



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Delayed Mail Validation

Audit Report

Report Number
NO-AR-17-011

August 10, 2017





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Five of the eight P&DCs we visited did not accurately count on-hand delayed mail.

Background

The U.S. Postal Service considers mail to be delayed when it is not processed in time to meet the established delivery day. Mail processing facilities are required to complete daily counts and self-report on-hand mail, delayed mail, late arriving mail, and mail processed after the processing cut-off time. Mail processing personnel are to complete daily mail counts by 7 a.m.

Mail processing facilities use the Mail Condition Reporting System (MCRS) to report their daily mail count, providing the Postal Service with a standardized national view of mail conditions at processing facilities. MCRS information is available to management officials at all levels for analysis, forecasting, and planning.

We judgmentally selected eight Processing and Distribution Centers (P&DC) for review based on changes in their delayed mail reported from fiscal year (FY) 2014 to FY 2016. We conducted our observations at the Brooklyn, NY; Dallas, TX; Greenville, SC; Louisville, KY; Mobile, AL; Omaha, NE; Southern Maryland; and South Suburban, IL, P&DCs in February 2017.

Our objective was to determine the accuracy of the Postal Service's delayed mail reporting.

What the OIG Found

We found that the Postal Service was not accurately reporting delayed mail.

We determined that five of the eight P&DCs we visited did not accurately count on-hand delayed mail. Specifically, we determined that there were more than 572,000 on-hand delayed mailpieces during our two days of observations; however, the P&DCs only reported about 369,000 on-hand delayed mailpieces (or about 64 percent) in their MCRS reports for that time period. This occurred because employees were not properly supervised and trained in counting and reporting delayed mail.

In addition, P&DC management did not have procedures in place to periodically reconcile MCRS entries to actual on-hand mail volume to ensure accuracy. According to Headquarters Network Operations management, there was no formal training for conducting daily mail counts and reporting delayed mail.

Additionally, the eight P&DCs did not include all late arriving mail in their MCRS reports. According to the Postal Service's Mail History Tracking System (MHTS), the eight P&DCs had about 1.8 million late arriving mailpieces during the week of our observations; however, the facilities only included 121,000 of them (or less than 7 percent) in their MCRS reports. We projected that nationally from March 1, 2016, through February 28, 2017, mail processing facilities underreported late arriving mail by about 2 billion mailpieces.



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The eight P&DCs did not report all mail processed after the established cut-off time for completing mail processing in their MCRS reports.

Further, the eight P&DCs did not report all mail processed after the established cut-off time for completing mail processing in their MCRS reports. Based on data in the Postal Service's Enterprise Data Warehouse (EDW), the P&DCs processed about 7.5 million mailpieces after their cut-off time during the week of our observations; however, they only included about 868,000 mailpieces (or less than 12 percent) in their MCRS reports. This mail is not necessarily delayed; however, it should be included in the MCRS report as a processing plan failure.

Mail processing facilities are not required to report information from MHTS or EDW in their MCRS reports; however, using this information would provide P&DC management with a more accurate view of current mail conditions.

When mail condition reports are not accurate, management uses incorrect information to make decisions on staffing, mail processing equipment use, preventative maintenance, and the transportation of mail. These decisions affect the Postal Service's ability to meet its mail service commitments.

Headquarters Enterprise Analytics management said they are planning to replace the MCRS with the Informed Visibility system to capture daily mail conditions. An initial pilot has been conducted and as of August 2017, the next pilot is on hold while the Postal Service simplifies mail condition calculations. We plan to look at the Informed Visibility system's delayed mail reporting in future audit work.

What the OIG Recommended

We recommended management require formal training for all personnel involved in supervising, conducting, and reporting daily mail counts; ensure P&DC management periodically reviews the accuracy of MCRS reports; and improve the MCRS by integrating data from the Mail History Tracking System and Enterprise Data Warehouse.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 10, 2017

MEMORANDUM FOR: ROBERT CINTRON
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Michael Thompson
VERIFY authenticity with eSign Desktop

A handwritten signature in black ink, appearing to read "Michael Thompson", is displayed over a light gray background.

FROM: Michael L. Thompson
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Delayed Mail Validation
(Report Number NO-AR-17-011)

This report presents the results of our Delayed Mail Validation Audit (Project Number 17XG014NO000).

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

Attachment

cc: Postmaster General
Chief Operating Officer and Executive Vice President
Corporate Audit and Response Management

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Findings

The Postal Service considers mail to be delayed when it is not processed in time to meet the established delivery day. Mail processing facilities are required to complete daily counts and self-report on-hand mail, delayed mail, late arriving mail, and plan failure.

Introduction



















This report presents the results of our self-initiated audit of Delayed Mail Validation (Project Number 17XG014NO000). Our objective was to determine the accuracy of the U.S. Postal Service’s delayed mail reporting. See [Appendix A](#) for additional information about this audit.

The Postal Service considers mail to be delayed when it is not processed in time to meet the established delivery day. Mail processing facilities are required to complete daily counts and self-report on-hand mail,¹ delayed mail, late arriving mail,² and plan failure³. Mail processing personnel are to complete daily mail counts by 7 a.m.

Mail processing facilities use the Mail Condition Reporting System (MCRS) to report their daily mail count, providing the Postal Service with a standardized national view of mail conditions at processing facilities. MCRS information is available to management officials at all levels for analysis, forecasting, and planning. The amount of delayed mail is not included in the Postal Service’s National Performance Assessment as a performance indicator.

We judgmentally selected eight Processing and Distribution Centers (P&DC)⁴ for review based on changes in their delayed mail reported from fiscal year (FY) 2014 to FY 2016. See Table 1 for the P&DCs selected for review.

Table 1. P&DCs Selected for Review

 RURAL P&DCs	 URBAN P&DCs
 GREENVILLE, SC, P&DC 	 BROOKLYN, NY, P&DC 
 LOUISVILLE, KY, P&DC 	 DALLAS, TX, P&DC 
 MOBILE, AL, P&DC 	 SOUTH SUBURBAN, IL, P&DC 
 OMAHA, NE, P&DC 	 SOUTHERN MARYLAND P&DC 

Source: Office of Inspector General (OIG) analysis and Census Bureau.

- 1 Total inventory of all available mail.
- 2 Volume of mail received after the latest time the facilities can process it to meet service standards.
- 3 Occurs when mail is entered into an operation prior to the latest time it can be processed, but is completed after the processing cut-off time.
- 4 We selected four rural and four urban P&DCs for review. We identified rural and urban populations by ZIP Code based on Census Bureau data and the Postal Service’s Address Management System. We classified a P&DC as rural or urban based on the majority of the population segment they serve.

We projected that nationally from March 1, 2016, through February 28, 2017, mail processing facilities underreported late arriving mail by about 2 billion mailpieces.

We conducted unannounced observations on February 8 and 9, 2017, at the Greenville, SC; Louisville, KY; Mobile, AL; and Omaha, NE, P&DCs; and on February 22 and 23, 2017, at the Brooklyn, NY; Dallas, TX; Southern Maryland; and South Suburban, IL, P&DCs.

Summary

We found that the Postal Service was not accurately reporting delayed mail. We determined that five of the eight P&DCs we visited did not accurately count on-hand delayed mail. Specifically, we determined that there were more than 572,000 on-hand delayed mailpieces during our two days of observation; however, the P&DCs only reported about 369,000 on-hand delayed mailpieces (or about 64 percent) in their MCRS reports for that time period. This occurred because employees were not properly supervised and trained in counting and reporting delayed mail.

In addition, P&DC management did not have procedures in place to periodically reconcile MCRS entries to actual on-hand mail volume to ensure accuracy. According to Headquarters Network Operations management, there was no formal training for conducting daily mail counts and reporting delayed mail.

Additionally, the eight P&DCs did not include all late arriving mail in their MCRS reports. According to the Postal Service's Mail History Tracking System (MHTS),⁵ the eight P&DCs had about 1.8 million late arriving mailpieces during the week of our observations; however, the facilities only included 121,000 mailpieces (or less than 7 percent) in their MCRS reports. We projected that nationally from March 1, 2016, through February 28, 2017, mail processing facilities underreported late arriving mail by about 2 billion mailpieces.

Further, the eight P&DCs did not report all mail processed after the established cut-off time for completing mail processing in their MCRS reports. Based on data in the Postal Service's Enterprise Data Warehouse (EDW),⁶ the P&DCs processed about 7.5 million mailpieces after their cut-off time during the week of our observations; however, they only included about 868,000 mailpieces (or less than 12 percent) in their MCRS reports. This mail is not necessarily delayed; however, it should be included in the MCRS report as a processing plan failure.

Mail processing facilities are not required to report information from MHTS or EDW in their MCRS reports; however, using this information would provide P&DC management with a more accurate view of current mail conditions.

When mail condition reports are not accurate, management uses incorrect information to make decisions on staffing, mail processing equipment use, preventative maintenance, and the transportation of mail. These decisions affect the Postal Service's ability to meet its mail service commitments.

Headquarters Enterprise Analytics management said they are planning to replace the MCRS with the Informed Visibility (IV) system⁷ to capture daily mail conditions. An initial pilot has been conducted and as of August 2017, the next pilot is on hold while the Postal Service simplifies mail condition calculations. We plan to look at the IV system delayed mail reporting in future audit work.

⁵ An online application that provides diagnostic tracking by individual mailpieces.

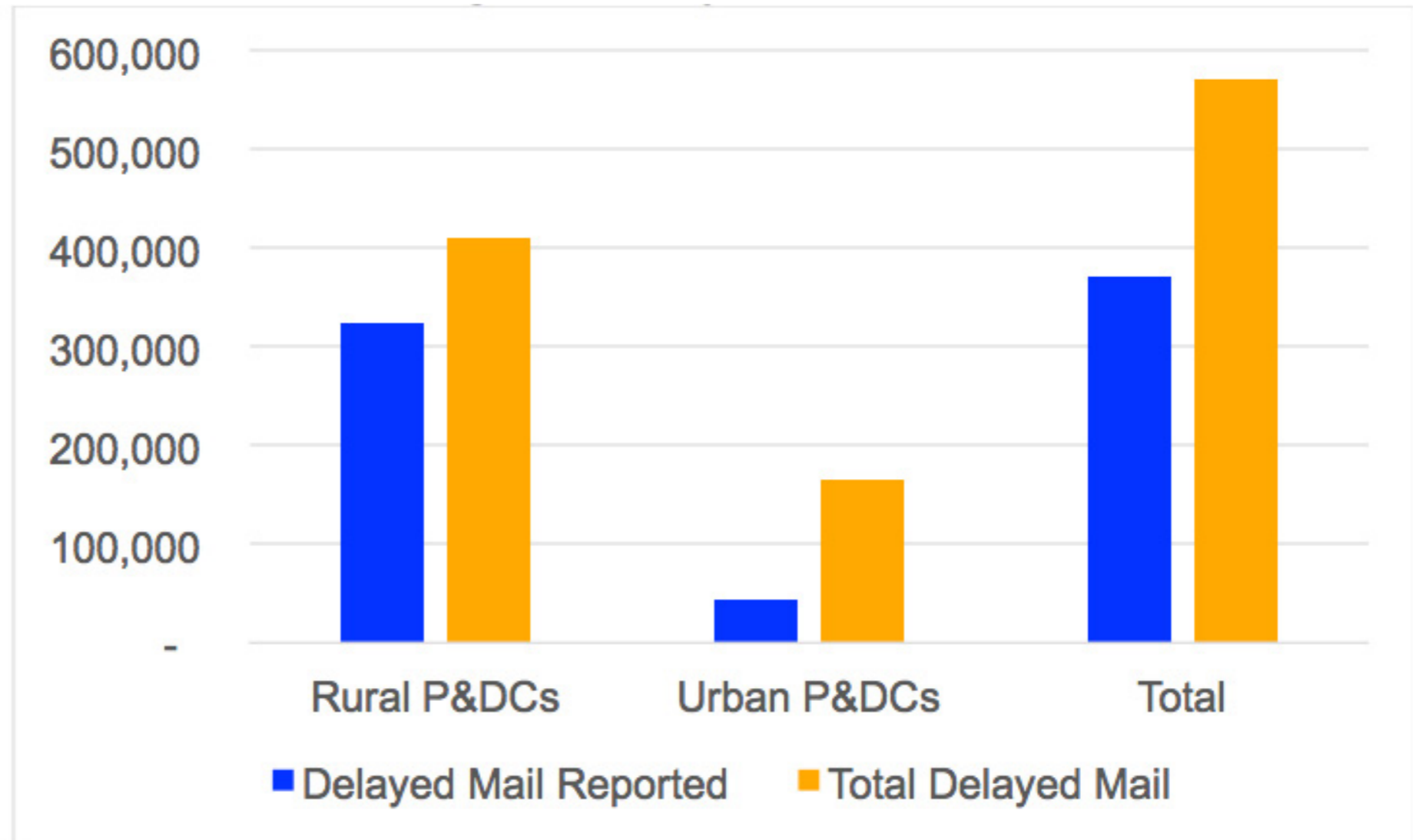
⁶ The repository intended for all data and the central source for information on retail, financial, and operational performance.

⁷ A system that will be a real-time, single source for all mail and mail aggregate information, leveraging data to provide business intelligence for Postal Service functional groups and the mailing industry.

On-Hand Delayed Mail

Of the eight P&DCs we visited, we concluded that five under reported their on-hand delayed mail in their MCRS reports. Specifically, we determined that there were more than 572,000 on-hand delayed mailpieces for the two days of our observations. However, the P&DCs only reported about 369,000 on-hand delayed mailpieces (or about 64 percent) in their MCRS reports (see Figure 1).

Figure 1. Delayed Mail Totals



Source: MCRS and OIG observations.

The four rural P&DCs had more than 409,000 on-hand delayed mailpieces and only reported about 325,000 of them (or 79 percent) and the four urban P&DCs had more than 162,000 on-hand delayed mailpieces and only reported about 44,000 of them (or about 27 percent). See [Table 2](#).

Delayed mail was inaccurately reported due to employees not being properly supervised and trained on the procedures for counting and reporting delayed mail.

Table 2. Delayed Mail Reported Compared to OIG Count

Facility	Type of Facility	Delayed Mail Reported in MCRS	Total Delayed Mail	Percentage of Delayed Mail Reported
Greenville P&DC	Rural	472	472	100.00%
Louisville P&DC	Rural	320,120	369,170	86.71%
Mobile P&DC	Rural	4,061	39,720	10.22%
Omaha P&DC	Rural	343	343	100.00%
Rural Facility Totals		324,996	409,705	79.32%
Brooklyn P&DC	Urban	9,903	10,876	91.05%
Dallas P&DC	Urban	3,169	3,169	100.00%
South Suburban P&DC	Urban	30,831	148,227	20.80%
Southern Maryland P&DC	Urban	0	495	0.00%
Urban Facility Totals		43,903	162,767	26.97%
Grand Total		368,899	572,472	64.44%

Source: MCRS and OIG observations.

Mail processing facilities are required to complete daily counts and self-report on-hand mail and delayed mail and enter the information into MCRS.⁸

We verified our totals with local management, who agreed with the OIG counts and concurred that there were inaccuracies in reporting delayed mail. Management at the Louisville, Brooklyn, and Southern Maryland P&DCs took corrective action when we identified delayed mail not accurately reported on MCRS and amended their reports.

Delayed mail was inaccurately reported due to employees not being properly supervised and trained on the procedures for counting and reporting delayed mail. In addition, management did not have any procedures in place to periodically reconcile entries made into MCRS to actual on-hand mail volume to ensure accuracy. According to the Operations specialist, there is no formal training on how to conduct daily mail counts and report delayed mail.

Failure of Postal Service employees to accurately count and record all on-hand delayed mail in MCRS affects the facility's operational decisions. Accurate information is needed to make decisions on staffing, mail processing equipment use, preventive maintenance, and the transportation of mail.

⁸ Mail Condition Reporting System User's Guide, Section 3, MCRS Basics, dated April 2011.

The four rural P&DCs had more than 1.5 million late arriving mailpieces, but only included about 10,000 of them (or less than 1 percent) in their MCRS reports. The four urban P&DCs had more than 326,000 late arriving mailpieces but only reported about 111,000 of them (or 34 percent) in their MCRS reports.

Late Arriving Mail

The eight P&DCs did not include all late arriving mail in their MCRS reports. According to the Postal Service's MHTS, the eight P&DCs had about 1.8 million late arriving mailpieces during the week of our observations. However, the facilities only included about 121,000 mailpieces (or less than 7 percent) in their MCRS reports. Specifically, the four rural P&DCs had more than 1.5 million late arriving mailpieces, but only included about 10,000 of them (or less than 1 percent) in their MCRS reports. The four urban P&DCs had more than 326,000 late arriving mailpieces, but only reported about 111,000 of them (or 34 percent) in their MCRS reports (see Table 3).

Table 3. Late Arriving Mail Reported Compared to Total Late Arriving Mail

Facility	Type of Facility	Late Arriving Mail Reported in MCRS	Total Late Arriving Mail	Percentage of Late Arriving Mail Reported
Greenville P&DC	Rural	0	245,934	0.00%
Louisville P&DC	Rural	0	84,011	0.00%
Mobile P&DC	Rural	10,183	136,694	7.45%
Omaha P&DC	Rural	0	1,034,020	0.00%
Rural Facility Totals		10,183	1,500,659	0.68%
Brooklyn P&DC	Urban	111,108	224,088	49.58%
Dallas P&DC	Urban	0	2,321	0.00%
South Suburban P&DC	Urban	0	54,114	0.00%
Southern Maryland P&DC	Urban	0	45,741	0.00%
Urban Facility Totals		111,108	326,264	34.05%
Grand Total		121,291	1,826,923	6.64%

Source: MCRS and MHTS.

To estimate the amount of under reported late arriving mail nationwide, we multiplied the percentage of unreported late arriving mail from the week of our observations and MHTS by the total amount of mail volume reported in EDW. We projected that nationally from March 1, 2016, through February 28, 2017, mail processing facilities underreported late arriving mail by about 2 billion mailpieces. We estimated that about \$85.1 million of Postal Service revenue is at risk due to underreporting late arriving mail.

Mail processing facilities are required to complete daily counts and self-report late arriving mail and enter the information into MCRS⁹ but are not required to include information from MHTS in their MCRS reports. Late arriving mail has the potential to become delayed mail which can adversely affect Postal Service customers, harm the brand, send mailers to competitors, or cause the Postal Service to lose revenue. Failure of Postal Service employees to accurately record late arriving mail in MCRS hinders management's ability to identify and correct the root causes.

⁹ Mail Condition Reporting System User's Guide, Section 3, MCRS Basics, dated April 2011.

Mail processing facilities are not required to include information from the EDW in their MCRS reports; however, using this information to report plan failure would provide P&DC management with a more accurate view of current mail conditions.

Plan Failure

The eight P&DCs we visited did not report all mail processed after the established cut-off time for completing mail processing in their MCRS reports. Based on data in the Postal Service's EDW, the P&DCs processed about 7.5 million mailpieces after their cut-off time during the week of our observations; however, they only included about 868,000 mailpieces (or about 12 percent) in their MCRS reports. Specifically, the four rural P&DCs ran more than 1.7 million mailpieces past the established clearance time, but only reported about 839,000 (or about 48 percent). The four urban P&DCs ran less than 5.8 million mailpieces past the established clearance time, but only reported about 29,000 (or less than 1 percent) in their MCRS reports (see Table 4). This mail is not necessarily delayed; however, it should be included in the MCRS report as a plan failure.

Table 4. Plan Failure Mail Reported Compared to Total Plan Failure

Facility	Type of Facility	Plan Failure Reported in MCRS	Total Plan Failure	Percentage of Plan Failure Reported
Greenville P&DC	Rural	0	265,810	0.00%
Louisville P&DC	Rural	633,290	879,399	72.01%
Mobile P&DC	Rural	0	243,735	0.00%
Omaha P&DC	Rural	206,031	371,816	55.41%
Rural Facility Totals		839,321	1,760,760	47.67%
Brooklyn P&DC	Urban	25,040	2,377,541	1.05%
Dallas P&DC	Urban	3,169	549,589	0.58%
South Suburban P&DC	Urban	0	2,593,513	0.00%
Southern Maryland P&DC	Urban	495	235,017	0.21%
Urban Facility Totals		28,704	5,755,660	0.50%
Grand Total		868,025	7,516,420	11.55%

Source: MCRS and EDW.

Mail processing facilities are required to complete daily counts and self-report plan failure and enter the information into MCRS.¹⁰

Mail processing facilities are not required to include information from the EDW in their MCRS reports; however, using this information to report plan failure would provide P&DC management with a more accurate view of current mail conditions. Failure of Postal Service employees to accurately record all mail processed after the established cut-off time for completing mail processing in MCRS hinders management's ability to identify and correct the root causes.

¹⁰ Mail Condition Reporting System User's Guide, Section 3, MCRS Basics, dated April 2011.

The Manager, IV Development, said they are planning to replace the MCRS with the IV system to capture daily mail conditions.

Planned Changes to Delayed Mail Reporting

The Manager, IV Development, said they are planning to replace the MCRS with the IV system to capture daily mail conditions. He said that the IV system will eliminate the need for manual counting by automatically determining on-hand, delayed mail, late arriving mail, and plan failure by P&DC through employee and machine mailpiece, container, and transportation scanning.

An initial pilot has been conducted and as of August 2017, the next pilot is on hold while the Postal Service simplifies mail condition calculations. We are not making recommendations concerning the planned IV system changes to delayed mail reporting because it is outside the scope of this audit. We plan to review the IV system's delayed mail reporting in future audit work.

Recommendations

We recommend management require formal training for all personnel involved in supervising, conducting, and reporting daily mail counts; ensure P&DC management periodically reviews the accuracy of MCRS reports; and improve the MCRS by integrating data from the MHTS and EDW.

We recommend the Vice President, Network Operations:

1. Establish and require formal training for all personnel involved in supervising, conducting, and reporting daily mail counts.
2. Establish a requirement for local management to review and validate the accuracy of the Mail Condition Reporting System reports at least every quarter.
3. Establish a formal process to integrate data from the Mail History Tracking System and Enterprise Data Warehouse, specifically delayed mail and mail processed after the processing cut-off time, into the Mail Condition Reporting System.

Management's Comments

Management partially agreed with our findings and recommendations. Management disagreed with the other impact and the premise that an audit of eight P&DCs, which were judgmentally selected, is a statistically valid representation of the more than 250 P&DCs in the postal network. Management also disagreed with how we define the terms "Rural P&DC" and "Urban P&DC" in the audit.

Regarding recommendation 1, management stated they agreed with the recommendation and that the Postal Service has several initiatives in place or in development that will replace the Mail Condition Reporting System with a data-driven system, including Mail Condition Visualization (MCV). Management will provide training for the MCV at the local level. Additionally, management stated that training does not impact Revenue at Risk as suggested in the audit report. The target implementation date is September 30, 2017.

Regarding recommendation 2, management stated they agree that local management should validate the accuracy of mail condition reports. Management stated there is currently an established process and standard work instruction for reporting mail conditions at all P&DCs and the process is administered by the Manager, In-Plant Support, with overall responsibility assigned to the plant manager. The Postal Service will reissue instructions to the field regarding this process as well as the requirement for local review and validation. The target implementation date is September 30, 2017.

Regarding recommendation 3, management disagreed with integrating MHTS and EDW data into MCRS. The Postal Service stated that the Postal Service only uses MHTS for First-Class Mail (FCM) with identification tags, which does not account for all mail volume. Management added that MHTS cannot provide an accurate account of delayed mail as the system only provides the status of FCM at various steps in a processing operation. Additionally, management is currently developing a data-driven system to replace MCRS, which is currently known as MCV.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 2 and corrective actions should resolve the issues identified in the report.

Regarding management's disagreement with the other impact methodology, we selected sites that represent the geographic and population density and breadth of the U.S. to provide unbiased insight. We preferred this non-statistical approach in order to grasp the Postal Service's degree of revenue risk exposure. Risk is inherently subjective and more rigorous statistical techniques would not appropriately capture this uncertainty. Our risk impact assessment tool is a well-established technique that assesses revenue that will be at risk if existing conditions continue. Our assessment that this risk is an other impact by definition does not conclude that the amount of possible loss will necessarily be incurred. Management's comment that these are "monetary impacts" was neither stated nor implied in our findings.

Regarding management's disagreement with the classification of rural and urban P&DCs, the Postal Service does not have a definition of rural and urban P&DCs. Therefore, we created our own definitions based on data from the Census Bureau and the Postal Service's Address Management System. We classified a P&DC as rural or urban based on the majority of the population segment it serves in the Census Bureau's rural or urban location classification.

Regarding management's disagreement with recommendation 3, the Postal Service has not provided a date for implementing the new system. The Postal Service can implement our recommendation now in order to make MCRS reporting more accurate by using information readily available in EDW and MHTS. We agree that MHTS is only used for FCM with identification tags; however using this data provides a more accurate view of FCM that is delayed or at high risk of becoming delayed than the current process does.

We view the disagreement with recommendation 3 as unresolved and it will remain open as we coordinate resolution with management. All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Background

The Postal Service considers mail to be delayed when it is not processed in time to meet the established delivery day. Mail processing facilities are required to complete daily counts and self-report on-hand mail, delayed mail, late arriving mail, and mail processed after the cut-off time. Mail processing personnel are to complete daily mail counts by 7 a.m. Each mail processing facility uses the MCRS to report its daily mail count. MCRS information is important to management officials at all levels for analysis, forecasting, and planning.

Prior OIG audits have included findings on inaccurate delayed mail reporting.¹¹ In addition, various U.S. senators and representatives have expressed concern about the quality of mail service nationally and, in particular, in rural communities.

From the beginning of FY 2014 through the end of FY 2016, the volume of delayed FCM improved by over 16 percent. However, during that same time, 2-Day and 3-Day External First Class (EXFC)¹² service worsened by .29 percent and 4.64 percent, respectively. Volume and service scores for Delayed Standard Mail (rebranded in 2017 as Marketing Mail) both improved during the same period.

The amount of delayed mail at a facility is not included in the Postal Service's National Performance Assessment as a performance indicator for management.

Objective, Scope, and Methodology

Our objective was to determine the accuracy of delayed mail reporting by the Postal Service. To accomplish our objective we:

- Conducted unannounced site observations of daily mail counts to determine if P&DCs are accurately counting and reporting delayed mail.
- Determined the amount of delayed mail not being included in MCRS reports.
- Determined the amount of mail that is in transit to a facility and did not meet the critical entry time at the origin facility.
- Determined the amount of mail as processed after the clearance times as measured by the 24-Hour Clock¹³ Indicators.
- Evaluated and validated container to mailpiece conversion rates used in the MCRS.

To determine the sites for observations we:

- Judgmentally selected P&DCs based on the percent of change in delayed FCM during FYs 2014 through FY 2016.
- Stratified the universe of P&DCs into four quartiles based on changes in delayed mail volume during that same period (lowest 25 percent to the highest 25 percent change, whether an increase or decrease).¹⁴

¹¹ For example, *Omaha, NE, Processing and Distribution Center Customer Service Performance* (Report Number NO-AR-16-011, dated September 23, 2016) and *Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center* (Report Number NO-AR-17-003, dated January 17, 2017).

¹² A component of the Single-Piece FCM measurement system, it is designed to measure service performance from a customer perspective. EXFC measures the transit time of single-piece FCM from deposit of mail into a collection box or business lobby chute to its delivery to a home or business.

¹³ A highly structured means to manage mail flows to achieve optimal service and efficiency while ensuring national consistency in processes.

¹⁴ We excluded P&DCs without EXFC scores from the four quartiles.

- Selected an urban and rural P&DC from each of the quartiles (highest percentage of change and lowest percentage of change) to conduct observations (see Table 5).

Table 5. Site Selections

	Percent of Change	P&DC	Classification
Quartile 1	High	South Suburban, IL	Urban
	Low	Omaha, NE	Rural
Quartile 2	High	Mobile, AL	Rural
	Low	Dallas, TX	Urban
Quartile 3	High	Brooklyn, NY	Urban
	Low	Greenville, SC	Rural
Quartile 4	High	Louisville, KY	Rural
	Low	Southern Maryland	Urban

Source: EDW and OIG calculations.

We conducted this performance audit from February through August 2017, 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 that 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 June 20, 2017, and included their comments where appropriate.

We used computer-processed data from MCRS, MHTS, and EDW when performing our analysis. We assessed the reliability of computer-generated data by testing the existence of reported MCRS amounts by physical examination, evaluating data collection and reporting procedures; and interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Timeliness of Mail Processing at the Santa Clarita, CA, Processing and Distribution Center</i>	Determine the cause of delayed mail at the Santa Clarita P&DC.	NO-AR-17-007	4/6/2017	\$1.1
<i>Mail Processing Operations at the Roanoke, VA, Processing and Distribution Center</i>	Determine whether consolidation of Roanoke P&DC mail processing operations into the Greensboro P&DC adversely affected customer service and whether a business case existed to support the Area Mail Processing consolidation.	NO-AR-17-003	1/17/2017	None
<i>Omaha, NE, Processing and Distribution Center Customer Service Performance</i>	Determine if consolidating the Norfolk and Grand Island P&DFs' mail processing operations into the Omaha P&DC and Lincoln P&DF adversely affected customer service.	NO-AR-16-011	9/23/2016	None
<i>Timeliness of Mail Processing at the Queens, NY, Processing and Distribution Center</i>	Determine the cause of delayed mail at the Queens P&DC.	NO-AR-16-010	9/20/2016	\$2.2
<i>Chicago District Processing Facilities' Process for Mail Count and Color Coding of Standard Mail</i>	Determine whether Chicago District processing facility employees accurately counted mail and applied color-code tags to Standard Mail in accordance with policies.	NO-AR-16-007	4/22/2016	None

Appendix B: Management's Comments

ROBERT CINTRON
VICE PRESIDENT, NETWORK OPERATIONS



July 28, 2017

LORI LAU DILLARD

SUBJECT: Draft Audit Report – Delayed Mail Validation
(Report Number NO-AR-17-DRAFT)

Thank you for providing the Postal Service with the opportunity to review and comment on the subject draft Audit Report. Management agrees with the first two recommendations of this audit but disagrees with recommendation number three. In addition, we disagree entirely with the suggested other impact and the premise that an audit of eight plants, which were "judgmentally selected", or in other words 'targeted', is a statistically valid representation of the more than 250 plants in our network. While we understand that the OIG applies a risk factor to the other impact, we believe that it is still inappropriate to start with a base amount that is not statistically valid. The Postal Service also disagrees with how the terms "Rural P&DC" and "Urban P&DC" are defined in the audit, as this is neither the way we classify plants nor the method we use to compare mail conditions across those plants.

In regard to the audit recommendations, the Postal Service has several initiatives which are either already in place or are being developed. Mail Condition Visualization (MCV), the data driven replacement for the Mail Condition Reporting System (MCRS), training will be provided at the local level by September 30, 2017. With respect to the recommendation for local management to review and validate MCRS reports, the Postal Service currently employs a number of daily and weekly reports to help local managers validate their information. Most notably, are the daily MCRS summary report that Processing Operations distributes and the Operating Plan Summary report which is available through Informed Visibility (IV). The Operating Plan Summary report, which is contained within the IV dashboard, is an example of how the Postal Service provides visibility of the volume and percentage of mail processed after the planned clearance time of key plant operations. This daily report, which has been in place for several months, afford managers the ability to help determine if their mail conditions data is reasonably accurate.

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The Postal Service disagrees with the methodology of using MHTS and EDW data to determine Mail Condition Reporting. MHTS is for First Class Mail only and provides diagnostics on pieces with ID tags and FICs labels which does not account for all volume. MHTS cannot provide the actual count of late arriving or delayed mail. Instead, the system only provides the status and cycle times of FCM at various steps within a processing operation.

The Postal Service disagrees entirely with the OIG's suggested monetary impacts of \$85.1M. It is not clear from the audit, how the late arriving mail data from eight judgmentally selected (targeted) plants is a statistically valid representation of all plants in the Postal Service network. In addition, although the target is to have zero late arriving mail, this is not an indicator of delayed mail. In many instances, late arriving mail is processed and delivered within the service standard.

Again, thank you for allowing us the opportunity to respond to this audit.

Recommendations

We recommend the Vice President, Network Operations:

1. Establish and require formal training for all personnel involved in supervising, conducting, and reporting daily mail counts by September 30, 2017.

Management Response:

The Postal Service generally agrees that the training should occur. However, it this does not affect "Revenue at Risk" (it will actually be a cost) as suggested in the audit report.

Responsible Management Official:

Manager, Processing Operations

Target Implementation Date:

September 30, 2017

2. Establish a requirement for local management to review and validate the accuracy of the Mail Condition Reporting System reports at least every quarter.

The Postal Service agrees that local management should validate the accuracy of Mail Condition reports. There is currently an established process and a Standard Work Instruction (SWI) for reporting mail conditions in all plants. This process is administered by the Manager, In-Plant Support with overall

responsibility assigned to the Plant Manager. Headquarters, Processing Operations performs periodic checks of Mail Condition reporting as needed.

The Postal Service will reissue instructions to the field regarding this process as well as the requirement for local review and validation.

Responsible Management Official:

Manager, Processing Operations

Target Implementation Date:

September 30, 2017

3. Establish a formal process to integrate data from the Mail History Tracking System and Enterprise Data Warehouse, specifically delayed mail and mail processed after the processing cut-off time, into the Mail Condition Reporting System.

Management Response:

The Postal Service disagrees with integrating MHTS and EDW data into MRCS. For more than two years, we have been in a continuous cycle of adding the most current and near real-time visualization data and tools to the IV dashboard. In addition, we are on track with the development of passive data collection methods which will provide mail inventory data which are easily accessible, reliable and actionable. This tool, MCV, will reside within the IV system.



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