

August 29, 2000

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DISTRICT MANAGER
SOUTH JERSEY DISTRICT

SUBJECT: Fiscal Year 2000 Cost and Revenue Analysis
Audit (Report Number FF-FA-00-018)

This interim report of the fiscal year (FY) 2000 Cost and Revenue Analysis audit presents the results of our observation of the statistical tests at selected sites of the South Jersey District (Project Number 00PA030FF000).

**Objective, Scope, and
Methodology**

The objective of our audit was to determine whether statistical tests conducted to collect cost, revenue, and volume data were performed in accordance with policies and procedures established by the Postal Service. To accomplish our objective, we observed seven data collectors performing cost and revenue analysis tests at three post offices and one processing and distribution center in the South Jersey District.

Specifically, we judgmentally selected and observed:

- Eight In-Office Cost System tests.
- Three Revenue Pieces and Weight System tests.
- One Transportation Cost System test.

We interviewed the data collectors performing the selected tests and reviewed the reports of each test provided by the district Statistical Programs officials. We judgmentally selected the audit sites.

We conducted this audit from May 8 through May 12, 2000, in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We discussed our observations and conclusions with

appropriate management officials and included their comments, where appropriate.

Observations

Generally, the data collectors conducted the tests in accordance with Postal Service policies and procedures. However, we detected the following test errors and weaknesses in internal controls during the observation of the above tests in the South Jersey District.

Test Results**In-Office Cost System**

1. On May 8, 2000, for one test, the data collector input the sampled employee's operation number 721 (residential motor-street) into the computer when the reading was taken (at 1:00 p.m.). However, when we reviewed the Employee Clock Rings and Authorizations report from the Time and Attendance Online Inquiry System, we found that this employee worked at operation number 722 (residential motor-office) from 7:08 a.m. to 1:10 p.m.
2. On May 10, 2000, the data collector took a reading on an employee at 11:40 a.m. A postal employee at the site told the data collector that the employee left the office early on annual leave. The data collector tried to locate the employee's Form 3971, Request for, or Notification of Absence, for confirming the leave status of the employee. However, the data collector could not locate Form 3971 and accepted the assertion of the employee's coworker and input that information into the computer. According to the Employee Clock Rings and Authorizations report from the Time and Attendance Online Inquiry System, this employee began tour at operation number 585 (registry section) at 6:03 a.m. and no other clock ring was recorded afterwards.

Revenue Pieces and Weight System

1. On May 9, 2000, we observed the testing of parcels and priority mail at a scheduled test site (test ID number 402132). One distribution clerk, with no formal training in data collection and testing, was assigned to do the sampling as part of her job at the test site. This employee picked the sample pieces while sorting parcels to the carrier routes (throwing parcels into containers

marked with carrier route number). We noticed that the employee made multiple errors in counting parcel pieces while sampling simultaneously with sorting. This practice at the test site affected the sampling results.

2. While observing two data technicians during a consolidated originating test (test ID number 371100 dated May 10, 2000), we detected 11 data input errors. In ten instances, the data collectors input the indicia as metered mail instead of postal validation imprinter. Also, during the same test, one of the data collectors input the mail shape as flat for a piece of parcel. When we identified these errors, the supervisors and the data collectors agreed and corrected them.
3. During the testing of small parcels sorted to U-carts and flat cases (test ID number 506165 dated May 11, 2000), the data collector made two errors. The data collector, for one piece of mail, input metered mail instead of postal validation imprinter, and for another, input postal validation imprinter instead of permit. When we pointed out the errors, the data collector agreed and corrected them.

Transportation Cost System

On May 12, 2000, we observed the container sub-sampling during the test (test ID number 05120-TC) of a highway contract route truck with various shapes of mail. We noticed the data collector began double counting the flat mail pieces from a sample sack. When we identified the error, the data collector agreed and refrained from double counting. Further, during the same test, we performed a random checking on the employee's counting of mail pieces designated as automation pre-sort. We found that the data collector was short by 2 out of 70 pieces. The data collector agreed with us and corrected the data in the laptop computer.

Internal Control Weaknesses

1. During our observations for the Revenue Pieces and Weight System tests, the data collectors did not always use marking slips to identify sampled from non-sampled mail containers and trays. Handbook F-75, Data Collection User's Guide for Revenue, Volume, and Performance Measurement Systems, requires the data

collector to use marking slips to mark trays, bins, all-purpose containers, and other containers that will be tested. Also, during our observation of the Transportation Cost System test, the data collector did not use stickers or markers to mark set-aside containers and items pulled from containers. Handbook F-65, Data Collection User's Guide for Cost Systems requires the data collector to use green stickers or other such markers to mark set-aside containers and items pulled from the containers.

2. For the consolidated originating test, the window clerks did not use PS Form 8126, Consolidated Originating Revenue Pieces and Weight test. According to the data collectors and the district manager, Statistical Programs, the window clerks would not cooperate with the test if Form 8126, that would take extra time to complete, were used. Therefore, the district manager, Statistical Programs, made the policy decision not to use Form 8126. Instead the data collectors were required to use the postal rate chart to verify the postage and fee. The Handbook F-75 requires the use of Form 8126.

These weaknesses in internal controls could result in double counting or omission of mail designated for test.

These results will be summarized in a report to Postal Service Headquarters for FY 2000 at the conclusion of the audit. Recommendations will be addressed in our headquarters report. We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions, please contact me at (703) 248-2100.

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