



OFFICE OF **INSPECTOR GENERAL**

UNITED STATES POSTAL SERVICE

Fiscal Year 2015 Statistical Test Review

Management Advisory Report

Report Number
FT-FO-16-001

December 18, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Background

The Postal Accountability and Enhancement Act of 2006 requires the U.S. Postal Service to report its annual revenue and mail volume to the Postal Regulatory Commission. The Origin-Destination Information System-Revenue, Pieces, and Weight is a continuous, national probability statistical sampling system that provides estimates of destinating mail revenue, volume, and weight. The Postal Service uses the data to develop new postage rates, conduct studies, prepare its budget, and support decisions on mail operations.

As part of this process, data collection technicians conduct statistical mail tests. The tests include sampling live mail and collecting data to estimate stamp use to calculate postage bought by the public but not used.

The U.S. Postal Service Board of Governors contracted with an independent public accounting firm to express opinions on financial statements and internal controls over financial reporting. The firm uses the Origin-Destination Information System-Revenue, Pieces, and Weight data to support its opinions. The U.S. Postal Service Office of Inspector General coordinates audit work with the independent public accounting firm to ensure adequate coverage.

Our objective was to determine whether the Postal Service conducted statistical mail tests in accordance with established policies and procedures.

What The OIG Found

Data collection technicians did not always conduct system tests in accordance with policies and procedures. We observed 45 tests in 15 districts and identified exceptions in three tests in three districts. Specifically, the technicians did not always:

- Properly identify, isolate, and capture the correct test mailpieces.
- Properly enter or verify data keyed into the laptop computer.

These issues are similar to those previously reported. In response to our prior report, management provided training and published updated draft versions of statistical programs handbooks.

When data collection technicians do not properly collect or report test data, there is increased risk management relies on incorrect data to support decisions concerning mail operations.

What The OIG Recommended

Management discussed the issues identified during its National Statistical Programs Quarterly Training held the week of August 17, 2015, and provided process review training to all attendees. Accordingly, we are not making any recommendations at this time.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 18, 2015

MEMORANDUM FOR: JOSEPH G. HURLEY
ACTING MANAGER, REGULATORY REPORTING AND
COST ANALYSIS

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota".

FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Supply Management

SUBJECT: Management Advisory Report – Fiscal Year 2015
Statistical Test Review (Report Number FT-FO-16-001)

This report presents the results of our review of the Postal Service's Fiscal Year 2015 Statistical Test Review (Project Number 15BR002FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, director, Finance, or me at 703-248-2100.

Attachment

cc: Julie S. Moore
Corporate Audit and Response Management

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Findings

Our objective was to determine whether the Postal Service conducted statistical Origin-Destination Information System-Revenue, Pieces, and Weight (ODIS-RPW) tests to collect cost, revenue and volume data in accordance with established policies and procedures.

The Postal Service did not always conduct statistical ODIS-RPW tests according to established policies and procedures.

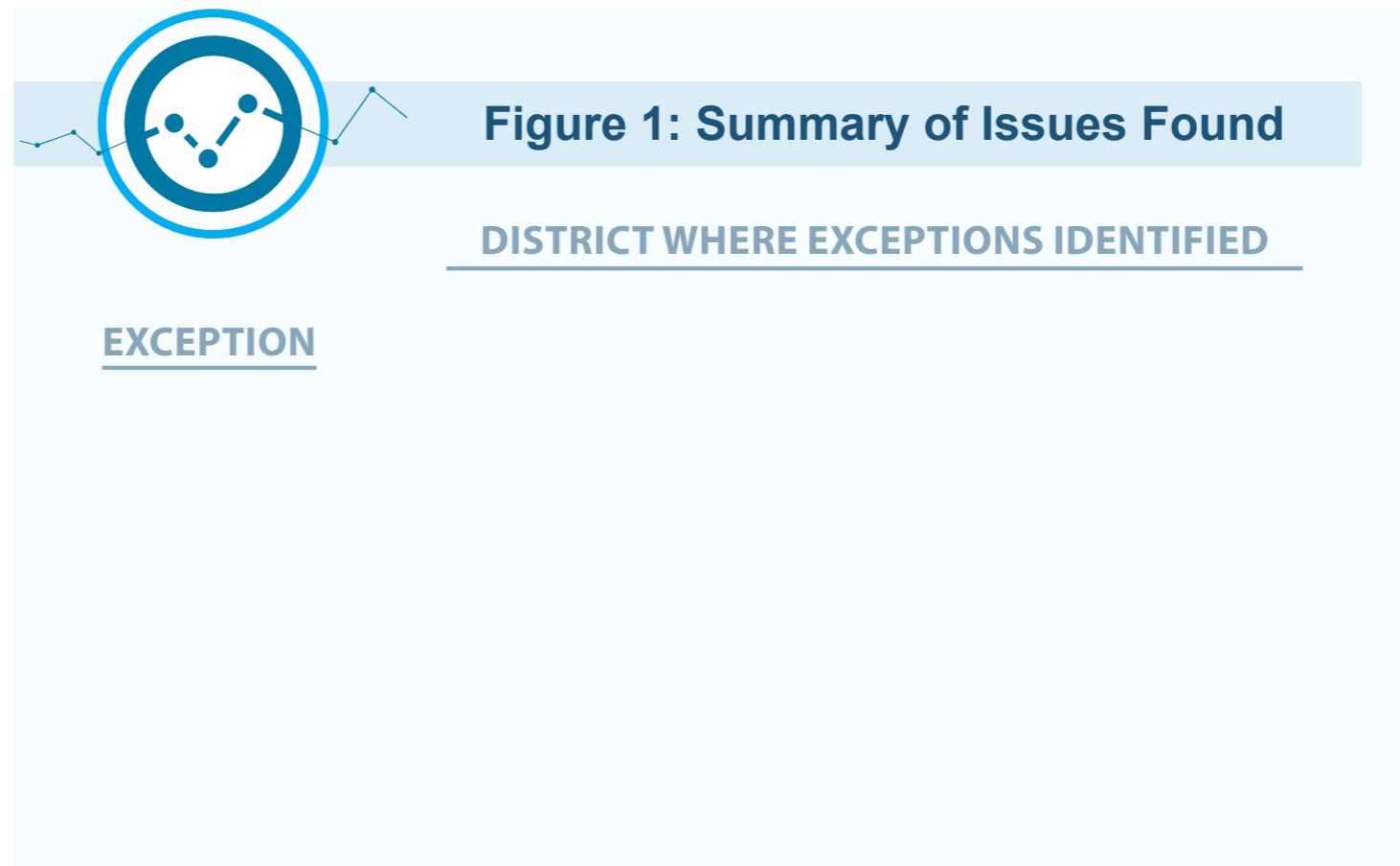
Introduction

This report presents the results of our review of the U.S. Postal Service's Fiscal Year 2015 Statistical Test Review (Project Number 15BR002FT000). Our objective was to determine whether the Postal Service conducted statistical Origin-Destination Information System-Revenue, Pieces, and Weight (ODIS-RPW) tests to collect cost, revenue and volume data in accordance with established policies and procedures. See [Appendix A](#) for additional information about this audit.

ODIS-RPW is a continuous, national probability statistical sampling system that provides statistical estimates of destinating mail revenue, volume, and weight. At randomly selected sites, the Statistical Programs group¹ data collection technicians (data collectors) observe employee work activity, sample live mail,² collect data, record the information, and transmit the test data for review. As part of this process, they record mailpiece information such as revenue, weight, shape, indicia,³ barcode, postmark date, origin, and mail class.

Summary

The Postal Service did not always conduct statistical ODIS-RPW tests according to established policies and procedures. We observed 45 tests in 15 districts. As shown in Figure 1, we identified three exceptions within three tests in three districts.



Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

- 1 The Statistical Programs group provides statistically reliable, accurate, and timely estimates of revenue, volume, cost, and transit time for domestic and international mail.
- 2 Sampling live mail includes identifying and isolating all mail included in ODIS-RPW tests.
- 3 Imprinted designation and markings on the mail that denote postage payment. It includes permit imprint, metered postage, PC Postage® products, and postage stamps.
- 4 These exceptions did not materially affect national estimates.

We identified two instances where two separate data collectors did not properly identify, isolate, or capture test mail in accordance with policies for missent mail.

We identified an instance where the data collector did not properly enter information in the CODES laptop computer.

When data collectors do not properly collect or report test data, there is an increased risk management relies on incorrect data to support decisions concerning mail operations.

These issues are similar to those previously reported. In response to the OIG's fiscal year (FY) 2014 report,⁵ management provided updated training to applicable personnel on sampling methodology policies and procedures. Management also updated the statistical programs Handbook F-75, *Policies for Revenue, Volume, and Performance Measurement Systems*, in April 2015. They publish draft modifications to this handbook quarterly. Management also provided training to all attendees at its National Statistical Programs Quarterly Training,⁶ which included discussion of OIG FY 2015 review results identified through July 2015. Further, management provided individualized training to applicable data collectors throughout the same week. Therefore, we are not making any recommendations at this time. We will continue to monitor these issues as part of our ongoing ODIS-RPW work.

Identification and Isolation of Mail

We identified two instances where two separate data collectors did not properly identify, isolate, or capture test mail in accordance with policies for missent mail.⁷ Both data collectors included a container of missent mail in the ODIS-RPW tests; however, they did not record the mailpieces as missent in the Computerized On-Site Data Entry System (CODES)⁸ laptop computer.

We did not determine the specific cause of these issues because it is beyond the scope of our review. But, one data collector stated he or she did not realize the missent mail was in the container. According to Postal Service policy,⁹ the data collector is responsible for identifying, isolating, counting, sampling, and recording the necessary mailpieces. When containers of missent mail cannot be excluded, they must be recorded as missent.

Data Entry

We identified an instance where the data collector did not properly enter information in the CODES laptop computer. Specifically, the data collector entered a First-Class Mail® mailpiece with Forever Stamp indicia as a First-Class Mail mailpiece with denominated stamp indicia. Postal Service policy¹⁰ states that, before entering any mailpiece data, it is critical to correctly identify the mail class and markings on each mailpiece selected for testing. Management stated the data entry error occurred because the data collector could not read the year on the Forever Stamp.

The Postal Service relies on Statistical Programs sample data to estimate postage in the hands of the public (PIHOP),¹¹ which includes Forever Stamps that have been sold but not used. When the Forever Stamp year of issuance is not properly entered, the volume of Forever Stamps recorded as used is understated.

⁵ *Fiscal Year 2014 Statistical Test Reviews* (Report Number [FT-MA-15-005](#), dated April 13, 2015).

⁶ Management held quarterly training during the week of August 17, 2015.

⁷ Missent mail is mail that was sorted to the wrong delivery unit, station, or branch and has a barcode or ZIP Code™ for another office.

⁸ A computerized data entry system that uses portable computers to record data for statistical programs that are designed to attribute costs to and report revenue, pieces, and weight for each mail class and product.

⁹ Handbook F-75 (Draft), Chapter 3, updated September 2015.

¹⁰ Handbook F-75 (Draft), Chapter 5, Section 5.3.

¹¹ The process of deferring the recognition of revenue when postage has been purchased, but where services (mail delivery) have not yet been provided.

Recommendations

Management discussed the issues identified during its National Statistical Programs Quarterly Training held the week of August 17, 2015, and provided process review training to all attendees. Accordingly, we are not making any recommendations at this time.

Management's Comments

Management agreed with the findings and will continue to reinforce, through training, procedures to ensure data collectors identify, isolate, and record mail properly. See [Appendix B](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the findings and corrective actions should resolve the issues identified in the report.

Appendices

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Appendix A: Additional Information

Background

The Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006)¹² requires the Postal Service to report annual costs, revenue, volume, and quality of service to the Postal Regulatory Commission (PRC). To meet this requirement, the Postal Service uses the RPW report, a required PRC document under the Postal Act of 2006, for product and extra service revenue, volume, and weight reporting information. RPW reporting combines information from many sources. The majority of product revenue and volume comes from census-type systems such as PostalOne!¹³ and Point of Service (POS) One,¹⁴ where complete information is available. Also contributing to product reporting are data from ODIS-RPW, a continuous, national probability statistical sampling system. This system provides estimates of destinating mail revenue, volume, and weight where there are no system data that can provide the needed information. Management uses ODIS-RPW estimates to develop new rates, prepare its budget, conduct management studies, and support management decisions concerning mail operations.

As part of the ODIS-RPW estimation process, data collectors select mailpieces systematically for tests using random starts and mailpiece/container skip intervals for mail available on a randomly selected day. Data collectors observe employee work activity, sample live mail, collect data at randomly selected sites, record the information in CODES, and transmit the data for review. In addition, the data collectors record various mailpiece characteristics, such as revenue, weight, shape, indicia, barcode, postmark date, origin, and mail class. Management relies on sample information to estimate revenue and stamp use when calculating PIHOP.

Financial Programs Compliance managers¹⁵ handle the day-to-day operations of Statistical Programs, ensuring employees are trained to properly collect the data. Statistical Programs supervisors help managers coordinate and monitor training requirements and administer unit data collection activities. In addition, they review data collectors' work to ensure they are properly performing all tests they regularly execute. Management reviews data collectors with less than 1 year of experience in a program at least twice during their first year in that program. Management reviews data collectors with more than 1 year of experience in a program at least once during the fiscal year. Management is also responsible for initiating action for any improvement opportunities noted during the reviews.

The U.S. Postal Service Board of Governors contracted with an independent public accounting (IPA) firm to express opinions on the financial statements and internal controls over financial reporting. The IPA firm uses ODIS-RPW as one source of information to support its integrated audit of the financial statements and internal controls over financial reporting and maintains overall responsibility for testing and reviewing significant Postal Service accounts and processes. The OIG coordinated audit work with the IPA firm to ensure adequate coverage.

Objective, Scope, and Methodology

The objective of our review was to determine whether the Postal Service conducted statistical ODIS-RPW tests to collect cost, revenue and volume data in accordance with established policies and procedures.

¹² Public Law 109-435, enacted December 20, 2006.

¹³ An integrated electronic system that records mailing transactions, receives payments, and simplifies record keeping and the retrieval of mailing data. It is the foundation of seamless acceptance and the submission of electronic documentation for Intelligent Mail.

¹⁴ POS One captures retail business transactions as they take place at the retail unit. The Postal Service is currently replacing its existing retail POS software with Retail Systems Software (RSS). As of October 2015, the Postal Service has implemented RSS at 11,331 retail sites. It plans to complete national deployment by May 2016.

¹⁵ The role of the Financial Programs Compliance manager is to conduct statistical programs tests, analyze data and information, and conduct training and process review activities.

The IPA firm judgmentally selected 45 ODIS-RPW tests at 15 randomly selected districts.¹⁶ To achieve our objective, we performed site visits to various mail facilities to observe data collectors perform statistical ODIS-RPW tests. We observed 43 data collectors¹⁷ select mail to be tested and record various mailpiece characteristics into the CODES laptop computer. We also interviewed Statistical Programs management and the data collectors performing the selected tests. In addition, we reviewed the reports for each test provided by management.

We conducted this review from October 2014 through December 2015 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We did not assess the reliability of the ODIS-RPW data and did not rely on the data for the purposes of this report. The IPA firm performs independent testing to validate testing results. We believe the evidence obtained provides a reasonable basis for our findings and conclusions. We discussed our observations and conclusions with management on November 9, 2015, and included their comments where appropriate.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Fiscal Year 2014 Statistical Test Reviews</i>	FT-MA-15-005	04/13/2015	None
<p>Report Results: Our report found that data collectors did not always conduct ODIS-RPW tests in accordance with sampling policies and procedures. We found four test errors in three of 45 tests we observed. Specifically, data collectors did not properly record and verify information keyed into the laptop computer during three tests and did not properly identify, isolate, and capture test mail during another test. Management took corrective actions during the audit. They began providing updated quarterly and individualized training to district and area staff, including Financial Programs Compliance managers and Statistical Programs supervisors, on sampling methodology policy and procedures. Management stated this training is ongoing. According to management, they periodically provided national webinars to field management and stand-up talks for data collectors alerting them to errors discovered by OIG and other reviewers. Further, we determined the four data collectors associated with the issues reported completed the required training, and management conducted an additional process review for three data collectors. Finally management planned to continuously update all statistical programs handbooks and post the most current guidelines on the Postal Service web. Based on these corrective actions, we made no recommendations.</p>			
<i>Fiscal Year 2013 Statistical Test Reviews</i>	FT-MA-14-007	03/07/2014	None
<p>Report Results: Our report found that data collectors did not always conduct system tests in accordance with set procedures. We identified 16 test errors in 10 of 45 tests we observed. Specifically, data collectors did not always follow and apply the appropriate test mail sampling methodology or correctly enter and verify all data entered into their laptop computers. In addition, data collectors did not properly identify, isolate, and capture test mail. Further, we identified four instances where data collectors did not protect their laptop computers. Management agreed with our recommendations to continue training on sampling methodology policies and protecting data collection equipment and complete and issue revisions of all statistical programs handbooks.</p>			

¹⁶ The ODIS-RPW tests can be conducted at different types of postal facilities such as a Post Office or processing plant.

¹⁷ We observed three different data collectors conduct tests in 11 districts (for a total of 33). Three districts only used two data collectors (6) and another district used four data collectors (4).

Appendix B: Management's Comments

Joseph G. Hurley
Manager, Statistical Programs



December 9, 2015

Lori Lau Dillard
Director, Audit Operations

SUBJECT: Audit of Statistical Test Review for Fiscal Year 2015
(Report Number FT-MA-16-DRAFT)

Management agrees with the findings in the report on the audit of FY 2015 statistical tests.

Response

We will continue to reinforce, through training, procedures to ensure data collectors identify, isolate and record mail properly.

If you have any questions, please contact me at (202) 268-3134.

A handwritten signature in black ink, appearing to read "Joseph G. Hurley".

Joseph G. Hurley

cc: Sally K. Haring
Stephen Phelps
Joseph Corbett



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