



April 14, 2009

DAVID E. WILLIAMS  
MANAGER, PROCESSING OPERATIONS

SUBJECT: Audit Report – Follow-up Audit of the Management Operating Data System  
(Report Number CRR-AR-09-004)

This report presents the results of our follow-up audit of the Management Operating Data System (MODS) (Project Number 08RG011CRR000). The objectives of this audit were to determine the root causes of anomalous MODS data<sup>1</sup> at U.S. Postal Service Processing and Distribution Centers/Facilities (P&DC/F) and whether changes implemented by the Postal Service in 2008 reduced occurrences of anomalous data. The Postal Accountability and Enhancement Act of 2006 requires the U.S. Postal Service Office of Inspector General (OIG) to audit the data collection systems and procedures the Postal Service uses in its ratemaking process. This is a self-initiated audit that addresses both operational and financial risks. See [Appendix A](#) for additional information about this audit.

## Conclusion

Management made operational changes that reduced the number of anomalies in MODS data. Headquarters personnel are currently working with area and facility managers to streamline MODS operation numbers and still communicate relevant mail processing information. However, about 18.5 percent of MODS data still contained anomalies. MODS data is used extensively in Postal Service costing and pricing activities, and the reliability of the anomalous MODS data affects the development of Postal Service costing and pricing estimates. Continued attention to reducing anomalous MODS data can improve data integrity, increase public confidence in Postal Service cost and price estimates, and preserve customer goodwill and the Postal Service brand. We will report protection of data integrity and preservation of goodwill and the Postal Service brand as non-monetary benefits in our *Semiannual Report to Congress*.

---

<sup>1</sup> A MODS anomaly is an apparent error in MODS data that is self-identifying or explicit. These anomalies include negative mail volume or workhours; zero volume but workhours recorded, or zero workhours but volume recorded; first handling piece (FHP) mail volume greater than total pieces handled (TPH) mail volume; and productivity ratios (volume to workhours) that are too high or low. We did not examine MODS anomalies related to productivity ratios.

The root causes of MODS anomalies were primarily misclocking and auto-credit<sup>2</sup> issues that could be mitigated with streamlined MODS operation numbers. Nationwide, the MODS anomalies for a 1-week period we examined constitute about 2.2 percent of mail volume and 4.7 percent of workhours reported for that week.

Annual MODS reviews were conducted by management at the nine P&DCs we examined. However, managers at the facilities were not using MODS exception reports to identify and correct MODS data anomalies. Using the MODS exception reports and developing additional MODS training materials and training sessions that emphasize the importance of clocking into the correct MODS operation would increase the accuracy of MODS data.

### **Operational Changes Have Nearly Eliminated Some MODS Anomalies, but Others Persist**

In fiscal year (FY) 2008, the Postal Service stopped weighing mail to obtain mail volume estimates. Instead, the Web End of Run (WebEOR)<sup>3</sup> software was modified to automatically calculate FHP<sup>4</sup> mail volume at automated mail processing facilities. This helped reduce negative mail volume anomalies by 99.7 percent and FHP volume greater than TPH<sup>5</sup> volume anomalies by 95.4 percent.

However, these changes have not materially reduced two other categories of MODS anomalies—zero volume but workhours recorded, and zero workhours but volume recorded. These anomalies were primarily caused by misclocking and auto-credit issues at MODS facilities. MODS exception reports can identify these two recurring MODS anomalies. These reports are a good tool to assist postal personnel in correcting recurring MODS anomalies. The MODS policies and procedures and auto-credit programs are currently being updated. Developing updated training materials and issuing guidance on MODS exception reports will further reduce anomalous MODS data. See [Appendix B](#) for our detailed analysis of this topic.

We recommend that the Manager, Processing Operations, direct the Manager, Operations Technical and System Integration Support, to:

1. Develop training materials and training sessions for supervisors and employees that emphasize the importance of clocking into the correct Management Operating Data System operation.

---

<sup>2</sup> Auto-credits are percentages of FHP mail volume that flow from WebEOR to MODS. For example, the mail volume from opening operations such as hand cancellations, metered mail, and meter bypass was originally obtained by weighing the mail. Now, these operations receive an auto-credit based on the percentage of mail in a distribution operation (one that receives mail from other operations) that came from various operations.

<sup>3</sup> WebEOR [REDACTED] stores EOR (piece count) data from mail processing equipment. An EOR file is created each time a sort run is processed. This data is then transmitted to MODS.

<sup>4</sup> FHP refers to a letter, flat, or parcel that is sorted at a P&DC for the first time.

<sup>5</sup> TPH is the sum of FHP plus subsequent handling piece, or total pieces fed into a mail processing machine, minus any rejected pieces.

2. Develop guidance and ensure Management Operating Data System users are trained in the use of exception reports as a tool to identify and correct recurring anomalies.

### Management's Comments

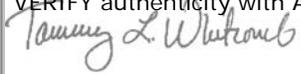
Management generally agreed with our finding and recommendations. Management indicated that MODS data has always been used at higher levels of operation aggregation in significant part to avoid costing inaccuracies due to operational issues such as clocking practices. They also noted that some instances of FHP being greater than TPH are valid, and agreed that reducing the number of MODS operations numbers will result in fewer clock ring errors, but operations numbers needed for volume recording will remain. Management's comments, in their entirety, are included in [Appendix D](#).

### Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and management's corrective actions should resolve the issues identified in the report. Based on management's comments, we amended our description of the relationship between MODS data and Postal Service costs.

Management did not agree or disagree with our non-monetary impacts. We will report protection of data integrity and preserving customer goodwill and the Postal Service brand as non-monetary impacts in our *Semiannual Report to Congress*.

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.

E-Signed by Tammy Whitcomb   
VERIFY authenticity with ApproveIt  


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

Attachments

cc: William P. Galligan  
Anthony M. Pajunas  
Linda Malone  
Katherine S. Banks

## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

The MODS, initially deployed in 1971, collects and reports data on mail volume, workhours, and machine utilization at major mail processing facilities.<sup>6</sup> MODS data is reviewed by field and headquarters managers to plan mail processing activities, project workhours and mail volumes, and evaluate facilities' efficiency. Standard three-digit MODS operation numbers are assigned to various Postal Service work activities; volume and workhour information is then recorded against the MODS operation numbers. More than 800 MODS operation numbers are used to categorize various activities.

MODS uses WebEOR software to collect mail volume (piece count) data from automated processing equipment. Prior to January 2008, FHP mail volume was calculated by weighing the mail and converting the weight into piece counts using conversion rates. In December 2007, weighing of mail was phased out, and WebEOR now calculates FHP mail volume. Nonautomated mail processing activities such as opening unit and manual operations receive FHP mail volume estimates from WebEOR.

Workhours for each MODS operation are collected through the Time and Attendance Collection System (TACS). When employees work at an operation, they enter a MODS operation number into an Employee Badge Reader (EBR). Their workhours are then recorded in that operation. Supervisors can also manually enter or adjust the employee clock rings. Postal Service policy<sup>7</sup> states that field offices are responsible for accurately recording volume and workhours in MODS in a timely manner.

In addition to its operational uses, MODS mail volume and workhour data are used extensively in Postal Service costing and pricing activities. The reliability of the MODS data directly affects the reliability of the Postal Service cost and price estimates.

In Postal Service costing, total costs taken from payroll records, along with workhour and mail volume data recorded in MODS operation numbers, are used in conjunction with other systems to apportion costs among the major operations. For example, MODS data is used to develop Postal Service Cost Segment 3 costs. Cost Segment 3 includes the salaries and benefits of clerks<sup>8</sup> and mail handlers at plants and large post offices. In FY 2008, the accrued costs for this segment totaled about \$18 billion.

---

<sup>6</sup> Major mail processing facilities include more than 460 P&DC/Fs, bulk mail centers, airport mail centers/facilities, and logistics and distribution centers.

<sup>7</sup> Handbook M-32, *Management Operating Data System*, Section I-7.3, April 2000.

<sup>8</sup> Clerks refers to Sales, Services, and Distribution Associates and other employees performing mail processing, window service, and administrative and support activities.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to determine the root causes of anomalous MODS data at P&DC/Fs and whether changes implemented by the Postal Service in 2008 reduced occurrences of anomalous data.

To identify MODS anomalies at all MODS P&DC/Fs nationwide, we retrieved data from the MODS and the Mail and Image Reporting System (MIRS) databases for the weeks of September 20 – 26, 2007, and September 20 – 26, 2008. We then compared the 2007 and 2008 MODS anomalies and calculated the changes in their numbers. We also used MIRS and MODS data for the period September 20 – 26, 2008, to identify what are, now, the most frequently occurring MODS anomalies. We assessed the reliability of MODS data in our prior audit. We performed comparative tests of MODS and MIRS data and concluded that we could use the data to support our objectives.

To determine the root causes of anomalous MODS data, we examined MODS anomalies at nine P&DC/Fs.<sup>9</sup> At each facility, we used MIRS to identify MODS anomalies for a 1-week period. We then worked with facility management to determine the root causes of the MODS anomalies and to determine the correct recording of the anomalous mail volume or workhours.

To determine whether the changes reduced MODS anomalies, we reviewed MODS data for a 1-week period at all MODS facilities, both before and after the changes were implemented. For this comparison, we examined four types of MODS anomalies:

- Negative mail volume.
- FHP greater than TPH.
- Zero volume but workhours recorded.
- Zero workhours but volume recorded.

We conducted this performance audit from February 2008 through April 2009<sup>10</sup> 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our

---

<sup>9</sup> Atlanta, GA, P&DC (Southeast Area); Fargo, ND, P&DF (Western Area); Frederick, MD, P&DF (Capital Metro Area); Mid-Island (Melville, NY) P&DC (New York Metro Area); North Bay (Petaluma, CA) P&DC (Pacific Area); Roanoke, VA, P&DC (Eastern Area); Springfield, IL, P&DC (Great Lakes Area); Stamford, CT, P&DC (Northeast Area); and Tulsa, OK, P&DC (Southwest Area).

<sup>10</sup> Due to resource constraints, the audit was suspended June – October 2008.

observations and conclusions with management officials on March 26, 2009, and included their comments where appropriate.

### **PRIOR AUDIT COVERAGE**

The OIG audit report, *Management Operating Data System* (Report Number MS-AR-07-003, dated August 21, 2007), reported that MODS internal controls were generally effective and MODS data was valid and reliable when used for the purpose for which it is intended – to assess overall plant efficiency. However, internal controls were not effective in ensuring that volume and workhour data recorded against MODS operation numbers was valid. We recommended certain system-wide internal control improvements:

- Updating outdated policies, procedures, and on-line training materials.
- Developing guidelines for correcting MODS volume and workhour errors.
- Performing MODS reviews annually.

Management agreed with our recommendations and developed initiatives to address the issues.

## APPENDIX B: DETAILED ANALYSIS

### Operational Changes Have Nearly Eliminated Some MODS Anomalies, but Others Persist

Management has taken steps to improve the accuracy of MODS data and reduce the number of MODS data anomalies. In January 2008, the Postal Service stopped weighing mail to estimate FHP mail volume. Weighing the mail was subject to human error, including incorrectly categorizing the mail, incorrectly entering the weight, or weighing the mail twice. Further, conversion rate factors used to calculate mail volume were found to be inaccurate.

To address these issues, WebEOR software was modified to automatically calculate FHP mail volume. These changes have eliminated most MODS anomalies related to negative mail volume and FHP volume greater than TPH volume. A 1-week comparison shows those two anomalies were reduced by more than 95 percent from the same period before the changes were implemented. However, MODS anomalies in two other categories, zero volume but workhours recorded and zero workhours but volume recorded, have not been materially reduced.

### Nationwide Analysis

For the week of September 20 – 26, 2008, there were 183,764 lines of MODS data, of which 34,048 lines (18.5 percent) were anomalous. The 34,048 MODS anomalies represented about 2.2 percent of mail volume<sup>11</sup> and about 4.7 percent of workhours reported<sup>12</sup> during that 1-week period. Table 1 summarizes the comparison of MODS anomalies.

**Table 1. Comparison of MODS Anomalies**

Type of Anomaly	Number of Anomalies		Percentage Change
	September 20 – 26, 2007	September 20 – 26, 2008	
Negative mail volume	975	3	-99.7
FHP greater than TPH	12,124	562	-95.4
Zero volume but workhours recorded	13,754	13,993	+1.7
Zero workhours but volume recorded	20,307	19,490	-4.0
<b>Totals</b>	<b>47,160</b>	<b>34,048</b>	

<sup>11</sup> Mail volume percentage is average FHP and TPH volume in anomalies (120,874,501 pieces) divided by average total FHP and TPH volume reported (5,553,051,465 pieces).

<sup>12</sup> Workhour percentage is total workhours in anomalies (273,998) divided by total workhours reported (5,910,613).

Nationwide, 11,859 of the 34,048 (35 percent) MODS anomalies occurred in 20 MODS operation numbers. For 13 of the 20 MODS operation numbers, more than 50 percent of the MODS data was anomalous. Although the anomalous data might have multiple causes, misclocking was identified as a possible cause in 17 of the 20 MODS operation numbers. Employees were not clocking into the correct MODS operation numbers, and supervisors were not moving employees to the correct MODS operation number when they gave a new assignment. For 14 of the 20 operation numbers, auto-credit issues were identified as a possible cause. In five of the MODS operation numbers, the employees were working in hand cancellations or other cancellations and rotating between nine MODS operation numbers. For three of the MODS operation numbers, the employees were not assigned a base operation number in TACS. In those instances, TACS automatically assigned MODS operation numbers based on labor distribution codes (LDCs) and recorded the employee workhours under that operation number. [Appendix C](#) lists the MODS operation numbers and possible causes for the anomalous data.

**MODS Anomalies at Nine Facilities**

At the nine facilities we examined, misclocking, auto-credits, and miscellaneous errors accounted for about 63 percent, 31 percent, and 6 percent, respectively, of the MODS anomalies, as shown in Table 2.

**Table 2. MODS Anomalies at P&DCs**

Facility	Total Lines of MODS Data	Anomalies							
		Total	%	Mis-clocking	% of Total	Auto-credit	% of Total	Other	% of Total
[REDACTED]	813	94	12	56	60	34	36	4	4
[REDACTED]	717	152	21	74	49	69	45	9	6
[REDACTED]	411	79	19	56	71	9	11	14	18
[REDACTED]	832	101	12	36	36	43	42	6	6
[REDACTED]	618	133	22	103	77	30	23	0	0
[REDACTED]	733	129	18	71	55	48	37	10	8
[REDACTED]	655	89	14	52	58	37	42	0	0
[REDACTED]	637	131	21	84	64	46	35	1	1
[REDACTED]	875	154	18	139	90	15	10	0	0
<b>Totals</b>	<b>6,291</b>	<b>1,062</b>	<b>17</b>	<b>671</b>	<b>63</b>	<b>331</b>	<b>31</b>	<b>44</b>	<b>6</b>

## Misclocking Errors

Misclocking occurs when an employee is incorrectly clocked into one MODS operation, but the volume is recorded in another MODS operation. Employees are assigned a base operation on their time badges corresponding to the operation they are most likely to perform when beginning their tour. When employees swipe their badges on an EBR, they are automatically clocked into their base operation. If they are not working in their base operation, the employees must enter the three-digit MODS operation number into the EBR to clock into their correct operation. Periodic verification of base operation code assignments by facility managers could help correct the anomalies.

Misclocking can also occur if employees do not record moves to another MODS operation. At the nine facilities we examined, seven to 42 EBRs were located at each facility. Supervisors are responsible for monitoring employee moves to operations and ensuring that the correct operation codes are entered.<sup>13</sup> At four of the nine facilities, the mail volume in some MODS operations was minimal. We were informed that some supervisors did not always want employees to record moves from one MODS operation to another if the MODS operations were of short duration, and that walking to and from the nearest EBR would take more time than performing the operation.

The current MODS training materials were issued in 2000, so they may not reflect the current operational environment and MODS updates. The Postal Service expects to issue an updated Handbook M-32 in FY 2009. Updating training materials and conducting training sessions for supervisors and employees that emphasize the importance of clocking into the correct MODS operation could reduce the number of MODS data anomalies.

## Auto-Credit Anomalies

WebEOR auto-credits caused about 31 percent of the anomalies. The anomalies occurred when WebEOR auto-credited mail volume back to certain operations, but the MODS facility did not work those operations on those days. For example, according to historical data, three opening operations – MODS operation numbers 021, 110, and 180 – might send mail to MODS operation 281. The three MODS operations would receive an auto-credit of workhours based on the percentage of FHP volume in MODS operation 281. Since no corresponding workhours for the FHP mail volume are allocated to these activities, the supervisor should provide headquarters with corrected data.

The allocation of mail volume to manual activities is determined by surveys that are conducted annually at each facility. The facilities send these surveys to headquarters, where the percentages are calculated and entered into mail flow programs. Ensuring

---

<sup>13</sup> Supervisors can retroactively make adjustments in TACS to reflect the proper operation code.

that mail flow programs are current and complete can reduce the number of MODS anomalies caused by auto-credits.

### Miscellaneous Errors

Other causes accounted for about 6 percent of the anomalies. Most of these anomalies occurred in operations where there was no measurement of volume. For example, in operation 208 (Scan Where You Band [SWYB]), facility managers stated there was no productivity goal or requirement to record mail volume. Current procedures do not detail the data requirements for MODS operation numbers. However, new policies and procedures to be issued in FY 2009 will detail the data requirements for each MODS operation number. This along with developing updated training materials should help facilities determine which operation numbers have volume measurements. Other causes of anomalies were delays in transmitting data — for example, delays in recording WebEOR auto-credits in MODS.

### Management Actions

Management is reviewing the utility of more than 800 MODS operation numbers, many of which capture similar mail processing activities. For example, MODS operation numbers 050, 051, 052, 053, 054 and 055 capture manual priority distribution mail processing activities. An employee may be clocked into operation 053 (Manual Priority Flats Distribution – Primary Incoming), but may be working in operation 055 (Manual Priority Distribution, Mixed Shapes – Primary Incoming). Managers at MODS facilities informed us that MODS operation numbers should be consolidated.

During our audit, the Postal Service created a MODS simplification project to produce a streamlined listing of MODS operation numbers that still communicated relevant mail processing information. Their effort will focus on functions 1 and 4.<sup>14</sup> Management believes that streamlining MODS operation numbers will improve mail processing by:

- Reducing employee moves on the clock.
- Reducing the time spent by supervisors in correcting erroneous clock rings.
- Reporting more accurate volume and workhour data.

The streamlined MODS operation numbers could reduce MODS anomalies and improve the accuracy of MODS volume and workhour reporting. The Postal Service is also adjusting the WebEOR auto-credits. This could also help reduce the number of MODS anomalies related to auto-credits. Therefore, we are not making recommendations on these issues.

---

<sup>14</sup> Function 1 is a group of mail processing operations. Function 4 is a group of customer service operations that handles mail.

The Postal Service has also developed MODS exception reports in MIRS. Currently, the exception reports detail zero workhours but volume recorded, and zero volume but workhours recorded MODS anomalies. We used the MODS exception reports to identify frequently occurring MODS anomalies at facilities. Managers at the facilities were not familiar with the MODS exception reports, but used the reports we provided to identify and correct recurring MODS data anomalies. Developing guidance and ensuring MODS users are trained in the use of MODS exception reports to identify and correct recurring MODS data anomalies would help reduce the number of MODS anomalies.

**APPENDIX C: TOP 20 MODS OPERATION NUMBERS WITH ANOMALIES**

<b>MODS Operation Number</b>	<b>LDC</b>	<b>Description</b>	<b>Number of MODS Anomalies</b>	<b>Lines of MODS Data</b>	<b>Percent</b>	<b>Reason Code</b>
212	17	Platform – Outbound	903	1,119	80.7	5, 6
002	17	Presort First-Class Mail®	871	945	92.2	1, 6
066	17	Advanced Facer Cancellor System (AFCS) Video Facing Mode	794	1,078	73.7	4, 5
067	17	AFCS Cancelled Mode	786	1,003	78.4	4, 5
110	17	Opening Unit – Outgoing Preferential Mail	753	1,648	45.7	5, 6, 7
169	14	Manual Letter Box Section, Main Office – Secondary	627	1,100	57.0	3, 6
896	11	Delivery Bar Code Sorter or Delivery Input/Output Subsystem, Bar Code Sorter Mode, Secondary – Incoming	612	1,726	35.5	5
014	17	Flyer	610	1,064	57.3	4, 5
208	17	SWYB	574	906	63.4	5, 6
016	17	Flat Cancellor	556	1,038	53.6	4, 5
112	17	Manual Tray Separation, Preferential	540	1,026	52.6	5, 6, 7
010	17	Hand Cancellations – Letters	516	1,635	31.6	4, 5
846	11	Multiline Optical Character Reader Chunky Mode, Secondary – Incoming	512	567	90.3	2, 6
185	17	Opening Unit, Standard – Incoming	509	1,605	31.7	5, 6
040	14	Manual Letter, Secondary Distribution – Outgoing	477	1,498	31.8	5, 6
060	14	Manual Flat, Primary Distribution – Outgoing	463	1,523	30.4	5, 6
178	14	Manual Flat Box Section, Main Office – Primary	447	914	48.9	5, 6
209	17	Automatic Airline Assignment	440	530	83.0	5, 6
181	17	Opening Unit, Preferential – Incoming	435	820	53.0	5, 6
070	14	Manual Flat, Secondary Distribution – Outgoing	434	710	61.1	5, 6
		<b>Totals</b>	<b>11,859</b>	<b>22,455</b>	<b>52.8</b>	
<b>Reason Codes for Possible Causes of Anomalies</b>						
1	TACS Default Operation Number. LDC 17 employee not assigned a base operation number in TACS database. TACS automatically assigned operation 002.					
2	TACS Default Operation Number. LDC 11 employee not assigned a base operation number in TACS database. TACS automatically assigned operation 846.					
3	TACS Default Operation Number. LDC 14 employee not assigned a base operation number in TACS database. TACS automatically assigned operation 169.					
4	Employee working other cancellation equipment or hand cancellations. Employee rotated among operations 010, 011, 012, 013, 014, 015, 016, 066, and 067.					
5	Misclocking — If volume and no workhours, employee had not moved to the new activity.					
6	If workhours and no volume, no auto-credit from WebEOR to MODS established for volume or no manual input of workload if applicable.					
7	If volume and no workhours, auto-credit from WebEOR to MODS had not been updated to eliminate volume auto-credited.					

## APPENDIX D: MANAGEMENT'S COMMENTS

PROCESSING OPERATIONS



April 9, 2009

Lucine M. Willis  
Director, Audit Operations  
1735 North Lynn St.  
Arlington, VA 22209-2020

SUBJECT: Management Operating Data System (Report Number CRR-AR-09 Draft)

Thank you for the opportunity to review and comment on the Management Operating Data System (MODS) draft audit report. Overall management agrees with the findings contained in this report. Management has taken action to improve the integrity of the MODS system. This action included eliminating the weighing of mail to derive First Handling Piece (FHP) and some Total Piece Handling (TPH) counts, the creation of MODS exception reports, and the certification that MODS audits are completed annually. Management is currently working on streamlining the use of MODS operation numbers and activating a new web tool that will track the completion and status of MODS audits.

Below are management's responses to specific findings that were not incorporated in the recommendations.

**USPS response to usage of MODS data:** The Postal Service agrees in general that the reliability of MODS data is important for the reliability of the Postal Service's cost estimates. However, the audit's characterization of the relationship between MODS data and Postal Service costs is not fully consistent with current costing methods. In particular, the Cost and Revenue Analysis (CRA) under the Postal Accountability and Enhancement Act (PAEA) uses Postal Regulatory Commission (PRC) methodologies that do not rely on MODS volume data to develop costs at the CRA product level. Specifically, the PRC does not employ any analysis of MODS hours and volumes in determining the degree(s) of volume-variability for mail processing cost pools. The Postal Service welcomes the finding that changes to MODS methods have reduced the frequency of various data anomalies.

475 L'ENFANT PLAZA SW ROOM 7631  
WASHINGTON DC 20260-2804  
202-268-4305  
FAX: 202-268-5388

WWW.USPS.COM

- 2 -

MODS data has been and continue to be used in the PRC-approved mail processing cost model to partition costs into cost pools, as the audit report indicates. The Postal Service notes that this data has always been used at higher levels of operation aggregation in significant part to avoid costing inaccuracies due to operational issues such as clocking practices. For example, the cost pools corresponding to sorting operations aggregate 3-digit operations over schemes so that the workhour totals used in the cost partitioning process are accurate even if employees do not always re-clock for scheme changes. In this regard, costing methods have sought to reflect needed operational detail without requiring strict enforcement of clocking practices that would increase non-productive work time.

MODS volumes are used to develop productivity data for use in measuring cost avoidances for workshared mail. Insofar as productivities incorporate scheme detail in MODS, they are in theory more sensitive to alignment of volumes and workhours. Accepted productivity methods recognize the need to eliminate anomalous observations, and the Postal Service has studied alternative calculations (e.g. robust statistics such as median productivities) to further reduce the potential for anomalous observations to inappropriately affect measured costs. Since those measures still often involve at least some degree of aggregation over operations and considerable aggregation over time, the effects of certain types of errors such as auto-credit anomalies should be mitigated in practice.

In addition, auto-credit anomalies should not affect productivities for automated operations where volumes are transmitted to WebEOR from the equipment rather than inferred.

**USPS response to negative mail volume:** Reduction in negative volumes is the result of eliminating weighing mail and correcting business rules in WebMODS. Observed negative mail volumes are the result of manual adjustments or adjustment transactions from WebEOR. Management is currently investigating and reviewing rules throughout the WebMODS application to find and correct calculations.

**USPS response to FHP greater than TPH:** Reduction in the occurrence of FHP mail volume higher than TPH dramatically decreased by eliminating weighing mail. However, there are still instances where it is permissible for FHP to be greater than TPH. For September 20 – September 26, 2008 of the nine sites audited, one site (Roanoke Processing and Distribution Facility) had seven anomalies where FHP was registered, but TPH was zero, an obvious error. The other 139 instances of FHP greater than TPH for this week are valid. These instances are manual inputs for operation 138 (Outgoing Priority Mail) on a Small Parcel and Bundle Sorter where our rules directed that Total Pieces Fed (TPF) be entered as FHP. Since TPH is calculated as TPF minus rejects, FHP by definition would be greater.

**USPS response to zero volume but work hours recorded:** Management agrees that misclocking is the greatest reason for this anomaly and the streamlining of operation numbers coupled with additional training will increase data integrity.

- 3 -

**USPS response to zero workhours but volume recorded:** Management agrees that misclocking and autocredit are the reasons for the anomalies and steps will be taken to improve this situation through training tools.

Management is currently reducing the number of MODS operation numbers that employees will need to clock onto resulting in less clock ring errors. However, operation numbers for volume recording will remain. For instance, instead of having six operation numbers for outgoing operations on a DBCS machine, we will have one operation for workhours, but preserve the six operation numbers for volume recording. This change will greatly reduce clock ring errors and will, by design, increase the instances where we will have volume with no workhours because the workhours will be rolled up to an aggregate level.

There were no monetary findings found during this audit.

**Recommendation 1:**

Develop training materials and training sessions for supervisors and employees that emphasize the importance of clocking into the correct Management Operating Data System operation.

**Response:**

Management agrees with this recommendation. Training materials and training sessions for supervisors and employees that emphasize the importance of clocking into the correct MODS operation will be completed by July 2009.

**Recommendation 2:**

Develop guidance and ensure Management Operating Data System users are trained in the use of exception reports as a tool to identify and correct recurring anomalies.

**Response:**

Management agrees with this recommendation. Training on the use of MIRS exception reports for appropriate field employees will be completed by June 2009.

This report contains no Freedom of Information Act (FOIA) exceptions and can be published on the Office of the Inspector General's website in its entirety.



David E. Williams  
Manager, Processing Operations

cc: Mr. Galligan  
Mr. Pajunas  
Ms. Malone  
Ms. Banks