



June 26, 2009

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ACTING VICE PRESIDENT, DELIVERY AND POST OFFICE OPERATIONS  
VICE PRESIDENT AREA OPERATIONS

DISTRICT MANAGERS

SUBJECT: Audit Report – Postal Service 2009 National Rural Mail Count – Nationwide Review (Report Number DR-AR-09-006)

This report presents the results of our nationwide audit of the U.S. Postal Service 2009 National Rural Mail Count (Project Number 09XG014DR000). The overall objective was to determine whether the Postal Service followed the National Rural Mail Count procedures and processes. This audit was conducted based on a request from the Postal Service.<sup>1</sup> See [Appendix A](#) for additional information about this audit.

## Conclusion

The Postal Service generally followed the National Rural Mail Count procedures and processes during the 2009 mail count, which resulted in an average standard hourly reduction of approximately 4 percent nationwide. Our observations confirmed all classes of mail were counted and results documented.

However, the Postal Service could further improve the National Rural Mail Count by counting all routes and properly classifying Digital Video Disc (DVD) mailpieces. See [Appendix B](#) for details.

## **2009 National Rural Mail Count**

Postal Service generally followed the National Rural Mail Count procedures and processes at the site locations visited. Specifically, we found Postal Service:

- Completed the majority of Option-In Election Forms<sup>2</sup> with management signatures.

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<sup>1</sup> On January 6, 2009, the Postmaster General requested the U.S. Postal Service Office of Inspector General (OIG) to conduct an audit of the Postal Service 2009 National Rural Mail Count. Officials were concerned as to whether established procedures were being followed. Because of the unprecedented and continuing decline in mail volume, the Postal Service decided that all rural routes would be counted for 2009.

<sup>2</sup> The Option-In Election Form document was used by the Postal Service during the 2009 National Rural Mail Count as the official notification to rural carriers that their routes would be counted.

- Explained the mail count procedures and processes to the rural carriers in the form of a Pre-count Conference, in conjunction with the regular service and or safety talks.
- Assigned mail count staff resources that counted all classes of mail.
- Documented the results on Postal Service (PS) Form 4239, Rural Route Count of Mail, for the rural carrier's review.

Although management generally followed the procedures and processes, 183 rural routes were not counted and Netflix DVDs were not always properly classified due to inadequate management oversight and information communicated incorrectly regarding the type of mailpiece. As a result of not counting these routes and based on historical cost data, the Postal Service will incur unrecoverable unsupported questioned costs of approximately \$598,593, including \$263,381 for the remainder of fiscal year (FY) 2009 and \$335,212 for FY 2010.

We will report this monetary impact of \$598,593 in our *Semiannual Report to Congress*; see [Appendix D](#), and Table 2. Further, incorrect classification of Netflix DVDs that occurred on some routes could potentially allow rural carriers to obtain more compensation for these mailpieces. Management immediately took action to resolve these issues and provided official comments based on the exit conference meeting and discussion draft report. Therefore, we are making no recommendations. See [Appendix B](#) for our detailed analysis.

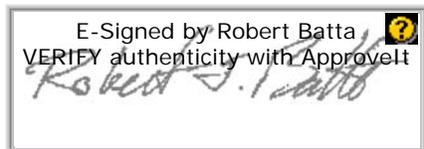
### **Management's Comments**

Management agreed with the findings and monetary impact. Management stated the Postal Service recognizes the need to further improve the National Rural Mail Count process by increasing communication on required documentation completion and improving count procedures. Management agreed the next National Rural Mail Count Process will include a review of online training documentation and highlight problems such as the Netflix DVD issue. Management plans to work with Labor Relations to revise their Option-In process. They also agreed with the monetary impact. See [Appendix E](#) for management's comments, in their entirety.

### **Evaluation of Management's Comments**

The U.S. Postal Service OIG considers management's comments responsive and corrective actions should resolve the issues identified in the report.

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



Robert J. Batta  
Deputy Assistant Inspector General  
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Attachments

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## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

Rural letter carriers perform a vital function in the Postal Service serving thousands of families and businesses in rural and suburban areas while traveling millions of miles daily in accordance with the national labor agreement.<sup>3</sup> The 2009 national mail count period was conducted for 24 working days, from February 14 through March 14, 2009, nationwide, to provide a basis for individual route evaluations and rural carriers compensation. Rural letter carriers are compensated for their routes based on workload evaluations.<sup>4</sup> During the mail count, officials identify the number and type of pieces of mail delivered, collected, or handled on rural routes. Because of the unprecedented and continuing decline in mail volume,<sup>5</sup> Postal Service officials decided that all rural routes would be counted in the 2009 National Rural Mail Count. As illustrated in [Appendix C](#), Table 1, the Postal Service had 76,540 rural routes nationwide as of January 2009. The routes are located in 15,991 Postal Service post offices, stations, and branches.

Months before the 2009 National Rural Mail Count, in July 2008, the Vice President, Delivery, made revisions to the Handbook PO-603, *Rural Carrier Duties and Responsibilities*. The revision included requirements for Postmasters to hold joint conferences with supervisors and rural carriers to discuss mail count procedures at least 15 days before the start of the mail count. Also, several weeks before the official mail count started, the Vice President of Delivery Operations, issued a Memorandum on December 4, 2008, directing district management to:

- Complete the Option-In Election Forms with a signature and a round date postmark, no later than January 23, 2009.
- Provide a copy of the form to the rural carriers notifying them that their routes would be counted.

Further, the Postmaster or designee is required to complete daily PS Form 4239, for each route, and use this form to record each day's mail count for each route and exercise caution to ensure all entries on the form are correct.<sup>6</sup> The form was designed to function as a combination worksheet and mail count record, providing evaluation

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<sup>3</sup> Article 9.2.C.3.a (2) of the 2006-2010 National Agreement between the Postal Service and the National Rural Letter Carrier's Association.

<sup>4</sup> Rural Routes are classified as follows: H Routes - carrier works 6 days a week; J Routes - carrier has a relief day every other week; K Routes - carrier has a relief day every week; Auxiliary Routes - carriers works 6 days a week, normally evaluated at less than 39 hours per week; Mileage Routes - carrier salary is based on the length of the route as determined by the official measurement; and High Density L Routes – carrier has a density of 12 boxes or more per mile, as verified by a mail count.

<sup>5</sup> Postal Headquarter officials stated that they are expecting between 6.78 and 10.10-percent decline in mail volume for FY 2009.

<sup>6</sup> During the official count period, all classes of mail handled by each rural carrier must be counted daily before the mail is cased.

information on mail volume and time data to authorize rural letter carrier's compensation.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective was to determine whether the Postal Service followed the National Rural Mail Count procedures and processes during the period February 14 to March 14, 2009.

To accomplish our objective, we:

- Reviewed applicable documentation, policies, and procedures.
- Attended established Postal Service Rural Mail Count training in the Atlanta, Dallas, and Capital Districts during January and February 2009.
- Judgmentally selected 19 postal district locations, 168 unit locations, and observed 905 rural routes. See [Appendix C](#).
- Reviewed a judgmental sample of completed PS Forms 4239 for the 905 rural routes to verify accuracy of the final mail count results entered into the Rural Route Management Count (RRMC) system.

We conducted this review from February through June 2009 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on June 1, 2009, and included their comments where appropriate. We relied on data obtained from Postal Service database systems. We did not directly audit the systems but performed a limited data integrity review to support our data reliance.

## **PRIOR AUDIT COVERAGE**

The OIG has issued one report related to our objective.

*Delivery and Retail Standard Operating Procedures National Capping*, DR-MA-07-003, February 22, 2007. The 2007 report summarized a series of area reports identifying opportunities to improve implementation of the Postal Service's Delivery and Retail Standard Operating Procedures. We did not make recommendations in this report that required management's comments.

## APPENDIX B: DETAILED ANALYSIS

### 2009 National Rural Mail Count

Postal Service officials generally followed the rural mail count procedures and processes at the site locations visited. Management is required to complete the Option-In Election Forms for all regular rural routes and notify the rural carriers of the mail count. They are also required to conduct joint conferences with supervisors and rural carriers to discuss mail count procedures at least 15 days before the start of the mail count and record each day's mail count for each route.

Specifically, we found:

- Area and district officials completed the majority of Option-In Rural Route Count forms with management signatures by the required date.
- Postal Service Headquarters officials conducted pre-planning and interim meetings with area officials via conference calls on implementation of established policies and procedures, and utilization of the newly designed RRMC system.
- Area and district officials explained the mail count election procedures to the rural carriers in the form of a Pre-count Conference in conjunction with the regular service and or safety talks. Our review at the selected locations indicated that officials did discuss the 2009 National Rural Mail Count procedure at least 15 days before the start of the mail count.
- Area and district officials assigned mail count staff resources to count all classes of mail. Our observations at the 168 selected unit locations indicated that assigned mail counters received training on mail count procedures. In addition, during the morning mail counts, mail counters' areas were properly staged<sup>7</sup> and all classes of mail were pulled from the casing areas for count before being cased.
- Further, the assigned mail counters documented the counted results correctly on the preprinted PS Form 4239, for the rural carrier's review.

### Completion of Mail Counts

Although management generally followed the procedures and processes, 183 rural routes were not counted in 14 district locations.<sup>8</sup> This occurred because some district

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<sup>7</sup> Assigned mail counters had their areas staged with the required PS Forms 4239, measuring rulers, and stop watches.

<sup>8</sup> According to Postal Service Headquarters, there were 159 routes that were either consolidated before the count or not classified as delivery routes and were not included in the rural mail count. Additionally, there were 183 routes not counted due to documentation issues. The 183 routes represent less than 1 percent of the universe of 76,540 rural routes.

officials did not properly complete the Option-In election forms with a signature and a round date postmark, by January 23, 2009, with a copy provided to the rural carrier. District officials stated that the form completion errors and delays in timely submission of forms to the rural carriers occurred because of inadequate management oversight and misunderstandings that form copies had to be presented to the rural carriers.

During the audit, we informed Postal Service Headquarters and area officials of our finding, and monetary impact in the 14 district locations that did not complete mail counts. OIG discussed with management the need to prioritize the tasks associated with any future national rural mail counts in their delivery units and develop an oversight action plan to include effective communication that will ensure proper completion of the required forms to mitigate future occurrences of not counting all routes. We estimate that the Postal Service will incur unrecoverable unsupported questioned costs of \$598,593, approximately \$263,381 for the remainder of FY 2009 and \$335,212 for FY 2010 for not counting the 183 routes in FY 2009. See [Appendix D](#), Table 2.

Postal Service Headquarters officials agreed with our findings and monetary impact in May 2009. Management stated their current memorandum of understanding with rural letter carrier union officials included formation of a Mail Count Task Force to assist in selecting fair and accurate national mail count periods. Officials further stated that the team's review will consider mail count streamlining options to further facilitate effective communication during future national mail counts. In addition, area officials for the 14 district locations took immediate corrective action during the audit; to include disciplinary actions and re-emphasizing tasks associated with national rural mail counts. Official's corrective actions implemented during the audit should resolve the issues identified; therefore, we are making no recommendations regarding these issues.

#### [Mail Count of Netflix Digital Video Discs](#)

Postal Service Headquarters officials conducted preplanning meetings and training on the rural mail count procedures; however, at our selected site observations, we identified some mail counters inconsistently recording Netflix DVDs as either flats or parcels instead of letters. This occurred because several district officials incorrectly communicated instructions due to their misunderstanding of the mail count guidelines for counting Netflix DVDs. Incorrect classification of mail could potentially allow rural carriers on some routes to obtain more compensation for mailpieces than warranted.

During the audit, we informed Postal Service Headquarters officials of our finding and discussed the need for immediate notification via discussion and or e-mail correspondence re-emphasizing the established mail count procedures. Postal Service Headquarters officials agreed with our finding and took immediate corrective action. Headquarters officials sent a nationwide notification to management in rural postal units to ensure that counters classify Netflix DVDs as letters for the remainder of the mail count. The corrective actions implemented during the audit should resolve the issues identified, therefore, we are making no recommendations regarding this issue.

**APPENDIX C: NATIONWIDE RURAL ROUTE SUMMARY AND  
 OBSERVATION SITE SELECTIONS**

**Table 1. Nationwide Rural Route Summary for Fiscal Year 2009 and OIG Observation Site Selections**

Area	Total Routes	Total Number of Units with 5 or Less Routes	Total Number of Units with 6 or More Routes	Total Units	Number of Districts Judgmentally Selected	Units with 6 or More Rural Routes Judgmentally Selected	Total Routes for Selected Districts	Number of Routes Available for OIG Observation	Number of Routes Observed by OIG
SE	14,675	1,382	476	2,105	5	40	10,781	877	252
WE	13,259	3,064	523	3,587	3	28	4,410	656	156
GL	10,100	1,951	490	2,441	2	16	3,167	300	73
EA	9,917	1,809	225	2,332	1	8	1,666	120	41
SW	9,704	1,440	87	1,885	3	28	4,562	693	104
CM	9,065	857	153	1,333	2	20	4,025	354	124
NE	5,421	1,357	723	1,582	1	8	1,113	109	51
PA	3,010	279	523	432	1	8	1,188	110	55
NY	1,389	207	445	294	1	12	505	226	49
<b>Grand Total</b>	<b>76,540</b>	<b>12,346</b>	<b>3,645</b>	<b>15,991</b>	<b>19</b>	<b>168</b>	<b>31,417</b>	<b>3,445</b>	<b>905</b>

Source: Postal Service Headquarter Officials

- Judgmentally selected 19 Postal Service district locations based on our analysis of the largest number of rural routes as of FY 2008, which included 31,417 rural routes.
- Within the 19 district locations, we judgmentally selected 168 unit locations based on analysis of Postal Service units with six or more rural routes, geographic locations, available resources, utilization of contractors and prior FY 2008 mail count failures. For the unit locations with less than five rural routes, we analyzed the rural route data from the FY 2006 and FY 2008 national mail counts to determine whether there were significant increases in rural workhours in relation to the mail volume count results. Overall, our review of this information noted no significant increases.
- We made site visits to the 168 unit locations and observed the morning physical mail count for 905 rural routes to determine whether the mail count procedures and processes were being followed.<sup>9</sup>

<sup>9</sup> The majority of the rural mail is counted during the morning before it is cased by the rural carriers.

**APPENDIX D: CALCULATION OF  
 UNRECOVERABLE UNSUPPORTED QUESTIONED COST<sup>10</sup>**

The OIG identified \$598,593 in unrecoverable questioned costs for the 183 rural routes not counted in 14 District locations during the 2009 National Rural Mail Count. Our calculations were based on the following methodology and assumptions.

For the 2009 National Rural Mail Count, Postal Service Headquarters officials stated that 183 routes were not counted during the FY 2009 count, less than 1 percent of the total universe of 76,540 routes. Based on the historical cost<sup>11</sup> information, we multiplied \$3,271 by the 183 routes in the 14 district locations. As a result, the Postal Service will incur unrecoverable unsupported questioned cost of approximately \$598,593 as indicated in Table 2, including \$263,381 for the remainder of FY 2009 and \$335,212 for FY 2010.

**Table 2. Summary of Audit Results - Administrative Procedures- Option-In Election Form Failures**

Area	District	Total Routes Not Counted Due to Option In Failures	Total Unrecoverable Unsupported Questioned Costs	Carrier Not Presented an Option In Form	Carrier Not Presented a Completed Option In Form	Carrier Not Presented the Option In Form Timely	Carrier Not Provided a Copy of the Completed Option In Form
Capital Metro	Greater South Carolina	29	\$ 94,859	✓		✓	
	Mid Carolinas	3	\$ 9,813	✓			
Great Lakes	Central Illinois	9	\$ 29,439				✓
	Greater Indiana	34	\$ 111,214		✓		✓
	Northern Illinois	40	\$ 130,840	✓			✓
	SE Michigan	28	\$ 91,588	✓			
New York Metro	Central NJ	5	\$ 16,355	✓			✓
Northeast	Connecticut	2	\$ 6,542	✓			
	Maine	1	\$ 3,271	✓			
	Massachusetts	9	\$ 29,439	✓			
	Western New York	2	\$ 6,542	✓			
Pacific	Sacramento	6	\$ 19,626				✓
	San Francisco	4	\$ 13,084	✓			✓
Western	Northland	11	\$ 35,981	✓	✓		✓
<b>Nationwide Total</b>		<b>183</b>	<b>\$ 598,593</b>				

Source: Postal Service Headquarters Officials

<sup>10</sup> Additional details on our methodology and assumptions can be made available upon request.

<sup>11</sup> For the 2008 National Rural Mail Count, 1,070 routes were not counted, resulting in an estimated cost to the Postal Service of \$3.5 million, approximately \$3,271 per route.

## APPENDIX E: MANAGEMENT'S COMMENTS

LINDA J. WELCH  
ACTING VICE PRESIDENT, DELIVERY AND POST OFFICE OPERATIONS



June 9, 2009

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

SUBJECT: Audit Report – Postal Service 2009 National Rural Mail Count – Nationwide  
Review - Project Number 09XGO14DR000

Dear Ms. Willis:

This letter is in response to the audit report titled Postal Service 2009 National Rural Mail Count (Project Number 09XG014DR000). The following comments are offered based on the final report provided.

The Postal Service concurs with your conclusion that field managers generally followed the National Rural Mail Count procedures and processes during the 2009 mail count. We further agree that inadequate management oversight in approximately 33 rural offices will create unrecoverable costs of approximately \$598,593. The costs associated with the reported failure to count 183 routes will be broken into two reporting fiscal years with \$263,381 identified for the remainder of fiscal year 2009 and \$335,212 for fiscal year 2010.

The Postal Service recognizes a need to further improve the National Rural Mail Count process by increasing communication on required document completion, count procedures, and enhance the administrative process to track personnel resources used during National Rural Mail Counts.

Our efforts to improve the next national rural mail count process will include the following actions by the Headquarters Rural Delivery staff:

- Review the on-line training document used for mail count training and highlight problem areas noted, i.e. counting of NetFlix DVDs, which will minimize misclassification of mail pieces.
- Work with Labor Relations to revise the Option-In process in an effort to minimize paperwork and remove impediments that cause count option failures.

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The rural delivery staff would like to acknowledge the cooperation and courtesies provided by the OIG staff during the audit. Effective communications allowed deficiencies to be quickly identified during the audit with corrective action disseminated almost immediately by the Postal Service. This timely response allowed us to minimize problems associated with the count process and improve the effectiveness and consistency of the mail count.

If you have any questions and need additional information related to these audit findings, please contact Jim Boldt, Manager, Rural Delivery at 202-268-6799.



Linda J. Welch  
Acting Vice President  
Delivery and Post Office Operations

cc: Mr. Donahoe  
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Mr. Boldt  
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Ms. Banks