

August 29, 2000

WILLIE C. MINER
DISTRICT MANAGER
BALTIMORE DISTRICT

SUBJECT: Fiscal Year 2000 Cost and Revenue Analysis
Audit (Report Number FF-FA-00-017)

This interim report of the fiscal year (FY) 2000 Cost and Revenue Analysis audit presents the results of our observation of statistical tests at selected sites in the Baltimore 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 five data collectors performing cost and revenue analysis tests at three post offices, one processing and distribution center, and one delivery distribution unit in the Baltimore District.

Specifically, we judgmentally selected and observed:

- Seventeen 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 district Statistical Programs officials. We judgmentally selected the audit sites.

We conducted this audit from June 12 through June 16, 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 tests in accordance with policies and procedures established by the Postal Service. However, we detected the following test errors and internal control weaknesses during the observation of the above tests in the Baltimore District.

Test Results**In-Office Cost System**

1. On June 12, 2000, we observed one data collector taking a remote reading from the district Statistical Programs office. The data collector input the employee's operation number 721 (residential motor-street) into the computer when the reading was taken at 10:31 a.m. However, when we reviewed the Employee Clock Rings and Authorizations report from the Time and Attendance Online Inquiry System, we found that the employee began tour at 7:02 a.m. at operation number 722 (residential motor-office) and did not move to any other operation as of the time of the test.
2. On June 15, 2000, we observed another data collector taking an on-site reading at the Columbia Post Office. We noticed that the data collector did not carry the laptop to the location of the tested employee. The data collector asked the required test questions to the supervisor and came back with a piece of mail handled by the tested employee. Later, the data collector input the mail piece and employee data into the computer. According to Postal Handbook F-45, In-Office Cost System – Field Operating Instructions, all data collectors should have the laptop with them before leaving the office to take a reading. Also, the handbook states that the reading should always be entered directly into the computerized online data entry system. The effect of the failure to follow the procedures is that the data collector could miss the required questions and cannot take advantage of useful features of the laptop.

Revenue Pieces and Weight System

1. On June 14, 2000, we observed the testing of all incoming letters at a scheduled test site (test ID number 405696). We found that the site received, as part of the target mail, two trays of business reply mail that belonged to another post office. While subsampling this mail, the data collector recognized the destination ZIP Code. The data collector, then, excluded these two trays of mail from the test and returned them to the dispatch section for redirecting to the correct destination. The data collector should have continued sampling, treating the mail as noncountable. According to Handbook F-75, Data Collection User's Guide for Revenue, Volume, and Performance Measurement Systems, a container of noncountable mail that is not easily isolated before beginning the test must have the container-skip applied to it.
2. On June 15, 2000, while observing the first part of a consolidated originating test (ID number 370558), from 8:00 a.m. through 1:00 p.m., we found that the data collector using the census method was not aware of the difference between the indicia information of postal validation imprinter and metered mail. Consequently, the data collector input indicia information of a registered mailpiece as metered mail instead of postal validation imprinter. When we identified this error, the data collector agreed and corrected it.
3. Also, for the same test, another data collector conducted the test from 4:00 p.m. through 7:00 p.m. Prior to the arrival of the data collector at the test site, there was an unexpected volume change of insured and registered mail pieces. One bulk mailer brought 294 insured and 21 registered mail pieces to the business mail entry unit of the post office. The data collector continued the census method instead of mailpiece skip sampling procedures for both groups of mail. According to Handbook F-75, if any group of target mail has a volume greater than 250 mailpieces, the data collector needs to use the mailpiece skip subsampling procedure on that group.

By not switching to subsampling, the data collector did not have enough time to record the mailpieces in the laptop. The data collector weighed each mail piece and wrote all necessary information on the customized Form 8126 (locally designed worksheet format). The data collector informed us that the data would be input from this worksheet later at the district Statistical Programs office. Therefore, we did not observe the data entry activity and had no assurance that the data was input accurately into the computer. The failure of on-site data entry prevented the data collector from catching any possible short paid postage and fee (postage due). According to Handbook F-75, the data collector needs to return any underpaid or unpaid mailpiece to the postage due section.

Internal Control Weaknesses

1. For the Revenue Pieces and Weight System tests, the data collectors, except at the consolidated originating test, did not use marking slips to identify sampled and non-sampled mail containers and trays. As a result, there was reduced assurance that mail pieces would be counted only once and that all mail designated for test would be included. 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 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 Revenue Pieces and Weight System tests, we found that there were communication problems between the installation head and the employees responsible for receiving and distributing the mail. For example, at the consolidated originating test site, the mail acceptance clerk was not aware that insured mailpieces should be included in the test. Therefore, the mail acceptance clerk dispatched the 294 insured mailpieces (as stated above) to the dock. However, we alerted the mail acceptance clerk and the data collector of this bulk mailing. Consequently, the mail acceptance clerk

brought back these mail pieces and the data collector included them in the test. Handbook F-75 requires that the facility personnel should know exactly what kinds of mailpieces the data collector plans to test. Further the handbook states that communication will prevent mail such as dispatch mail and late arriving mail from bypassing the chance to be sampled. The lack of information on scheduled tests and target mail could result in the omission of target mail 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.

Sheila M. Bruck
Director, Financial Field Audit

cc: Angelo J. Branco
J. Ron Poland
John R. Gunnels