures for identifying, collecting, reviewing, and reporting mail volume according to WebMCRS definitions. We also found instances where personnel did not process mail according to the service commitments in the operating plan and used local conversion rates not approved by headquarters officials.

As a result, management cannot rely on WebMCRS data to make operational and distribution decisions, identify problems, or analyze operational trends.

During the course of the audits, the Postal Service issued two memorandums on daily mail condition reporting compliance in response to some of our findings. The first memorandum[1] addressed procedures for counting the mail, specified when counts should be uploaded into WebMCRS, and restated the WebMCRS category definitions. The second memorandum[2] addressed reporting mail volume.

We recommend the Executive Director, International Operations, direct the plant managers of the respective International Service Centers to:

1) Provide training to ensure personnel report the mail condition data based on *Web Mail Condition Reporting System Training/User Guide* definitions and guidance from headquarters for identifying (counting), collecting, reviewing, and reporting mail volume.

2) Ensure personnel process the mail according to the service commitments in the facility operating plan.

3) Require in-plant support personnel to use the national conversion rates in the Web Mail Condition Reporting System.

Management's Comments

Management agreed with our findings and recommendations. The Executive Director, International Operations, agreed to train personnel to report mail condition data based on *Web Mail Condition Reporting System Training/User Guide* definitions, direct plant managers to ensure employees process mail according to the service commitments in the facility operating plan, and require the use of national conversion rates. We have included management's comments in their entirety in Appendix C.

Evaluation of Management's Comments

Management's comments are responsive to the recommendations and the actions taken should correct the issues identified in the findings. In subsequent correspondence, management informed us they have already corrected the deficiencies identified in our report and established ongoing follow-up processes to ensure compliance. For example, training on mail condition reporting began June 30, 2008 and will be conducted bi-annually. In addition, plant managers will ensure service commitments are met on a daily basis. Finally, management provided all sites with the

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[1] Daily Mail Condition Reporting Compliance, dated March 9, 2007.
[2] Daily Mail Condition Reporting Compliance (2), dated January 11, 2008.

national conversion rates on July 24, 2008 and put procedures in place to ensure their usage.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jim Ballard, Director, Network Processing, 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

Attachments

cc: Patrick R. Donahoe
     Paul E. Vogel
     John W. Holden
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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service's Global Business Unit is responsible for mail processing operations at ISCs. The Postal Service uses WebMCRS as a repository for information on the status 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 Time (CT) and/or service commitments, according to the facility's local operating plan. Personnel at the facility manually count the mail containers when possible or estimate the mail count and enter data in WebMCRS.[3] Personnel should count all mail associated with the facility (regardless of the amount) in its respective WebMCRS category (on-hand, plan failure, late arriving, delayed processing, and delayed dispatch).

### DEFINITIONS OF WEB MAIL CONDITION REPORTING SYSTEM 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.

    - All managed mail or area distribution volume.

- **Plan Failure** – mail that enters an operation prior to its Critical Entry Time (CET) but is 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.

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[3] National standard conversion rates determine mail inventories. However, WebMCRS does not require conversion to mailpieces prior to input. Employees enter volume by container and mail type and the system automatically converts the inventory to mailpieces.

- **Delayed Processing** – mail that arrives at a facility prior to the CET but is 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 the mail is processed, finalized, and on the platform or in its designated dispatch area awaiting dispatch, but is not dispatched on its designated DOV trip.

There are five ISCs that processed about 858 million first handling pieces (FHP)[4] in fiscal year (FY) 2007. See Chart 1 for the relative percentages that each ISC processed.

**Chart 1. ISC Volume as a Percentage of Total Mail
Volume Handled – FY 2007**
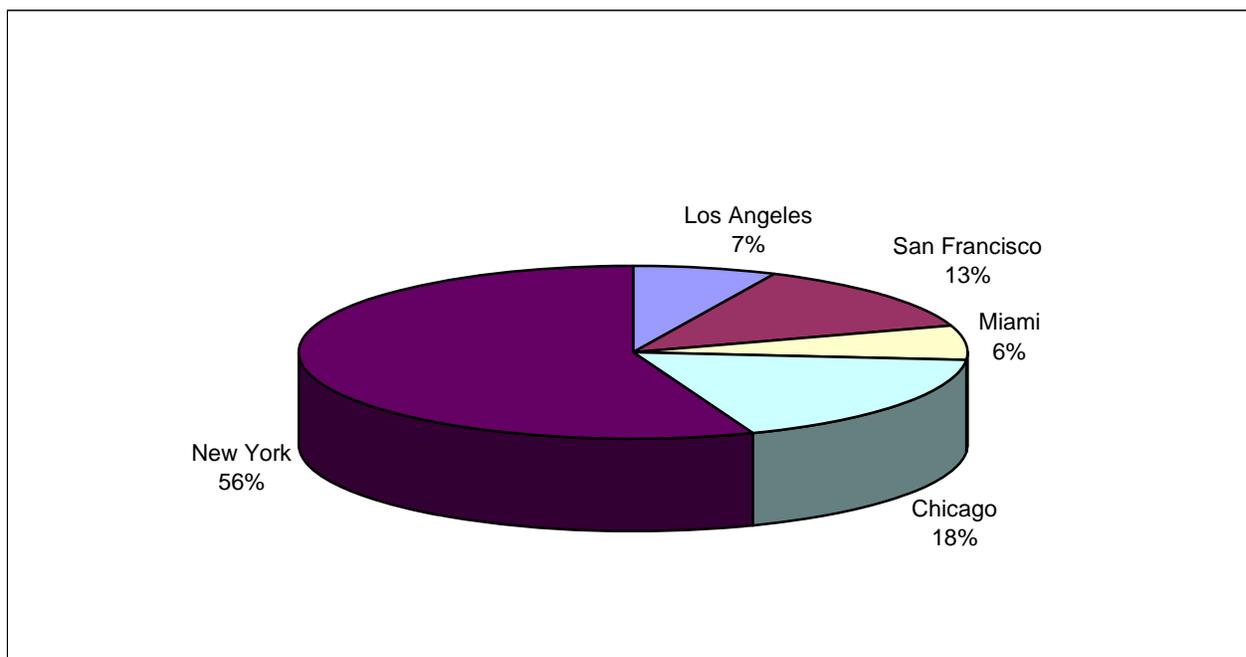
OBJECTIVE, SCOPE, AND METHODOLOGY

This report summarizes the results of our recent reviews at ISCs in San Francisco and Los Angeles, California; Miami, Florida; and Chicago, Illinois (J.T. Weeker). The audit objective was to identify opportunities to improve mail condition reporting at the ISCs nationwide. To accomplish the objective, we analyzed each facility's WebMCRS

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[4] FHP – letters, flats, and parcels sorted in a local post office for the first time.

performance to identify trends and potential issues and interviewed Postal Service Headquarters personnel.

We conducted this audit from October 2007 through August 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 discussed our observations and conclusions with management officials on May 9, 2008, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results*
Mail Condition Reporting at the San Francisco International Service Center	NO-AR-07-006	August 20, 2007	Mail Condition Report was submitted timely. However, the data contained in this report was sometimes incomplete and inaccurate.
Mail Condition Reporting at the Miami International Service Center	NO-AR-07-009	September 20, 2007	Mail Condition Report was submitted timely and data contained in this report was generally complete and accurate.
Mail Condition Reporting at the Los Angeles International Service Center	NO-AR-07-010	September 24, 2007	Mail Condition Report was submitted timely and data contained in this report was generally complete and accurate. However, opportunities existed to better report on bound parcels and plan failures.
Mail Condition Reporting at the J.T. Weeker (Chicago) International Service Center	NO-AR-08-001	March 13, 2008	Mail Condition Report was submitted timely. However, the data contained in this report was sometimes incomplete and inaccurate.

*These reports did not contain any monetary impact.

APPENDIX B: DETAILED ANALYSIS

Incomplete Reporting

We concluded there were opportunities to improve mail condition reporting. We found the mail condition reports at all four of the ISCs were incomplete as they did not account for 60,404 mailpieces. See Table 1 for more details. Specifically:

- None of the facilities had procedures in place for identifying all of the respective WebMCRS categories.

- Facility personnel did not process mail according to the service commitments in the operating plan.

- There were instances when the mail condition data was reported in the comments section in lieu of being correctly reported as a line item.

- In-plant support personnel did not report the plan failures volume given to them on the floor count sheets because they assumed the mail would be processed and make its DOV.

Table 1. Incomplete Reporting

ISC Location	Volume ISC Reported In WebMCRS	Volume That Should Have Been Reported Based on OIG Analysis	How OIG Discovered Underreported Volume
▮▮▮▮▮▮▮▮▮▮▮▮	0	6,628	Analysis of ISC supporting count sheets.
▮▮▮▮▮▮	0	1,406	OIG count of containers at the facility.
▮▮▮▮▮▮▮▮▮	0	38,852	On July 25 and 26, 2007, we found mail on the floor dated July 23 and 24, 2007, respectively.
▮▮▮▮▮▮▮	0	13,518	Analysis of ISC supporting count sheets.
Total		**60,404**	

Inaccurate Reporting

Based on our reviews, we concluded there were opportunities to improve the mail condition reporting. We found three of the four ISCs reported 37,033 mailpieces in the

plan failure category, whereas they should have reported an additional 108,634 mailpieces. See Table 2 for more information. Specifically:

- Plan failures were reported incorrectly because personnel either did not accurately account for how much mail they had received prior to the CET, report the mail volume remaining at the CT, or report plan failures.

- Local conversion rates were used, but not approved by headquarters officials.

Table 2. Inaccurate Reporting

ISC Location	Volume ISC Reported In WebMCRS	Volume Not Counted	Volume That Should Have Been Reported Based on OIG Analysis	How OIG Discovered Underreported Volume
███████████████	30,313	89,107	119,420	Analysis of supporting ISC count sheets.
████████████	6,532	7,598	14,130	Analysis of supporting ISC count sheets.
██████████	188	11,929	12,117	Analysis of supporting ISC count sheets.
Totals	**37,033**	**108,634**	**145,667**	

These conditions occurred because personnel did not follow WebMCRS requirements and guidance from headquarters when identifying, collecting, reviewing, and reporting mail condition data. As a result, management cannot rely on WebMCRS data to make operational and distribution decisions, identify problems achieving operational targets or analyze operational trends.

We confirmed our observations by examining mail condition data reported in WebMCRS. For example, our analysis of the ██████ ISC over a 40-day period showed the actual plan failure volume was over 17 times more than reported in WebMCRS. See Table 3 for more information.

Table 3. ⬛⬛⬛⬛⬛ **ISC Reported Plan Failures Versus Actual Plan Failures**

Date	Day of Week	Reported Plan Failure	Actual Plan Failure
Oct. 1, 2007	Monday	2,956	3,439
Oct. 2, 2007	Tuesday	0	1,146
Oct. 3, 2007	Wednesday	0	5,272
Oct. 4, 2007	Thursday	110	5,291
Oct. 5, 2007	Friday	0	13,146
Oct. 6, 2007	Saturday	0	3,671
Oct. 7, 2007	Sunday	160	28,069
Oct. 8, 2007	Monday	448	13,519
Oct. 9, 2007	Tuesday	0	965
Oct. 10, 2007	Wednesday	0	0
Oct. 11, 2007	Thursday	64	6,293
Oct. 12, 2007	Friday	3,622	14,986
Oct. 13, 2007	Saturday	1,388	23,819
Oct. 14, 2007	Sunday	3,368	16,505
Oct. 15, 2007	Monday	0	7,385
Oct. 16, 2007	Tuesday	0	452
Oct. 17, 2007	Wednesday	0	19,349
Oct. 18, 2007	Thursday	1,156	11,363
Oct. 19, 2007	Friday	876	11,469
Oct. 20, 2007	Saturday	1,259	6,698
Oct. 21, 2007	Sunday	1,060	3,122
Oct. 22, 2007	Monday	0	5,898
Oct. 23, 2007	Tuesday	0	0
Oct. 24, 2007	Wednesday	0	6,074
Oct. 25, 2007	Thursday	1,408	23,092
Oct. 26, 2007	Friday	998	10,088
Oct. 27, 2007	Saturday	801	20,846
Oct. 28, 2007	Sunday	820	15,963
Oct. 29, 2007	Monday	0	9,236
Oct. 30, 2007	Tuesday	0	0
Oct. 31, 2007	Wednesday	0	13,068
Nov. 1, 2007	Thursday	1,028	18,946
Nov. 2, 2007	Friday	232	8,581
Nov. 3, 2007	Saturday	0	8,163
Nov. 4, 2007	Sunday	0	6,082
Nov. 5, 2007	Monday	0	4,669
Nov. 6, 2007	Tuesday	0	0
Nov. 7, 2007	Wednesday	0	8,849
Nov. 8, 2007	Thursday	80	9,112
Nov. 9, 2007	Friday	108	3,005
Reported		**21,942**	
Should Have Reported			**367,631**

Similarly, 3 months prior to our on-site observations, the ████████████ ISC reported plan failures only nine times, while 3 months after our on-site observation the ISC reported plan failures 36 times. See Chart 2.

Chart 2.   ██████████████   ISC Occurrences of Reported Plan Failure

Plan Failures Recorded On WebMCRS
From October 1, 2006, through March 31, 2007
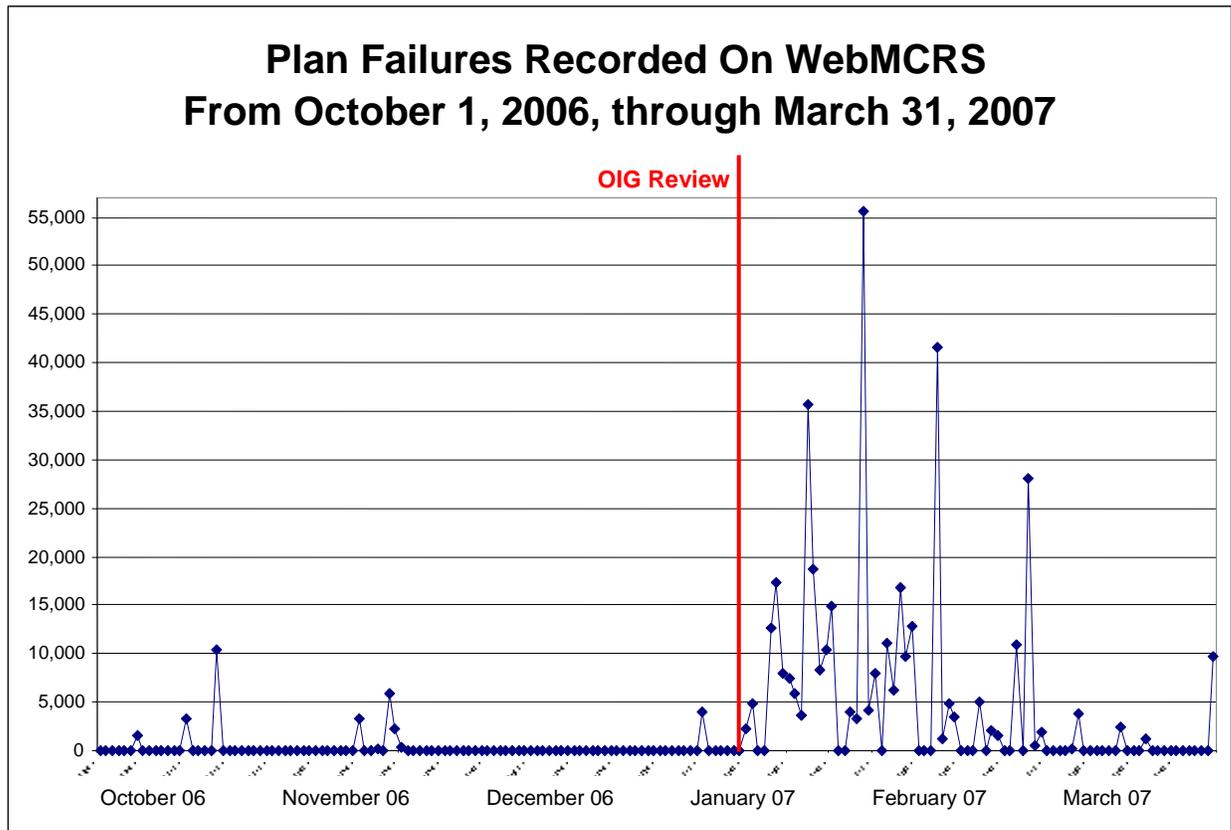
APPENDIX C: MANAGEMENT'S COMMENTS

EXECUTIVE DIRECTOR
INTERNATIONAL OPERATIONS

UNITED STATES
POSTAL SERVICE

July 23, 2008

Lucine Willis
Director
Audit Operations

SUBJECT: Transmittal of Draft Audit Report – Mail Condition Reporting at the
International Service Centers Capping Report
(Report Number NO-AR-08-DRAFT)

In review of the Draft Audit Report – Mail Condition Reporting dated July 11, 2008, I concur with the commentary from the Office of Inspector General audits performed in the five (5) International Service Centers (ISCs).

As stated in the Draft Audit Report - Mail Condition Reporting at International Service Centers Capping Report (Report NO-AR-08-DRAFT), the following is the Office of Inspector General recommendations to the Executive Director, International Operations to direct the plant managers of the respective ISCs to:

1. Provide training to ensure personnel report the mail condition data based on *Web Mail Condition Reporting System Training/User Guide* definitions and guidance from headquarters for identifying (counting), collecting, reviewing, and reporting mail volume.

2. Ensure personnel process the mail according to the service commitments in the facility operating plan.

3. Require in-plant support personnel to use the national conversion rates in Web Mail Condition Reporting System.

This office will ensure that all sites will continually receive the bi-annual *Web Mail Condition Reporting System Training/User Guide*, as is the current procedure, via personal computer utilizing MeetingPlace to include site reviews for reinforcement. Additionally, each ISC plant manager will validate the data content prior to submission in WebMCRS to correspond with operating plan compliance in reporting. Moreover, MCRS international conversion rates will be distributed to the facilities electronically with follow-up review for clarification on the re-training sessions and daily management teleconference.
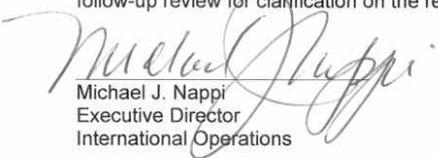
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