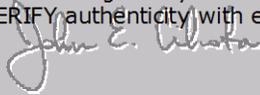




June 9, 2016

MEMORANDUM FOR: LORRAINE CASTELLANO, DISTRICT MANAGER,
NEW YORK DISTRICT

E-Signed by John Cihota 
VERIFY authenticity with eSign Desktop


FROM: *for*
Janet M. Sorensen
Deputy Assistant Inspector General
for Retail, Delivery and Marketing

SUBJECT: Management Alert – Incorrect Package Delivery Scans -
James A. Farley Post Office
(Report Number DR-MT-16-001)

This management alert presents our concerns with delivery issues found at the U.S. Postal Service's James A. Farley Post Office. Specifically, we found incorrect delivery status information for packages. This issue came to our attention during our review of Delivery Operations at the *James A. Farley Post Office* (Project Number 16XG014DR000) in response to a request from Senator Kirsten Gillibrand of New York.

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

Attachment

cc: Corporate Audit and Response Management

Introduction

This management alert presents the results of our review of delayed, lost, or misdelivered packages and related insurance claims at the James A. Farley (JAF) Post Office (Project Number 16XG014DR000) in New York City, NY. Our objective was to assess processes for resolving complaints for delayed, lost, or misdelivered mail and insurance claims at this facility. This management alert responds to a request from Senator Kirsten Gillibrand of New York¹ to review an insurance claim that was denied because the Product Tracking and Reporting² (PTR) system showed the mailpiece as delivered.

U.S. Postal Service domestic claims procedures state that a customer may file a claim for a package that was either lost or delivered with damaged or missing contents if the package has any of the following services or products: insurance, Collect on Delivery, Registered Mail with insurance, Priority Mail Express, and Priority Mail. If an insured package is lost or is delivered with damaged or missing contents, the Postal Service will reimburse the customer for the value of the package and the contents at the time of mailing or for the repair costs, up to the applicable amount of Postal Service insurance.³

The insurance claim adjudication process is centralized at the St. Louis Accounting Services Center. The center adjudicates all claims filed domestically and internationally⁴ regardless of the dollar amount of the claim. The claim process integrates with the delivery status data for each package. The Postal Service will deny a claim if the package tracking status data shows the package as delivered.

A customer may appeal a denied claim by filing a written appeal focusing on the basis of the claim denial within 60 days of the date of the original decision. The claim is filed with the Domestic Claim Appeals Department, St. Louis Accounting Service Center.

In fiscal year (FY) 2015, the JAF Post Office delivered 39 million pieces of mail on 79 delivery routes using 101 city carriers. Also, in FY 2015, the Postal Service received 3,079 complaints of misdelivered and undelivered mail at the JAF Post Office, a 14 percent increase from FY 2014.

¹ We received the congressional request on November 19, 2015, and met with the congressional staff on December 10, 2015, to discuss the request.

² This system receives and stores all tracking scan data, from acceptance to delivery, and is used by employees and customers for shipment tracking information.

³ Domestic Mail Manual, DMM 609, Filing Claims for Loss or Damage.

⁴ Retail Operations Handbook, PO-209, Section 17-5 Inquiries and Claims.

Delivery Operations

The complainant’s insurance claim was denied based on incorrect delivery data. We reviewed the station’s scanning processes for FY 2015, and identified 8,541 packages⁵ scanned as “delivered” before the actual delivery occurred.⁶ Postal Service guidance⁷ requires carriers to perform “stop-the-clock” scans at the point of delivery. Our broader review of scanning processes and data at this delivery unit also identified 118 instances of manual entries⁸ and 28 instances of entries keyed into scanners⁹, which could indicate malfunctioning equipment. Finally, personnel used Intelligent Mail Devices¹⁰ (IMD) instead of the MDD¹¹ scanners for 3,639 scans at the station (see Table 1). The IMDs were used because in FY 2015 the station did not have enough MDDs scanners for all routes. However, according to management in FY 2016 the station received additional MDD scanners sufficient for all routes. IMD scans may increase the likelihood incorrect delivery scan data is reported in the PTR system, because IMDs do not provide the scan time and location that the MDDs provide.

Table 1. FY 2015 Scans Performed Before Out for Delivery

| Type of Scan | | Type of Scanner | |
|--------------|--------------|-----------------|--------------|
| Scanned | 8,395 | MDD | 4,902 |
| Manual Entry | 118 | IMD | 3,639 |
| Keyed | 28 | | |
| Total | 8,541 | | 8,541 |

Source: Enterprise Data Warehouse (EDW): PTR system.

Per New York District officials, this facility has a local memorandum of understanding with the National Association of Letter Carriers to allow walk-out delivery routes to only carry parcels (packages) less than 2 pounds or smaller. All other parcels will be delivered by a vehicle assignment. The scanner event code “Out for Delivery” automatically occurs 10 minutes after the Distribution Complete (DC) Scan is completed by clerks, who then distribute letters and flats to each route. However, this facility’s parcel post operation is completed much earlier with those carriers already on the street performing deliveries. This delivery unit produces “Delivered” scans prior to the DC

⁵This data includes all products flats, small and larger parcels, and rolls, regardless of the weight or size.

⁶ The 8,541 packages include “stop-the-clock” scans for packages scanned before the carrier leaves the unit in the morning to deliver mail, and delivery status after the carrier returns to unit in the evening.

⁷ Delivery and Retail Standardization Tab 3, Section 5.

⁸ A “manual” entry scan occurs when no scan is performed or no scan data was captured for the delivery so the carrier or supervisor enters all the information for the delivery event manually.

⁹ A “keyed” entry scan occurs when the scan did not capture all the information (i.e. barcode). The scan information is incomplete and the missing fields are keyed in manually.

¹⁰ If a Mobile Delivery Device (MDD) is not available carriers can use an IMD. IMD scans do not provide real time delivery tracking information.

¹¹ MDDs provide customers with real time delivery tracking information that updates Postal Service data systems with critical operational delivery information. Mobile Delivery Device, Standard Operating Procedure, November 2014.

scan, daily. This creates the impression of a suspicious scan since this mail would also receive a delivered scan prior to the DC scan.¹²

In addition, in FY 2015, we noted 8,918 “stop-the-clock” scans occurred after 7 p.m., indicating a high risk of falsified delivery scans, because carriers usually return to the delivery unit before 7:00 p.m. These scans included 8,064 by carriers, 141 by clerks, and 686 by supervisors. We found that of these 8,918 “stop-the-clock” scans, 6,901 were actual scans, and 35 were manual, while 1,982 were keyed into the scanner. Carriers and clerks are primarily responsible for performing “stop-the-clock” scans (see Table 2).

Table 2. FY 2015 Scans Performed After 7 p.m.

| Type of Scan | | Type of Scanner | | Personnel | |
|--------------|--------------|-----------------|--------------|------------|--------------|
| Scanned | 6,901 | MDD | 8,563 | Carrier | 8,064 |
| Manual Entry | 35 | IMD | 334 | Clerk | 141 |
| Keyed | 1,982 | Other | 21 | Supervisor | 686 |
| Total | 8,918 | | 8,918 | | 8,918 |

Source: EDW: PTR system.

These risks could result in increased customer complaints. Customer complaints about misdelivered mail or no delivery attempts increased from 2,681 in FY 2014 to 3,079 in FY 2015 – a 14 percent increase (see Table 3).

Table 3. Station Customer Complaints for Misdelivered Mail and No Delivery Attempts

| Fiscal Year | Complaints for Misdelivered Mail | Complaints for No Delivery/No Attempt ¹³ | Total Customer Complaints |
|-------------|----------------------------------|---|---------------------------|
| 2015 | 17 | 3,062 | 3,079 |
| 2014 | 23 | 2,658 | 2,681 |

Source: Application System Reporting – Enterprise Customer Care – Report Module (eCC-RPM)

Customers rely on accurate data to track their packages in real time. By improving scanning processes in city delivery operations, district management can potentially have fewer customer complaints about misdelivered and undelivered packages.

¹² We will review this issue in future scanning reviews and also discuss this with Postal Service Headquarters Officials.

¹³ Postal Service Customer Service Presentation, *Point of View Video, Episode 5; Part 3 of 3, Misdelivered Mail*, indicates the cost to process customer complaints is \$48.00 per complaint.

Recommendations

We recommend the manager, New York District:

1. Reinforce to delivery unit managers and carriers the importance of adhering to scanning guidelines.
2. Ensure supervisors maintain oversight and monitor carrier scan performance in delivery operations.

Management's Comments

Management agreed with the findings and recommendations but disagreed with the terminology (title) used to describe the delivery scan data in Table 1, "FY 2015 Scans before Out for Delivery". Management agreed with the accuracy of the data provided, but did not agree with the U.S. Postal Service Office of Inspector General (OIG's) statement that 8,541 packages were scanned "Delivered" before the actual delivery occurred. According to management, although the data appears to be an anomaly, these "Delivered" event scans prior to "Out for Delivery" event scans for the JAF facility are not unusual nor suspicious.

According to management, the JAF delivery unit produces "Delivered" scans, daily, prior to the Distribution Complete (DC) scan. The scanner event code "Out for Delivery" is automatically triggered 10 minutes after the DC scan is completed by the local delivery unit. Current policy requires the DC scan be applied when the letter and flat distribution is completed, which on average is 9:30AM. However, the JAF parcel post operation is completed much earlier with those carriers already on the street performing deliveries. In addition, the JAF facility provides "Caller" service to over 125 callers which on average receive hundreds of parcels each day. Daily, these customers call for their mail prior to the DC scan. Again, this creates the impression of a suspicious scan since this mail would also receive a delivered scan prior to the DC scan.

Management stated the 8,541 delivery scans cited in Table 1 divided by 303 delivery days for FY 2015 equates to 28.2 daily parcels. Management also noted that the JAF Station also serves as a Sunday Hub operation whereby it processes and delivers parcels - not only for the JAF ZIP Code 10001 but also for Murray Hill ZIP Code 10016. Based on this information, the station stated that this amount of scans appear to be appropriate, however; the district has tasked their Service Team to take a deep dive into the daily process including developing a process stream map to ensure proper adherence to policy.

Regarding scans that are manually entered or keyed in, management agreed with the OIG that these types of scans should be minimal and only used in instances where barcodes are obliterated or where scanners have frozen or batteries have died.

For Table 2, management agreed with the OIG that scans performed after 7:00PM for parcels, should be delivered prior to 7:00PM. During FY 2016, the district implemented several new strategies, as well as obtained additional resources to improve this indicator.

Management acknowledged and agreed with the OIG's concern of scanning integrity and has taken a proactive approach to combat the issue. In FY 2015, the district developed and provided scanning Integrity Training to all Executive and Salary Administration (EAS) employees. This training was well received and as a result of this report, the district will provide this training again this fiscal year.

Regarding Table 3, Station Customer Complaints for Misdelayed Mail and No Delivery Attempts, management agreed with the OIG and understands the importance of accuracy in scanning and how it relates to customer complaints.

For Recommendation 1, management agreed with reinforcing the importance of adhering to scanning guidelines. Management stated that this will be accomplished by service talks to letter carriers and formal training for EAS employees. Management indicated they will implement corrective action by June 30, 2016.

For Recommendation 2, management agreed with ensuring oversight and monitoring carrier scan performance in delivery operations. Management stated that this will be accomplished by documented service talks to carriers and oversight by the District Local Operations Center. Management indicated they will implement corrective action by June 30, 2016.

See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report.

Regarding management's concerns with the title of Table 1, "FY 2015 Scans Performed Before Out for Delivery" that showed scans occurring prior to the "Out for Delivery Scan" at the JAF Post Office. Per management, the JAF delivery unit produces "Delivered" scans daily prior to package distribution being completed at the station. Management acknowledged that our data is correct and we developed this title for our analysis based on the time occurrences of these scanning events. The OIG agrees that management's plan to review and develop a process stream map of the scanning process to ensure the proper controls are in place to adhere to the scanning guidelines is beneficial. Also, Table 1 does not contain any routes containing Caller Service customers. These were excluded from OIG's analysis.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1 and 2 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Management's Comments

NEW YORK DISTRICT
District Manager



May 27th 2016

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

**SUBJECT: MANAGEMENT ALERT – INCORRECT PACKAGE DELIVERY SCANS,
JAMES A. FARLEY POST OFFICE, REPORT # DR-MT-16 DRAFT**

This is in response to the draft response provided regarding a denied insurance claim resulting from incorrect package delivery scans applied at the James A. Farley Post (JAF) Office in the New York District.

In regard to Table 1, "FY 2015 Scans before Out for Delivery", the New York District does not agree with the OIG's statement that 8,541 packages were scanned "Delivered" before the actual delivery occurred. While the District agrees with the accuracy of the data provided, we do not agree with the title as shown in Table 1 "FY 2015 Scans before Out for Delivery". While this data appears to be an anomaly, these "Delivered" event scans prior to "Out for Delivery" event scan for the JAF facility are not unusual nor suspect based on the following:

The NY District Carrier Route structure is comprised of walk-out routes. These routes only carrier parcels less than 2lbs or smaller than a shoe box. All other parcels will be delivered by a vehicle assignment.

Letter, Flat and Small Parcels & Rolls (under 2lbs) are processed on the 4th floor of the James A. Farley (JAF) for subsequent distribution to the foot carriers located on that same floor. The larger parcels (over 2lbs.) are processed on the JAF 1st floor and distributed to the parcel post carrier on the 1st floor.

The scanner event code "Out for Delivery" is automatically triggered 10 minutes after the Distribution Complete (DC) Scan is completed by the local delivery unit. Current policy requires the DC scan be applied when the letter and flat distribution is completed, which on average is 9:30AM. However, the JAF parcel post operation is completed much earlier with those carriers already on the street performing deliveries. On a daily basis the JAF delivery unit does produce "Delivered" scans prior to the DC scan.

In addition, the JAF facility provides "Caller" service to over 125 callers which on average receive hundreds of parcels each day. On a daily basis these customers call for their mail prior to the DC scan. Again, this creates the impression of a suspect scan since this mail would also receive a delivered scan prior to the DC scan.

The 8,541 delivery scans cited in Table 1 divided by 303 delivery days for FY 2015 equates to 28.2 daily parcels. It should also be noted that the JAF Station also serves as a Sunday Hub operation whereby it processes and delivers parcels - not only for the JAF ZIP 10001 but also for Murray Hill 10016.

Based on the above, this amount of scans appears to be appropriate however, the District has tasked our Service Team to take a deep dive into the daily process including developing a process stream map to ensure proper adherence to policy.

In regard to the type of scanner being used, the NY District agrees with the OIG that letter carriers should only be using the Mobile Delivery Device (MDD) which show real-time scanning. As cited in Table 1, 3,639 of the 8,541 scans were performed by an IMD. Our research shows the MDD Phase 2 deployment for JAF was on March 15, 2015 at which time the station received 84 MDD scanners. We believe this contributed to that percentage.

A review of recent scans performed by the JAF facility indicate the vast majority of carriers are now using the newer scanners which transit wirelessly in real time.

| On Street, Cradle Upload | On Street, Wireless Upload | IMDs using Cradle on | IMDs using Cradle and Wireless | IMDs using Wireless only | Wireless devices in use | Wireless devices deployed |
|--------------------------|----------------------------|----------------------|--------------------------------|--------------------------|-------------------------|---------------------------|
| 2 | 4,798 | 1 | 1 | 53 | 54 | 60 |

Source: PIR Reports, Daily Wireless Metric, May 7, 2016

It should be noted that the JAF facility, like most other delivery units, does have clerks who do use the older Intelligent Mail Device (IMD) as part of their daily assignment. The District will task our Local Operations Center (LOC) with daily monitoring of this unit to ensure compliance.

In regard to scans that are manually entered or keyed in, the District agrees with the OIG that these types of scans should be minimal and only used in instances where barcodes are obliterated or where scanners have frozen or batteries have died.

In regard to Table 2, Scans performed after 7:00PM, the District agrees with the OIG that parcels should be delivered prior to 7:00PM. During FY 2016, the District implemented several new strategies, as well as obtained additional resources to improve this indicator. During FY 2016, the District obtained 181 additional vehicles and hired an additional 219 letter carriers. In addition, we have implemented Day-0 processing, which allows us to sort and scan more mail the day prior to the committed delivery day. We have also implemented a pre-loading strategy whereby we schedule CCA carriers in earlier (as early as 5:00AM) to start deliveries starting at 7:00AM that day.

Based on customer complaints, the District acknowledges and agrees with the OIG's concern of scanning integrity and has taken a proactive approach to combat the issue. In FY 2015 the district developed and provided scanning Integrity Training to all EAS employees. This training was well received and as a result of this report, the district will provide this training again this fiscal year.

In regard to Table 3, Station Customer Complaints for Misdelaivered Mail and No Delivery Attempts, the District agrees with the OIG and understands the importance of accuracy in scanning and how it relates to customer complaints. The District leadership team has, and will continue to aggressively work on this issue. Activities include weekly review of Customer Insight surveys to identify opportunity offices as well as working closely with building managers to provide access to buildings with no access to our carriers which is a major contributor to No Delivery complaints.

Recommendation # 1: Reinforce to delivery unit managers and carriers the importance of adhering to scanning guidelines.

The District agrees with this recommendation and will reinforce the importance of adhering to scanning guidelines. This will be accomplished by service talks to our letter carriers and formal training for the EAS employees.

Target Implementation Date: June 30, 2016
Responsible Official: Manager, Operations Programs Support

Recommendation # 2: Ensure supervisors maintain oversight and monitor carrier scan performance in delivery operations.

The District agrees with this recommendation and will ensure oversight and monitor carrier scan performance in delivery operations. This will be accomplished by documented service talks to carriers and oversight by the District LOC.

Target Implementation Date: June 30, 2016
Responsible Official: Manager, Operations Programs Support

The New York District appreciates the OIG's efforts in developing this report and bringing this to our attention.



Lorraine G. Castellano

cc: Manager, Corporate Audit Response Management