



March 31, 2008

WILLIAM (ASHLEY) LYONS  
MANAGER, CORPORATE FINANCIAL PLANNING

AREA FINANCE MANAGERS

SUBJECT: Audit Report – In-Office Cost System Telephone Readings  
(Report Number CRR-AR-08-004)

This report presents the results of our review of In-Office Cost System (IOCS) sampling data (readings) collected by telephone (Project Number 07YG052MS000). The objective of our review was to assess the accuracy of IOCS data obtained from telephone readings. The Postal Accountability and Enhancement Act (Public Law 109-435) requires the U.S. Postal Service Office of Inspector General (OIG) to regularly audit the data collection systems and procedures the U.S. Postal Service uses to prepare its reports analyzing costs, revenues, rates, and quality of service for the Postal Regulatory Commission.

Management requested that the OIG assist in determining how to improve the accuracy of IOCS telephone readings. The Postal Service has adequate policies and procedures for conducting IOCS telephone readings and recent management actions have increased the accuracy of data obtained from telephone readings. However, at three districts we found that 70 out of 163 (43 percent) IOCS telephone readings we reviewed were inaccurate. The telephone readings were inaccurate because data collectors and supervisors did not follow policies and procedures, [REDACTED]. In addition, a nationwide analysis of IOCS telephone readings indicates that data collectors appear to adjust the timing of their morning and afternoon readings. This could affect the attribution of city delivery carrier costs to the classes and subclasses of mail and special services.

We made five recommendations to strengthen controls over the integrity of IOCS data collection. We recommended that management expand existing quality control programs to assist field managers in identifying and monitoring data collectors with a high number of inaccurate IOCS readings; ensure that field operations fully understand the importance of providing adequate support for IOCS data collection; and develop

procedures for verifying the accuracy of IOCS data before transmission and inclusion in the national aggregation. We also recommended that field personnel implement the expanded quality assurance processes and ensure that inaccurate data is not included in the national aggregation. [REDACTED]

Management agreed with our recommendations and has initiatives planned to address the issues. [REDACTED]

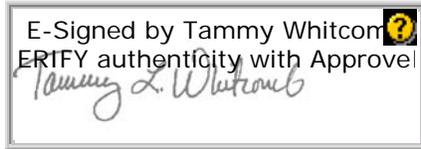
[REDACTED]. They also stated that timing differences at mail processing facilities are not similar to those at post offices, stations, and branches, which have different patterns of peak busy periods. Consequently, we modified the report [REDACTED]

[REDACTED]. Management's comments and our evaluation of these comments are included in the report.

The inaccurate IOCS tests we found could affect the attribution of about \$3.2 million in labor costs to mail classes and subclasses and special services. These errors in management information can impact decisions in the ratemaking process. Implementing our recommendations would improve the reliability of IOCS telephone readings and the integrity of data used in the ratemaking process. Finally, during our review, management corrected the leave balances for two employees who were on leave status but did not have leave processed in the timekeeping system. This represents about \$12,355 in funds that could be put to better use. We will report these monetary and non-monetary benefits (improving the reliability and preserving the integrity of data used in the ratemaking process) in our next *Semiannual Report to Congress*.

The OIG considers recommendations 1, 4, and 5 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Paul Kuennen, Director, Cost, Revenue, and Rates, or me at (703) 248-2100.



Tammy L. Whitcomb  
Deputy Assistant Inspector General  
for Revenue and Systems

#### Attachments

cc: H. Glen Walker  
Lynn Malcolm  
Area Vice Presidents  
J. Ron Poland  
District Finance Managers  
Katherine S. Banks

## TABLE OF CONTENTS

<b>Executive Summary</b>	i
<b>Part I</b>	
<b>Introduction</b>	1
Background	1
Objective, Scope, and Methodology	2
Prior Audit Coverage	2
<b>Part II</b>	
<b>Audit Results</b>	4
Efforts to Improve the Quality of In-Office Cost System Data	5
In-Office Cost System Data Accuracy in Three Districts	6
Incorrect or Unknown Respondent Names	8
Incorrect Employee Pay Status	9
Incorrect Street/Office Designation for City Delivery Carriers	10
Incorrect Management Operating Data System Operation Codes	10
Incorrect Sample Method	10
Error Causes	10
In-Office Cost System Telephone Reading Timing Differences	12
Recommendations	13
Management's Comments	13
Evaluation of Management's Comments	15
Other Matters of Interest	15
Time and Attendance Collection System Errors	15
Data Collector Survey	16
<b>Appendix A. Scope and Methodology</b>	17
<b>Appendix B. Types of In-Office Cost System/Time and Attendance Collection System Exceptions</b>	19
<b>Appendix C. Comparison of Readings Taken Between 20 and 30 Minutes Late or Early by Time of Day and Craft</b>	20

<b>Appendix D.</b> Data Collector Survey Results	21
<b>Appendix E.</b> Management's Comments	22

## EXECUTIVE SUMMARY

---

### Introduction

We conducted this review to assess the accuracy of In-Office Cost System (IOCS) data obtained from telephone readings. Section 3652(a) of the Postal Accountability and Enhancement Act (Public Law 109-435) requires the U.S. Postal Service to annually submit a report to the Postal Regulatory Commission analyzing costs, revenues, rates, and quality of service. The U.S. Postal Service Office of Inspector General (OIG) is required to regularly audit the data collection systems and procedures used to prepare this report.

---

### Results in Brief

The Postal Service has adequate policies for conducting telephone readings and recent management actions have improved the quality of telephone readings. However, in the three districts we selected for review, we found that employees did not always follow data collection procedures, [REDACTED], and respondents may have provided inaccurate information. Overall, we found that 70 out of 163 (43 percent) IOCS telephone readings we reviewed were inaccurate. In addition, some data collectors appeared to adjust the timing of their morning and afternoon IOCS readings. This may result in conducting a greater number of IOCS readings when city delivery carriers are on the street versus in the office. This could affect the attribution of city delivery carrier costs to the classes and subclasses of mail and special services.

The 70 inaccurate IOCS tests could affect the attribution of about \$3.2 million in labor costs to mail classes and subclasses and special services. These data errors included in management information could impact decisions in the ratemaking process. Implementing our recommendations would improve the accuracy of IOCS telephone readings and improve the integrity of data used in the ratemaking process.

Finally, during our review management corrected the leave balances for two employees who were on leave status but did not have leave processed in the timekeeping system. This represents about \$12,355 in funds that could be put to better use. We will report these monetary and non-monetary (improving the reliability and preserving the

integrity of data used in the ratemaking process) benefits in our next *Semiannual Report to Congress*.

---

**Summary of Recommendations**

We made five recommendations to strengthen controls over the integrity of IOCS data collection. We recommended that management expand existing quality control programs to assist field managers in identifying and monitoring data collectors with a high number of inaccurate IOCS readings; ensure that field operations fully understand the importance of providing adequate support for IOCS data collection; and develop procedures for verifying the accuracy of IOCS data before transmission and inclusion in the national aggregation. We also recommended that field personnel implement the expanded quality assurance processes and ensure they do not include inaccurate data in the national aggregation.

---

**Summary of Management's Comments**

Management agreed with our recommendations and has initiatives planned to address the issues. Management stated they would strengthen existing quality control and awareness programs and provide additional policies, procedures, and management tools to area and district personnel to ensure that the best information available is collected and recorded. Area management personnel agreed to implement the improved quality control procedures.

Management also stated they would review the monetary impact of the incorrect leave. [REDACTED]

[REDACTED]. They also stated that timing differences at mail processing facilities are not similar to those at post offices, stations and branches, and that these facilities have different patterns of peak busy periods. Management's comments, in their entirety, are included in Appendix E.

---

**Overall Evaluation of Management's Comments**

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

## INTRODUCTION

---

### Background

The In-Office Cost System (IOCS) is an employee work sampling system used to distribute over \$32 billion in the labor costs of clerks, mail handlers, city delivery carriers, and supervisors to the activities carried out by those employees and to classes and subclasses of mail and special services.

Although management records the total labor costs for those employees in accounting records, those records do not indicate how the total costs are related to each specific class and subclass of mail and each special service. Management can estimate work time spent on various functions in the office and time spent handling or processing categories of mail by sampling employee work activities.

Responsibility for IOCS program management is divided as follows:

- The Statistical Programs unit within headquarters Finance develops the statistical sampling design and related data collection policies and procedures. They also process and analyze national IOCS data.
- Within each U.S. Postal Service district, a Statistical Programs manager provides technical guidance on statistical data collection to other functional managers, postmasters, and employees and monitors data collection results to ensure that proper sampling and reporting techniques are used.
- Data collectors are to observe and record the activity of each selected employee within 30 minutes of the time the sampling plan designates. On-site data collectors collect samplings (readings) through direct observation. For off-site locations, the data collector calls the employee's work location and asks the supervisor (the respondent) to locate and observe the employee.
- Data collectors use an automated script on a laptop computer to guide the data collection reading. The

collector records the characteristics<sup>1</sup> of any mail, postal form, or equipment the employee may be handling at the time. The collector records other data including the employee's paid status, Management Operating Data System (MODS) operation number,<sup>2</sup> and, if received over the telephone, the respondent's name. If the city delivery carrier is clocked to the street, the collector records work activity and route information, but no mailpiece data.

- Plant managers and postmasters are responsible for ensuring plant and post office staff provides adequate support and accurate data for IOCS readings.

During fiscal year (FY) 2007, the Postal Service conducted nearly 700,000 IOCS readings.<sup>3</sup> Each IOCS reading attributes about \$46,000 in labor costs, for a total of about \$32 billion in labor costs allocated to classes and subclasses of mail and special services.

Management uses IOCS testing data in various reports — including the Cost and Revenue Analysis (CRA) report and the International CRA report — as input into new postal rate proposals, budgets, and various management studies.

---

#### **Objective, Scope, and Methodology**

Our objective was to assess the accuracy of IOCS data obtained from telephone readings. [Appendix A](#) describes the audit scope and methodology.

---

#### **Prior Audit Coverage**

The OIG issued three capping reports summarizing the results of statistical program audits conducted in judgmentally selected Postal Service districts. Our audits found that employees did not always follow data collection procedures and attend the required training before conducting tests. We also noted that Statistical Programs managers did not always perform quarterly mail exit points.

---

<sup>1</sup> Mail characteristics include shape, weight, destination, indicia, postage, mail class and rate markings, barcode information, special service markings, and other details depending on the mailpiece.

<sup>2</sup> MODS collects, stores, and reports mail volume, workhour, and work activities; MODS operation numbers identify activities performed in Postal Service facilities.

<sup>3</sup> To efficiently conduct a large number of IOCS readings, collectors conduct about 51 percent by telephone and the remaining 49 percent on-site. Collectors conducted 78 percent of the telephone readings at non-plant post offices, stations, and branches.

Management agreed with the recommendations to reinforce, through training, data collection procedures to ensure the integrity of the statistical data, and to reinforce policies for mail exit point reviews.

<b>Report Title</b>	<b>Report Number</b>	<b>Date</b>
<i>Audit of Statistical Tests for Fiscal Year 2007 – Cost and Revenue Analysis</i>	FF-AR-08-084	January 30, 2008
<i>Audit of Statistical Tests for Fiscal Year 2006 – Cost and Revenue Analysis</i>	FF-AR-07-093	February 16, 2007
<i>Audit of Statistical Tests for Fiscal Year 2005 – Cost and Revenue Analysis</i>	FF-AR-06-091	March 6, 2006

## AUDIT RESULTS

---

Recent management actions have improved the quality of data obtained from IOCS telephone readings. However, in the three districts we selected for review, we found that employees did not always follow data collection policies and procedures, [REDACTED]

[REDACTED] Overall, we found that 70 out of 163 (43 percent) IOCS telephone readings we judgmentally selected for review were inaccurate. Management could provide additional training and controls in areas where employees did not always follow data collection policies and procedures to reduce errors and increase the accuracy of IOCS telephone readings. [REDACTED].

In addition, an analysis of IOCS telephone readings indicated that some data collectors adjusted the timing of their morning and afternoon readings. Collectors tended to conduct morning readings later than the scheduled reading time, while they tended to conduct afternoon readings earlier than the scheduled reading time. As a result, morning and afternoon IOCS readings conducted on city delivery carriers were more likely to be conducted when the city delivery carriers were on the street. This could affect the attribution of city delivery carrier costs to the subclasses and classes of mail and special services.

The 70 inaccurate IOCS tests we found could affect the attribution of about \$3.2 million in labor costs to mail classes and subclasses and special services. The inaccurate tests affect the integrity of IOCS test data used to develop the CRA report and postal rates. Implementing our recommendations would improve the reliability of IOCS telephone readings. Finally, during our review management corrected the leave balances for two employees who were on leave status but did not have leave processed in the timekeeping system.

---

**Efforts to Improve  
the Quality of  
In-Office Cost  
System Data**

Management has improved the quality of IOCS data collected during the past 2 years by developing exception reports to highlight potential data errors. In FY 2005, the Postal Service began comparing city delivery carrier work activity recorded during IOCS readings to work activity data recorded in the Time and Attendance Collection System (TACS).<sup>4</sup> In FY 2006, management expanded the exception reports to include city delivery carriers, clerks, and mail handlers. Statistical Programs personnel provide IOCS/TACS exception<sup>5</sup> reports biweekly to district managers as a tool for identifying the root cause of IOCS/TACS exceptions and improving the quality of IOCS and TACS data. [Appendix B](#) summarizes six types of IOCS/TACS exceptions.

Management could not provide reliable information on the number of FY 2005 IOCS/TACS exceptions for city delivery carriers. However, we estimate there were more than 100,000 IOCS/TACS exceptions in FY 2005. During FY 2006, these comparisons identified 24,351 exceptions, or about 6.4 percent of all nonstop readings. Nonstop IOCS readings occur when the sampled employee is at work and engaged in an activity for which they are paid. A stop-reading occurs when the sampled employee was not scheduled to work or was not at the facility at the time of the reading. In FY 2007, the Postal Service conducted 688,726 IOCS readings and 359,467 — or 52 percent — were nonstop.

In FY 2007, the number of IOCS/TACS exceptions for city delivery carriers, clerks, and mail handler readings declined to 19,315 (about 5.4 percent of all nonstop readings), as shown in Table 1.

---

<sup>4</sup> TACS is a timekeeping system that records employee workhours and leave data. Each time an employee badge (time card) is swiped on an Electronic Badge Reader, the employee's workhours and MODS operation number are recorded.

<sup>5</sup> An IOCS/TACS exception is generated if the employee work activity recorded during an IOCS reading does not match the employee work activity captured by TACS.

**Table 1. Decline in IOCS/TACS Exceptions**

FY	Nonstop Readings	Exceptions			
		Total	Percent	Telephone Readings	On-site Readings
2005	315,000	>100,000			
2006	381,217	24,351	6.4	13,924	10,427
2007	359,467	19,315	5.4	11,171	8,144

Statistical Programs identifies IOCS/TACS exceptions several weeks after conducting the IOCS reading and does not delete them from the IOCS testing results. Therefore, readings with exceptions are used to distribute the labor costs of clerks, mail handlers, city delivery carriers, and supervisors to the activities carried out by those employees and to classes and subclasses of mail and special services. Because each IOCS reading is used to attribute about \$46,000 in labor costs, inaccurate IOCS readings among the 19,315 FY 2007 IOCS/TACS exceptions could potentially affect the attribution of \$888.5 million to the classes and subclasses of mail and special services.

In a 2006 Omnibus Rate Case, the Postal Service noted the use of TACS data to validate IOCS readings partly contributed to an increase in in-office costs for carriers.<sup>6</sup> Continued management attention to reducing the number of IOCS/TACS exceptions is crucial to improving the accuracy of cost, revenue, and rate information reported to the Postal Regulatory Commission.

---

**In-Office Cost System Data Accuracy in Three Districts**

Overall, we determined that 70 of the 163 (43 percent) IOCS telephone readings we tested in three Postal Service districts were inaccurate. At each district we compared recently completed IOCS telephone readings with the sampled employees' TACS data and identified a total of 242 readings with discrepancies between IOCS and TACS data. We were able to locate and interview the sampled employees and/or the respondents for 163 of the 242

---

<sup>6</sup> Postal Regulatory Commission Docket No. R2006-1, *Postal Rate and Fee Changes, 2006, Direct Testimony of Martin Czigler on Behalf of U.S. Postal Service, USPS-T-1*, May 3, 2006.

readings with discrepancies. See [Appendix A](#) for our detailed scope and methodology.<sup>7</sup>

Of the 163 telephone readings we examined in detail, we found that 70 (43 percent) were inaccurate. We identified five types of material errors in the 70 inaccurate telephone readings, 25 of which had multiple errors. These errors included:

- Incorrect respondent name.
- Incorrect employee pay status.
- Incorrect city delivery carrier street/office designation.
- Incorrect MODS operation codes.
- Incorrect sample method (the IOCS reading was recorded as on-site, but the reading was actually conducted by telephone).

Tables 2 and 3 summarize the number of inaccurate readings and types of material data errors found in each of the three districts we visited, respectively.

**Table 2. Telephone Readings with Inaccurate Data**

District	Number of Readings		Percentage
	Tested	Containing Inaccurate Data	
Northern New Jersey	44	12	27
Greensboro	46	15	33
Philadelphia Metropolitan	73	43	59
Totals	163	70	43

---

<sup>7</sup> We were not able to verify the accuracy of the remaining 79 readings because the employee and/or respondent were not available to be interviewed at the time of our site visits or were at a remote location. See Appendix A for our detailed scope and methodology.

**Table 3. Material Data Error Tally<sup>8</sup>**

Material Data Error	District			Total
	Northern New Jersey	Greensboro	Philadelphia Metropolitan	
Respondent Name	4	8	27	39
Pay Status	9	12	21	42
Street/Office Designation	-	2	8	10
MODS Code	-	-	4	4
Sample Method	-	1	-	1
Totals	13	23	60	96

**Incorrect or Unknown Respondent Names**

Data collectors are to record the respondents' names<sup>9</sup> to help identify problem respondents and encourage better data. We interviewed the sampled employees and/or respondents and determined that 39 of 163 readings contained an incorrect respondent name. For example, the person listed as the respondent was on leave or in retirement status, had transferred from that facility, was unknown at that facility, or was certain they had not conducted the IOCS telephone reading. Table 4 lists the four categories of incorrect or unknown respondent names and the frequency of occurrence.

**Table 4. Readings with Incorrect/Unknown Respondent Name**

As Verified	Occurrences
Respondent was certain the reading had not been conducted by them.	17
Respondent was on leave, retired, or not at the facility on the date of the reading.	16
Respondent was unknown at the facility.	5
The listed respondent did not conduct the reading. Instead, another supervisor or the sampled employee conducted the reading.	1
Total	39

In one of the 39 readings with an inaccurate respondent name, another respondent may have conducted the reading or the employee may have conducted the reading on

<sup>8</sup> The tally exceeds 70 because some readings had more than one error.

<sup>9</sup> Memorandum of Policy FI-09-13-2005 – *Statistical Programs Letter #1, FY 2006.*

himself. For the remaining 38 readings, the reliability of the data gathered could be questioned if the respondent denies the reading took place or the respondent was not at the facility.

**Incorrect Employee Pay Status**

A total of 42 readings incorrectly recorded the employee’s pay status. An incorrect recording of an employee’s pay status indicates the employee might not have been properly located, identified, and observed. On over 60 percent (26 of 42) of the readings where the employee’s pay status was incorrect, the respondent’s name was also incorrect. Data collectors were responsible for 38 of the 42 telephone readings with an incorrect employee pay status. [REDACTED]

[REDACTED]. Table 5 lists the four categories of incorrect pay status and the frequency of occurrence.

**Table 5. Incorrect Employee Pay Status**

Recorded in IOCS	Actual	Occurrences
Employee was not present at the facility – on leave, transferred to another facility, or otherwise not at work.	Employee worked a full day and was at the facility at the time/on the date of the reading.	6
Employee on non-duty, non-pay status (not scheduled for work).	Employee was on paid holiday leave.	5
Employee recorded as working at the facility.	Employee was not present at the facility – on court leave, transferred to another facility, or had the day off.	6
Employee recorded in one pay status – sick leave, annual leave, or holiday leave.	Employee was actually in another pay status – absent without leave, holiday leave, annual leave, or sick leave.	25
Total		42

Respondents were responsible for two of the 42 telephone readings with an incorrect employee pay status. In one of the two, the respondent stated they were unsure whether the employee was on leave, so they told the data collector the employee was “on loan to another office” when, in fact, the employee was on leave. In the other respondent error, the respondent could not locate the employee and assumed they had left for the day when, in fact, the employee was still

at work. In the remaining two telephone readings with an incorrect employee pay status, we could not determine whether the data collector or respondent was at fault.

<p>Incorrect Street/Office Designation for City Delivery Carriers</p>	<p>In 10 of the inaccurate telephone readings, the city delivery carrier work locations were incorrect. When the employee's work location is incorrectly recorded, it indicates the employee was not properly located and identified. The sampled city delivery carriers were recorded on the street in the IOCS telephone reading, but their TACS clock ring records recorded them in the office at the time of the telephone reading or vice versa. We interviewed the sampled employees and/or respondents and verified that the street/office designation in IOCS was incorrect. In five of the 10 inaccurate telephone readings, the respondents stated they had assumed the city delivery carriers were on the street when, in fact, they were in the office.</p>
<p>Incorrect Management Operating Data System Operation Codes</p>	<p>In four of the inaccurate telephone readings, the MODS operation code recorded in IOCS did not match the actual work the employee was performing, as recorded in TACS. For example, one IOCS telephone reading recorded MODS operation code [REDACTED] (miscellaneous activity – delivery services). However, the employee clock ring data in TACS recorded that the employee was on MODS operation code [REDACTED]. We interviewed the sampled employee and verified the MODS operation code recorded in IOCS was incorrect. In one of the inaccurate telephone readings, the respondent stated they did not actually observe the employee's work activity when conducting the reading. In the other two inaccurate readings, we could not determine whether the respondent or data collector was at fault.</p>
<p>Incorrect Sample Method</p>	<p>In one inaccurate telephone reading, the employee conducted the telephone reading on himself and the data collector incorrectly recorded the reading as on-site, when in fact it was a telephone reading.</p>
<p>Error Causes</p>	<p>In 31 of the 70 inaccurate IOCS telephone readings, the errors occurred because data collectors and/or respondents did not follow established policies and procedures for conducting IOCS telephone readings. [REDACTED]</p>

[REDACTED], or that the respondents provided inaccurate data. This could introduce multiple errors into the database.

Additional management oversight of the data collection process, along with additional training and coordination, is needed to improve the accuracy of IOCS telephone readings and the Postal Service's cost, revenue, and rates information reported to the Postal Regulatory Commission. For example, if a Statistical Programs manager used IOCS/TACS discrepancy reports to identify data collectors whose telephone readings contained a high number of discrepancies, they could focus monitoring efforts on those collectors and determine the appropriate action for addressing the issues.

In the three districts we reviewed, we found that [REDACTED] data collectors were responsible for the majority of the inaccurate telephone readings. [REDACTED]

[REDACTED]

[REDACTED]. If inaccurate readings are identified before the readings are approved and transmitted, this could prevent further processing of unreliable data. Readings with data that clearly cannot be verified should be withdrawn from the IOCS test results.

Some respondents stated they were not aware of the purpose of IOCS testing and were not motivated to collect and report accurate data. During our audit, the Deputy Postmaster General and Chief Financial Officer issued a joint letter to area vice presidents, district managers, and plant managers emphasizing the importance of supporting Statistical Programs' tests and the extensive use of the data collected. The letter also noted that Statistical Programs personnel require assistance from supervisors when performing telephone readings.

---

**In-Office Cost  
System Telephone  
Reading Timing  
Differences**

We analyzed 476,008 FY 2006 IOCS readings conducted nationwide and found that data collectors were much more likely to conduct telephone readings 20 to 30 minutes late during the morning transition period when city delivery carriers are moving from the office to the street. During the afternoon transition period when city delivery carriers are returning to the office, the opposite is true and the data collectors are more likely to conduct telephone readings 20 to 30 minutes early. Telephone readings conducted on clerks and mail handlers did not show the same timing differences. [Appendix C](#) shows a comparison of readings taken between 20 and 30 minutes late or early by time of day and craft.

Postal Service policies state that IOCS readings may be taken within 30 minutes of the scheduled time, but not for the convenience of the data collector.<sup>10</sup> If the data collector conducts the telephone reading while the city delivery carriers are on the street, the reading ends after work activity and route information is collected.

Correctly identifying whether city delivery carriers are at a street or office location directly affects the attribution of city delivery carrier costs to the various classes of mail and special services. The total accrued costs (salaries, benefits, and related costs) of city delivery carriers are prorated between office activity and street activity based on IOCS estimates. In FY 2007, about \$11.1 billion was prorated to street activity and \$5.2 billion to office activity.

In the Postal Service there are two types of costs — volume variable costs and non-volume variable or institutional costs. While volume variable costs are directly attributable to mail classes and special services, institutional costs are generally not directly attributable. Thirty-eight percent of street activity costs are volume variable and directly attributed to a specific class of mail or special service. The remaining 62 percent of street activity costs are institutional and not directly attributable. On the other hand, 83 percent of office activity costs are volume variable and directly attributable to a specific class of mail or special service. The remaining 17 percent of office costs are institutional and not directly

---

<sup>10</sup> Handbook F-45, *Data Collection User's Guide for In-Office Cost System*, Section 3.2.

attributable. To the extent that data collectors conduct readings on city delivery carriers while they are on the street, they shift the total accrued costs of city delivery carriers from volume variable to institutional costs, which can impact how rates are determined.

---

**Recommendation**

We recommend the Manager, Corporate Financial Planning, direct the Manager, Statistical Programs, to:

1. Expand existing quality control programs to assist area and district management with identifying and monitoring data collectors with a high number of inaccurate In-Office Cost System readings.

---

**Management's Comments**

Management agreed with the recommendation and stated they will develop additional procedures, reports, and requirements for district and area management to consistently identify, monitor, and take corrective action regarding inaccurate IOCS readings. These procedures will be developed by December 31, 2008.

However, management did not agree that the report



. They also stated that timing differences at mail processing facilities are not similar to those at post offices, stations, and branches, which have different patterns of peak busy periods.

---

**Recommendation**

We recommend the Manager, Corporate Financial Planning, direct the Manager, Statistical Programs, to:

2. Evaluate, enhance, and disseminate existing awareness programs to ensure field operations understand the importance of and provide support for In-Office Cost System data collection.

---

**Management's Comments**

Management agreed with the recommendation and stated that Statistical Programs will enhance the existing awareness program by evaluating alternative communication channels, pursuing alternative channels, and disseminating materials as appropriate. This will require

working with other departments and integrating Statistical Programs requirements with those departments' working plans. Management will develop an awareness program by June 30, 2008, and implement the program by September 30, 2008.

---

<b>Recommendation</b>	3. Develop a process for verifying the accuracy of In-Office Cost System test data before it is approved and transmitted for inclusion in the national aggregation.
-----------------------	---

---

<b>Management's Comments</b>	Management agreed in principle with the recommendation and stated their current policy is to upload and record daily the best information available at the time of the reading. Management stated that procedures for verifying data must not cause an inordinate delay. Statistical Programs will collaborate with area finance managers to develop policies and procedures to verify data accuracy before approving and transmitting readings. They will enhance procedures for removing readings from the national aggregation after they have been transmitted. These actions will be completed by December 31, 2008.
------------------------------	---

---

<b>Recommendations</b>	<p>We recommend the Area Finance Managers direct the District Managers of Finance to:</p> <ol style="list-style-type: none"> <li>4. Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.</li> <li>5. Follow the quality control procedures Statistical Programs has established to handle the In-Office Cost System readings that do not meet data integrity standards to prevent such data from inclusion in national aggregation.</li> </ol>
------------------------	---

---

<b>Management's Comments</b>	Management agreed with recommendations 4 and 5. The Area Finance Managers stated they would direct the District Finance Managers to implement and follow the expanded quality control program developed by headquarters.
------------------------------	--

---

<b>Evaluation of Management's Comments</b>	<p>The OIG considers management's comments responsive to recommendations 1, 2, 3, 4, and 5. Management's planned actions should correct the issues identified in the finding.</p> <p>[REDACTED]</p>
<b>Other Matters of Interest</b>	<p>During our audit, we identified other matters of interest involving TACS errors and results of a survey of data collectors. We are not making recommendations in these areas at this time, but are raising them for management's attention.</p>
Time and Attendance Collection System Errors	<p>During our review of the 163 IOCS telephone readings, we identified four workhour errors recorded in TACS — the IOCS reading correctly identified the sampled employee's work activity, however, the sampled employee was not clocked into that work activity (MODS Operation) in TACS. These errors do not affect the ratemaking process.</p> <p>Additionally, we identified two leave errors during our testing. In the first leave error, we attempted to interview the supervisor recorded as the respondent for an inaccurate IOCS telephone reading, but determined the supervisor had been on annual leave for the past 6 weeks pending retirement. However, the leave information had not been input into TACS and the supervisor remained on at-work status. In the second leave error, an IOCS reading was conducted on a supervisor and correctly identified that the supervisor was on annual leave. However, the annual leave had not been input in TACS and the supervisor was still on at-work status. Management stated they forgot to input the leave requests into TACS. We verified that management processed pay adjustments to correct the leave balances.</p>

If we had not detected these errors, they would have cost the Postal Service about \$10,857 and \$1,498, respectively.<sup>11</sup> [REDACTED]

[REDACTED]. We will also report \$12,355 as funds put to better use in our next *Semiannual Report to Congress*.

**Data Collector Survey** We surveyed Postal Service data collectors, asking them to rate several aspects of their jobs related to IOCS telephone readings. Most data collectors rated their training as good to excellent. However, 71 percent of the data collectors rated the respondent’s knowledge of the IOCS process as fair to poor, and 39 percent rated the accuracy of IOCS telephone reading data as fair to poor.

Table 6 displays the responses to four of the survey questions and [Appendix D](#) shows the responses to six others.

**Table 6. Responses to Data Collector Survey**

Issue	Ratings Percentages			
	Poor	Fair	Good	Excellent
Phone Reading Training	3	8	31	58
Reading Data Accuracy	8	31	52	9
Respondent’s Cooperation	7	35	48	10
Respondent’s Knowledge	30	41	27	2

The responses indicate the need for an ongoing awareness program to emphasize the importance of accurate IOCS data in measuring financial performance and budget allocations.

<sup>11</sup> Based on the FY 2007 national average labor rate for an Executive and Administrative Salary Schedule 17 supervisor (\$46.80), the 232 hours of leave not charged for one employee would have cost the Postal Service about \$10,857.60. The other supervisor was not charged for 32 hours, or about \$1,497.60.

## APPENDIX A: SCOPE AND METHODOLOGY

We conducted this audit from March 2007 through March 2008 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials on February 5, 2007, and included their comments where appropriate.

To verify management efforts to improve the accuracy of IOCS telephone readings, we reviewed national, area, and district IOCS/TACS exception data for FYs 2005, 2006, and 2007. Using FY 2006 data, we selected two districts with high IOCS/TACS exception rates (Northern New Jersey and Philadelphia Metropolitan at 8 percent and 13 percent, respectively) and one district with a low exception rate (Greensboro at 3 percent) for further review.

At each district, we identified all IOCS telephone readings that had been completed 1 to 2 weeks prior to our visit. At the three districts, there was a universe of 691 recently completed IOCS telephone readings. For each of those IOCS telephone readings, we obtained the corresponding workhour activity data from the sampled employee's TACS records. Out of 691 recently completed IOCS telephone readings, we identified 242 telephone readings with discrepancies between IOCS and TACS data. We were able to locate and interview the sampled employees and/or the respondents for 163 of the 242 telephone readings. We were not able to locate and interview the employees and respondents on 79 readings, usually because of employee/respondent leave or remote field locations. We did not include these readings in our error calculations. We completed the on-site interviews during July 2007.

Table 7 displays the sampling data at the three districts.

**Table 7. Telephone Readings Sampling Data**

Telephone Readings	Northern New Jersey	Greensboro	Philadelphia Metropolitan	Total
Recently Completed Readings	194	186	311	691
IOCS/TACS Exceptions	56	68	118	242
Tested	44	46	73	163

To compare IOCS readings taken late and early by time of day and craft, we analyzed 476,008 IOCS telephone and on-site readings conducted in FY 2006. First, we extracted FY 2006 IOCS test data for all city delivery carriers, clerks, and mailhandlers at cost ascertainment group (CAG) A and CAG B post offices. There were 151,157 city delivery carrier IOCS readings and 324,851 clerk and mailhandler readings at CAG A and CAG B post offices. Next, we separated the city delivery carrier and clerk/mailhandler IOCS readings between telephone and on-site and grouped the

readings into seven time intervals according to the scheduled reading time, as shown in Table 8.

**Table 8. Scheduled Reading Time Intervals**

Interval			
<=	8:00 am		
>	8:00 am	<=	9:00 am
>	9:00 am	<=	10:00 am
>	10:00 am	<=	2:00 pm
>	2:00 pm	<=	3:00 pm
>	3:00 pm	<=	4:00 pm
>	4:00 pm		

For each reading, we subtracted the actual reading time from the scheduled reading time and classified the results into eight categories:

- More than 30 minutes late
- 21 – 30 minutes late
- 11 – 20 minutes late
- 1 – 10 minutes late
- 0 – 9 minutes early
- 10 – 19 minutes early
- 20 – 29 minutes early
- 30 or more minutes early

We then developed frequencies and summarized the results. [Click here](#) to go to [Appendix C](#) for the distribution of results.

To survey data collectors’ perceptions about IOCS telephone readings, we forwarded a survey to about 1,600 data collectors nationwide. Five of the 10 survey questions related to the accuracy of telephone reading responses; respondents’ cooperativeness and knowledge; and the quality of data collectors’ training. We received 504 replies, of which 468 had usable information.

## **APPENDIX B: TYPES OF IN-OFFICE COST SYSTEM/TIME AND ATTENDANCE COLLECTION SYSTEM EXCEPTIONS**

IOCS/TACS Exception Reports summarize exceptions of the following types:

1. IOCS records the city delivery carriers as being on the street, but TACS reports them as being in-office.
2. IOCS records the city delivery carriers as in-office, but TACS shows them on the street.
3. IOCS records an employee work activity, but TACS shows the employee off-clock or at lunch.
4. IOCS records an employee work activity, but TACS shows the employee on leave for entire day.
5. IOCS records an employee work activity, but TACS data on the employee is missing or incomplete.
6. IOCS records the employee not working, but TACS records the employee working.

**APPENDIX C: COMPARISON OF READINGS TAKEN  
BETWEEN 20 AND 30 MINUTES LATE OR EARLY  
BY TIME OF DAY AND CRAFT**

Time Intervals	Percentage of Readings			
	Taken More Than 20 Minutes Late		Taken More Than 20 Minutes Early	
	Carriers	Clerks and Mailhandlers	Carriers	Clerks and Mailhandlers
12:00 a.m. - 8:00 a.m.	13.64	10.45	5.84	9.38
8:01 a.m. - 9:00 a.m.	13.80	12.39	9.49	8.84
9:01 a.m. - 10:00 a.m.	15.57	12.27	9.45	9.41
10:01 a.m. - 2:00 p.m.	9.11	10.01	12.42	12.03
2:01 p.m. - 3:00 p. m.	7.01	10.63	15.82	11.64
3:01 p.m. - 4:00 p.m.	4.80	9.75	18.25	11.91
4:01 p.m. - 11:59 p.m.	3.47	8.39	18.21	12.10

## APPENDIX D: DATA COLLECTOR SURVEY RESULTS

Question	Response	Number of Responses	Percentage
<b>Data Collector Information</b>			
Are you a full-time data collector?	• Yes	254	55
	• No	208	45
Do you conduct IOCS telephone readings?	• Yes	363	81
	• No	84	19
What is your skill level for conducting IOCS telephone readings?	• Poor	10	3
	• Fair	19	5
	• Good	178	45
	• Excellent	185	47
How comfortable are you with reading the scripted instructions and questions to telephone respondents?	• Not at all	15	4
	• Somewhat	55	14
	• Mostly	166	43
	• Very	153	39
How often do you have to deviate from the IOCS script in order to complete a reading when the respondent is uncooperative or inexperienced?	• Not at all	131	41
	• Somewhat	138	43
	• Mostly	49	15
	• Very	2	1
<b>Perceptions of Respondents</b>			
How often do you feel the respondents conduct the IOCS readings properly?	• Not at all	24	6
	• Somewhat	117	31
	• Mostly	198	53
	• Very	36	10

\*The total number of responses for each question varies because some replies did not address every survey question.

## APPENDIX E: MANAGEMENT'S COMMENTS

FINANCE



March 28, 2008

JOHNSON JOHN  
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: In-Office Cost System Telephone Readings (Report Number  
CRR-AR-08-DRAFT)

Management generally agrees with the overall findings of the OIG self-initiated audit of In-Office Cost System (IOCS). 



The audit states that:

We analyzed 476,008 FY 2006 IOCS readings conducted nationwide and found that data collectors were much more likely to conduct telephone readings 20 to 30 minutes late during the morning transition period when city delivery carriers are moving from the office to the street. During the afternoon transition period when city delivery carriers are returning to the office, the opposite is true and the data collectors are more likely to conduct telephone readings 20 to 30 minutes early. Telephone readings conducted on clerks and mail handlers did not show the same timing differences. (p. 12)

However, our analysis shows that differences are due to the type of the facility, rather than the craft of the sampled employee. Timing differences on clerks, mailhandlers and supervisors are similar to those of carriers *when located in the same facility type*, as demonstrated in the table in the Attachment. Timing differences at mail processing facilities are not similar to

those at post offices, stations and branches, which have different patterns of peak busy periods. The reason that the OIG found differences between clerks/mailhandlers and carriers is that most clerks and mailhandlers are located in mail processing facilities.

Management agrees with recommendations 1 and 2, and partially agrees with recommendation 3. The HQ Manager, Statistical Programs, is responsible for implementing the actions in the responses to these recommendations.

#### Recommendation 1

Expand existing quality control programs to assist area and district management with identifying and monitoring data collectors with a high number of inaccurate In-Office Cost System readings.

#### Response

Management agrees with this recommendation. We will develop additional procedures, reports, and requirements for district and area management to consistently identify, monitor, and take corrective action regarding inaccurate IOCS readings. We will develop these procedures by the end of calendar year 2008.

#### Recommendation 2

Evaluate, enhance, and disseminate existing awareness programs to ensure field operations understand the importance of and provide support for In-Office Cost System data collection.

#### Response

Management agrees with this recommendation. Statistical Programs will enhance the existing awareness program by evaluating alternative communication channels, pursuing alternative channels, and disseminating materials as appropriate. This will require working with other departments and integrating our requirements with those departments' work plans. We will develop an awareness plan by the end of Quarter III and begin implementation in Quarter IV, FY 2008.

#### Recommendation 3

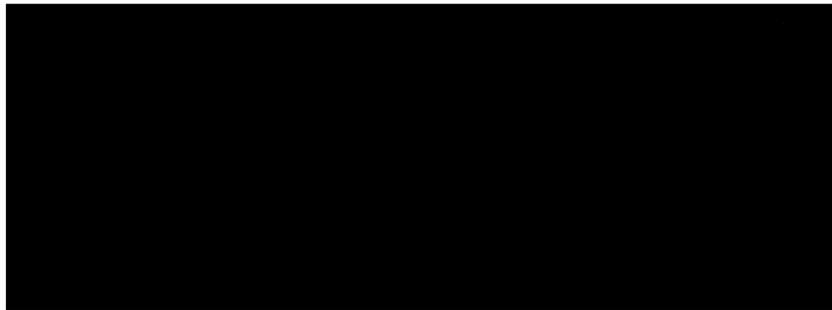
Develop a process for verifying the accuracy of In-Office Cost System test data before it is approved and transmitted for inclusion in the national aggregation.

#### Response

Management agrees in principal with this recommendation. Our current policy is to record the best information available at the time of the reading. The policy is also to upload and approve readings daily. It is important that data be uploaded to headquarters quickly; therefore, any procedures for

verifying data must not cause an inordinate delay. Statistical Programs will collaborate with the Area Finance Managers to develop policies and procedures by the end of calendar year 2008 to verify the accuracy of IOCS test data before approving and transmitting. In addition, the procedures for removing readings from the national aggregation after they have been transmitted will be enhanced.

Corporate Financial Planning will work with the Controller to assess the monetary impact of the \$12,355 incorrect leave status error that was identified in the timekeeping system. The error was discovered by using IOCS data, which was recorded properly, and was used to cross check the timekeeping system.



However, it does not provide sufficient evidence to demonstrate this. Our analysis shows that timing differences could be due to the impact of peak busy periods at specific facility types.



  
Ashley Lyons  
Manager  
Corporate Financial Planning

Attachment

cc: H. Glen Walker  
J. Ron Poland  
Katherine S. Banks  
Finance Managers, Areas

Attachment

Comparison of Readings Taken Between 20 and 30 Minutes Late or Early  
By Time of Day, Craft and Facility Type

Time of Day	Taken More than 20 Minutes Late				Taken More than 20 Minutes Early			
	Carriers AO/Stn/Br	Clerks in AO/Stn/Br	Supv in AO/Stn/Br	Supv in Plants	Carriers AO/Stn/Br	Clerks in AO/Stn/Br	Supv in AO/Stn/Br	Supv in Plants
00 <8am	12%	10%	10%	9%	6%	7%	7%	8%
08 8-9am	12%	11%	12%	11%	8%	8%	7%	8%
09 9-10am	13%	11%	10%	11%	9%	9%	8%	8%
10 10am-2pm	8%	8%	8%	9%	11%	11%	12%	10%
14 2-3pm	6%	8%	7%	9%	13%	11%	13%	10%
15 3-4pm	5%	6%	6%	9%	14%	12%	13%	10%
16 >4pm	4%	6%	4%	8%	14%	12%	12%	9%
Total	8%	8%	8%	9%	11%	10%	11%	9%

SYLVESTER BLACK  
VICE PRESIDENT, WESTERN AREA OPERATIONS



March 24, 2008

Johnson John  
Acting Director, Audit Reporting  
1735 North Lynn Street  
Arlington, VA 22209-20202

SUBJECT: In-Office Cost System Telephone Readings – Report CRR-AR-08-DRAFT

The Western Area has reviewed the subject report and is in agreement with the two recommendations.

Recommendation #1: We recommend the Area Finance Managers direct the District Managers of Finance to: Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

Response: The Western Area will implement the quality control program as soon as it is received from Headquarters. In the meantime, we are asking each District Financial Control and Support Manager to conduct random spot checks to verify the accuracy of phone readings. Additionally, the TACS/IOCS Exception report is reviewed every three weeks by Area Finance to ensure exceptions are minimal.

Recommendation #2: We recommend the Area Finance Managers direct the District Managers of Finance to: Follow the quality control procedures Statistical Programs has established to handle the In-Office Cost System readings that do not meet data integrity standard to prevent such data from inclusion in national aggregation.

Response:

This process is already in place in the Western Area. We will continue to emphasize the importance of following quality control procedures for IOCS, as well as for all other Statistical Programs. Any test that does not meet data integrity standards will be disapproved.

We do not believe there is any Freedom of Information Act exempt information in the draft report or our response.

  
Sylvester Black

1745 STOUT STREET, SUITE 1000  
DENVER CO 80299-5000  
303-313-5100  
FAX: 303-313-5102  
WWW.USPS.COM



March 25, 2008

MEMORANDUM FOR: JOHN JOHNSON  
ACTING DIRECTOR, AUDIT OPERATIONS  
OFFICE OF INSPECTOR GENERAL

SUBJECT: In-Office Cost System (IOCS) Telephone Readings (Report Number CRR-AR-08)

Capital Metro Area Finance agrees with the audit findings regarding IOCS readings, as well as, the importance of effective internal controls to ensure data integrity resulting from all testing conducted by field and Statistical Programs personnel.

This report and management response does not contain information that may be exempt from disclosure under the FOIA. Below are two of the IOCS recommendations and management responses.

**Recommendation 4:**

Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

**Management Response:**

Management agrees to recommendation 4. Upon development of an expanded quality control program by Headquarter Statistical Programs, area finance will immediately implement and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

**Recommendation 5:**

Follow the quality control procedures Statistical Programs has established to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

**Management Response:**

Upon implementation of quality control procedures by area finance to district field offices, area finance will continue to conduct reviews of field office readings, as well as, other operational goals and continue to monitor data to ensure compliance with data integrity and accurate IOCS readings. Corrective action will be pursued in cases where data has been intentionally manipulated.

If you have any questions regarding this response, please feel free to contact me at 301-548-1417.

Steve Darragh

cc: Kathy Banks, Manager CARM  
Kit Allshouse, Area Accounting Manager  
Lisa Reed, Area Liaison – Statistical Programs  
District Managers, Finance  
Managers, Statistical Programs

MAILING ADDRESS:  
16501 SHADY GROVE RD  
GAITHERSBURG MD 20898-9998  
301-548-1417  
FAX 301-548-1434

PHYSICAL ADDRESS:  
6 MONTGOMERY VILLAGE AVE  
GAITHERSBURG MD 20879-3209

AREA MANAGER, FINANCE  
SOUTHWEST AREA



March 26, 2008

Johnson John  
Acting Director, Audit Operations

Subject: Transmittal of Draft Audit Report – In-Office Cost System Telephone Readings  
(Report Number CRR-AR-08-DRAFT)

This report is a response to the recommendations in the OIG self-initiated audit of In-Office Cost System (IOCS) that are addressed to the Area Finance Managers.

Recommendation 4:

Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

Management's Response:

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to use the expanded quality control program reports and procedures for identifying and monitoring data collectors with a high number of In-Office Cost System readings.

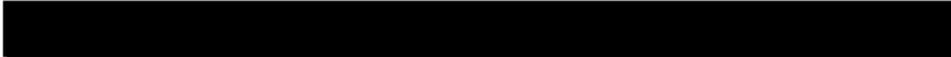
Recommendation 5:

Follow the quality control procedures Statistical Programs has established to handle the In-office Cost System readings that do not meet data integrity standards to prevent such data from inclusion in national aggregation.

Management's Response:

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to follow the quality control procedures established by Statistical Programs to prevent inaccurate data from inclusion in national aggregation.

The preliminary findings of this report were presented to the District Finance Managers and the Managers, Statistical Programs January 23, 2008 at a District Finance Manager's meeting. We will continue to communicate the importance of accurately testing and recording Statistical Programs data.



  
Mark S. Loop  
Area Manager, Finance

cc: Lynn Malcolm  
Ellis A. Burgoyne  
J. Ron Poland  
District Finance Managers, SWA  
Katherine S. Banks

PO Box 225459  
DALLAS, TX 75222-5459  
214-819-8950  
FAX: 214-905-9225

ANNETTE M GOETZ  
MANAGER FINANCE  
PACIFIC AREA



March 26, 2008

JOHN JOHNSON  
DIRECTOR AUDIT REPORTING/A  
USPS OFFICE OF INSPECTOR GENERAL  
1735 NORTH LYNN STREET  
ARLINGTON VA 22209-2020

SUBJECT: In-Office Cost System (IOCS) Telephone Readings  
(Report Number CRR-AR-08)

Pacific Area Finance agrees with the audit findings pertaining to IOCS telephone readings. The following addresses the two recommendations requiring our response:

Recommendation 4:

Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

Management Response:

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to use the expanded quality control program reports and procedures for identifying and monitoring data collectors with a high number of inaccurate In-Office Cost System readings.

Recommendation 5:

Follow the quality control procedures Statistical Programs has established to handle the In-Office Cost System readings that do not meet data integrity standards to prevent such data from inclusion in national aggregation.

Management Response:

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to follow the quality control procedures established by Statistical Programs to prevent inaccurate data from inclusion in national aggregation.

This response does not contain information that may be exempt from disclosure under the FOIA.

If you have any questions regarding this response please feel free to contact me at (858) 674-3150.

A handwritten signature in black ink that reads "Annette M. Goetz". Below the signature, the letters "Foe" are written in a smaller, less legible script.

Annette M. Goetz

11255 RANCHO CARMEL DR  
SAN DIEGO CA 92197-4300  
858-674-3150  
FAX: 858-674-3101  
www.usps.com

cc: Kathy Banks, Manager CARM  
Loren Machart, Area Accounting Manager  
District Managers Finance  
Managers Statistical Programs

FINANCE  
SOUTHEAST AREA



March 27, 2008

JOHNSON JOHN,  
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: In-office Cost System Telephone Readings (Report Number CRR-AR-08-DRAFT)

Southeast Area Finance agrees with the findings of the OIG self-initiated audit of In-Office Cost System (IOCS), as well as the importance of effective internal controls to ensure data integrity resulting from all testing conducted by filed and Statistical Programs personnel.

**Recommendation 4:**

Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

**Management Response:**

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to use the expanded quality control program reports and procedures for identifying and monitoring data collectors with a high number of In-Office Cost System readings upon development of the quality control process by Headquarters Statistical Programs Office. In the meantime, the SEA has developed a quality control process that is currently being utilized by the districts until the national program becomes available.

**Recommendation 5:**

Follow the quality control procedures Statistical Programs has established to handle the In-office Cost System readings that do not meet data integrity standards to prevent such data from inclusion in national aggregation.

**Management Response:**

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to follow the quality control procedures established by Statistical Programs to prevent inaccurate data from inclusion in national aggregation upon development of quality control process by Headquarters Statistical Programs Office.

This report and management response does not contain information that may be exempt from disclosure under FOIA.

Gwen Green  
Manager, Finance

cc: Kathy Banks, Manager, CARM  
Robin Stewart, Area Manager, Accounting  
District Managers, Finance  
Managers, Statistical Programs  
Terry J. Wilson, Vice President, Area Operations

225 N HUNPHREYS BLVD  
MEMPHIS TN 38166-0850  
901/747-7500  
FAX: 901/747-7491

GREAT LAKES AREA



March 26, 2008

JOHNSON JOHN,  
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: In-office Cost System Telephone Readings (Report Number CRR-AR-08-DRAFT)

Following are my responses to the two recommendations in the subject report that were addressed to Area Finance Managers.

Recommendation 4

Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

Response

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to use the expanded quality control program reports and procedures for identifying and monitoring data collectors with a high number of inaccurate In-Office Cost System readings.

Recommendation 5

Follow the quality control procedures Statistical Programs has established to handle the In-office Cost System readings that do not meet data integrity standards to prevent such data from inclusion in national aggregation.

Response

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to follow the quality control procedures established by Statistical Programs to prevent inaccurate data from inclusion in national aggregation.

A handwritten signature in black ink, appearing to read "R. W. McDowell".

Ronald W. McDowell  
Area Finance Manager

244 KNOLLWOOD DR. 4<sup>TH</sup> FLOOR  
BLOOMINGDALE IL 60117-2000  
630-639-4770  
FAX: 630-639-7117

MANAGER, FINANCE  
NEW YORK METRO AREA



March 27, 2008

JOHNSON JOHN  
ACTING DIRECTOR, AUDIT OPERATIONS  
OFFICE OF THE INSPECTOR GENERAL

**SUBJECT:** In-office Cost System Telephone Readings (Report Number CRR-AR-08-DRAFT)

New York Metro Area Finance agrees with the overall audit findings of the OIG self-initiated audit of In-Office Cost System (IOCS), as well as, the importance of effective internal controls to guarantee the integrity of the data gathered by the Statistical Programs staff during the IOCS tests. Management disagrees with the monetary impact statement regarding the identification of the incorrect leave status in TACS.

The report states that:

Finally, during our review, management corrected the leave balances for two employees who were on leave status but did not have leave processed in the timekeeping system. This represents about \$12,335.00 in funds that could have been put to better use.

However, it is management's position this impact was only discovered because the data collectors accurately recorded the IOCS data while the data within the TACS systems was in error.

Management agrees with recommendations 1 and 2, and partially agrees with recommendation 3. The HQ Manager, Statistical Programs is responsible for implementing the actions in the responses to these recommendations. The responses below contain HQs responses to recommendations 1, 2 & 3 and, as requested, the NY Metro Area's responses to recommendations 4 & 5. Management's response does not contain any information that may be exempt from disclosure under the Freedom of Information Act (FOIA).

**Recommendation 1:**

Expand existing quality control programs to assist area and district management with identifying and monitoring data collectors with a high number of inaccurate In-Office Cost System readings.

**Response**

Management agrees with this recommendation. Procedures and reports will be developed that will allow district and area management on a regular basis to identify and monitor data collectors with high numbers of inaccurate IOCS readings. Procedures will be developed on the use of the reports and appropriate actions to be taken. These procedures will be completed by the end of calendar year 2008.

142-02 20TH AVENUE  
FLUSHING, NY 11351-0400  
718-321-5730  
FAX: 718-463-8106

- 2 -

**Recommendation 2:**

Evaluate, enhance, and disseminate existing awareness programs to ensure field operations understand the importance of and provide support for In-Office Cost System data collection.

**Response**

Management agrees with this recommendation. Statistical Programs will enhance the existing awareness program by evaluating alternative communication channels, pursuing alternative channels, and disseminating materials as appropriate. This will require working with other departments and integrating our requirements with those departments' work plans. Additional awareness programs will be disseminated by the end of fiscal year 2009.

**Recommendation 3:**

Develop a process for verifying the accuracy of In-Office Cost System test data before it is approved and transmitted for inclusion in the national aggregation.

**Response**

Management agrees in principal with this recommendation. It is important that data be uploaded to headquarters quickly; therefore, any procedures for verifying data must not cause an inordinate delay. Statistical Programs will collaborate with the Area Finance Managers to develop policies and procedures by the end of calendar year 2008 to verify the accuracy of IOCS test data before approving and transmitting. In addition, the procedures for removing readings from the national aggregation after they have been transmitted will be enhanced.

**Recommendation 4:**

Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

**Response**

Management partially agrees with this recommendation. The District Finance Managers will direct the District Managers, Statistical Programs, to use the expanded quality control program reports and procedures for identifying and monitoring data collectors with a high number of In-Office Cost System readings. The Area finance staff will oversee compliance.

**Recommendation 5:**

Follow the quality control procedures Statistical Programs has established to handle the In-office Cost System readings that do not meet data integrity standards to prevent such data from inclusion in national aggregation.

- 3 -

**Response**

Management partially agrees with this recommendation. The District Finance Managers will direct the District Managers, Statistical Programs, to follow the quality control procedures established by Statistical Programs to prevent inaccurate data from inclusion in national aggregation. The area finance staff will oversee compliance.

If you have any questions regarding this response, please feel free to contact me at (718) 321-5734

  
Joseph Branco  
Manager, Finance

cc: Kathy Banks, Manager CARM  
Terence P. Hayes, Area Manager, Accounting  
Anthony G Incorvaia, Area Liaison – Statistical Programs  
District Managers, Finance  
Managers, Statistical Programs

NORTHEAST AREA OFFICE



March 28, 2008

JOHNSON JOHN  
ACTING DIRECTOR, OIG AUDIT OPERATIONS

SUBJECT: *Draft Audit Report - In-Office Cost System Telephone Readings*  
*(Report Number CRR-AR-08-DRAFT)*

We agree with recommendations 4 and 5. In response I will direct the District Finance Managers to:

4. Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.
5. Follow the quality control procedures Statistical Programs has established to handle the In-Office Cost System readings that do not meet data integrity standards to prevent such data from inclusion in national aggregation.

This directive will be issued to the District Finance Managers when HQ Statistical Programs has expanded the quality control program to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings; and develops a process for verifying the accuracy of In-Office Cost system test data before it is approved and transmitted for inclusion in the national aggregation.

A handwritten signature in cursive script that reads "Elizabeth A. Doell".

Elizabeth A. Doell

cc: Dan Pierce, NEA Manager, Accounting  
Katherine Banks, HQ Manager, Corporate Response and Audit

FINANCE  
EASTERN AREA OFFICE



March 27, 2008

MEMORANDUM FOR: JOHN JOHNSON  
A/DIRECTOR, AUDIT OPERATIONS  
OFFICE OF INSPECTOR GENERAL

SUBJECT: In-Office Cost System ((IOCS) Telephone Readings  
(Report Number CRR-AR-08)

The Eastern Area Finance concurs with the recommendations regarding In-Office Cost System (IOCS) readings, as well as, the importance of effective internal controls to ensure data integrity resulting from all testing conducted by field and Statistical Programs personnel.

This report and management's response does not contain information that may be exempt from disclosure under the FOIA. Our response is requested for the below two recommendations.

**Recommendation 4:**

Implement the expanded quality control program developed by Statistical Programs to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

**Management Response:**

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to use the expanded quality control program reports and procedures for identifying and monitoring data collectors with a high number of In-Office Cost System readings

**Recommendation 5:**

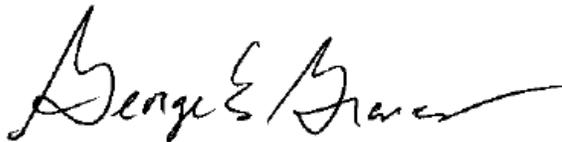
Follow the quality control procedures Statistical Programs has established to identify and monitor data collectors with a high number of inaccurate In-Office Cost System readings.

5315 CAMPBELLS RUN ROAD  
PITTSBURGH PA 15277-7040  
412-494-2538  
FAX: 412-494-2512

**Management Response:**

Management agrees with this recommendation. The Area Finance Manager will direct District Finance Managers to follow the quality control procedures established by Statistical Programs to prevent inaccurate data from inclusion in national aggregation.

If you have any questions regarding this response, please feel free to contact me at (412) 494-2535.

A handwritten signature in cursive script that reads "George E. Graves". The signature is written in black ink and is positioned above the printed name and title.

George E. Graves  
Manager, Finance  
Eastern Area