



November 20, 2009

JOSEPH MOELLER
MANAGER, REGULATORY REPORTING AND COST ANALYSIS

SUBJECT: Audit Report – Statistical Tests for Fiscal Year 2009 –
Cost and Revenue Analysis (Report Number FF-AR-10-015)

This report presents the results of our audit of the statistical tests for fiscal year (FY) 2009 (Project Number 09BD003FF000). The objective of our audit was to determine whether the Postal Service conducted statistical Origin-Destination Information System-Revenue, Pieces, and Weight (ODIS-RPW) tests to collect cost, revenue, and volume data in accordance with established policies and procedures. We reviewed tests of the ODIS-RPW and conducted this work in support of the audit of the U.S. Postal Service's financial statements.¹ [Appendix A](#) presents additional information about this audit.

Conclusion

The Postal Service generally conducted ODIS-RPW tests in accordance with established data collection policies and procedures. However, we identified 30 errors in 16 of 63 tests observed.² In this report, we discuss in detail only the most frequent type of test errors, which we define as those that occurred in at least 5 percent of the tests observed. We identified three types of test errors that accounted for 25 of the 30 errors. In addition to the test errors, data collectors in four districts did not follow procedures for protecting data collection equipment. Our findings indicate continued noncompliance with prescribed policies and procedures from conditions previously reported in our FY 2008,³ 2007,⁴ and 2006⁵ reports.

¹ This report does not present the results of audit work required under the Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006).

² These errors occurred in eight of the 13 districts reviewed.

³ *Audit of Statistical Tests for Fiscal Year 2008 – Cost and Revenue Analysis* (Report Number FF-AR-09-024, dated November 24, 2008).

⁴ *Audit of Statistical Tests for Fiscal Year 2007 – Cost and Revenue Analysis* (Report Number FF-AR-08-084, dated January 30, 2008).

⁵ *Audit of Statistical Tests for Fiscal Year 2006 – Cost and Revenue Analysis* (Report Number FF-AR-07-093, dated February 16, 2007).

Test Errors

The most frequent type of test errors identified included data collectors not:

- Following procedures to determine the appropriate random start and mailpiece and/or container skip intervals in four districts (12 errors).
- Verifying information keyed into the [REDACTED] laptop in four districts (nine errors).
- Using marking slips to identify mail being tested in three districts (four errors).

When data collectors do not follow ODIS-RPW test procedures, there is an increased risk of jeopardizing the Postal Service's ability to accurately estimate revenue and mail volume.

The first two types of test errors listed above were repeat findings from FY 2008.⁶ In response to that report, the Postal Service stated that, by January 2009, they would instruct their districts' statistical programs personnel to reinforce these procedures during their quarterly training sessions. Additionally, on February 27, 2009, management issued a directive to each district stating all managers of Statistical Programs were required to reinforce data collection procedures on U.S. Postal Service Office of Inspector General (OIG's) FY 2008 findings. The OIG noted the FY 2009 errors before the districts had conducted their quarterly training sessions. Therefore, we are not making a recommendation to address the first two issues at this time. We will continue to monitor these issues during our FY 2010 financial statement audit.

See [Appendix B](#) for a detailed analysis of our findings, including our observations and testing errors by district and a comparative discussion of the conditions reported in our FY 2008 and 2007 audit reports.

We recommend the manager, Regulatory Reporting and Cost Analysis:

1. Direct managers of Statistical Programs to reinforce through training procedures to ensure data collectors use marking slips to identify test mail during Origin-Destination Information System-Revenue, Pieces, and Weight tests.

Management's Comments

Management agreed with our finding and recommendation and will instruct district managers, Statistical Programs, by January 8, 2010, to reinforce the proper procedures

⁶ *Audit of Statistical Tests for Fiscal Year 2008 – Cost and Revenue Analysis* (Report Number FF-AR-09-024, dated November 24, 2008).

for using marking slips to identify test mail during ODIS-RPW tests. See [Appendix C](#) for management's comments in their entirety.

Protecting Data Collection Equipment

We observed data collectors in four districts not associated with any specific tests who did not always follow procedures for protecting data collection equipment. Specifically, in 10 instances, data collectors did not place [REDACTED] laptops into hibernation mode or lock the keyboard when their laptops were unattended (eight instances occurred in two districts). Data collectors must preserve the integrity of test data by placing their laptops in hibernation mode or locking keyboards when laptops are unattended.⁷ Generally, data collectors stated they were unaware of the requirements for protecting CODES laptops. However, we noted that all but one of these data collectors each had at least 3 years of experience. This is a repeat finding from the prior 3 fiscal years. As part of the corrective action taken, headquarters issued a directive informing district management of actions required for data and laptop security on December 21, 2006. In addition, on March 4, 2008, headquarters directed district management to reinforce procedures for protecting [REDACTED] laptops through quarterly training. In FY 2008, the OIG did not provide a recommendation to monitor the corrective action during FY 2009 observations. However, it is apparent that corrective action headquarters has taken has not been effective.

We recommend the manager, Regulatory Reporting and Cost Analysis:

2. Develop national training on protecting data collection equipment for districts to use to train data collectors.
3. Direct managers of Statistical Programs to certify that all data collectors have participated in the national training on protecting data collection equipment.

Management's Comments

Management agreed with our finding and recommendations and will issue a national training module on protecting data collection equipment by February 5, 2010. In addition, by February 2, 2010, management will direct managers of Statistical Programs to certify that all data collectors have completed this national training module by the end of Quarter 3, FY 2010.

⁷ Handbook F-75, *Data Collection User's Guide for Revenue, Volume, and Performance Measurement System*, Appendix G-7 (Section IV.F), October 2003; Handbook F-85, *Data Collection User's Guide for International Revenue, Volume, and Performance Measurement Systems*, Appendix B, Section IV, page B-9; and Statistical Programs Letter #6, FY 2008, *Administration*.

Evaluation of Management's Comments

The OIG considers management's comments to recommendations 1 through 3 responsive and management's 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 Linda Libician-Welch, director, Field Financial – West, or me at (703) 248-2100.

A rectangular box containing a handwritten signature in cursive script that reads "John E. Cihota". In the top right corner of the box, there is a small, square icon with a yellow background and a black question mark.

John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachment

cc: Joseph Corbett
Vincent H. DeVito, Jr.
Ronald J. Poland
Douglas G. Germer
Bill Harris

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Act of 2006 divided Postal Service products into two categories: market-dominant and competitive. Market-dominant product price increases cannot exceed the increase in the Consumer Price Index (CPI) and apply to each class of mail. The price increase for the category as a whole must not exceed the increase in the CPI. For competitive products, the Postal Regulatory Commission (PRC) has set rules for a pricing floor that must cover the product's costs and a required contribution to institutional costs.⁸ The Postal Service will have the flexibility to change pricing on competitive products as it wishes, consistent with the PRC rules, as long as it publishes the price in the *Federal Register* at least 30 days before the effective date.

The Postal Act of 2006 requires the Postal Service to submit annual reports to the PRC regarding its costs, revenue, rates, and quality of service. The act also requires the OIG to audit regularly those data collection systems and procedures the Postal Service uses to collect such information and to submit these reports to the Postal Service and the PRC. This audit report is not the report called for under the act. Although the OIG will issue reports on an ongoing basis for the audits required under the act, the purpose of this report is to support the audit of the Postal Service's financial statements.

ODIS-RPW is the primary probability sampling system that estimates revenue, volume flow, weight, and performance measurement. The Postal Service uses data from tests to develop new rates, assist in budget preparation, conduct management studies, and support management decisions concerning mailflow and service performance in transportation and operations. The ODIS-RPW test requires data collectors to select systematically mailpieces using a random start for all mail available on the randomly selected day. Data collectors record various mailpiece characteristics, such as revenue, weight, shape, indicia, barcode, postmark time, and origin and mail class.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether the Postal Service conducted statistical ODIS-RPW tests to collect cost, revenue, and volume data in accordance with established policies and procedures.

To achieve our objective, we observed 52 selected data collectors perform 63 judgmentally selected ODIS-RPW tests in 13 judgmentally selected districts.⁹ We interviewed the data collectors performing the selected tests and reviewed the reports of each test district the Statistical Programs managers provided.

⁸ Institutional costs are infrastructure and administrative costs.

⁹ We selected districts in which we had not observed tests within the last 3 years.

We conducted this audit from November 2008 through November 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 that 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 on October 15, 2009, and included their comments where appropriate. We also issued the results of our observations' checklists to 13 district managers.

PRIOR AUDIT COVERAGE

The OIG issued the following audit reports related to ODIS-RPW tests within the past 3 years. The reports concluded that the Postal Service generally conducted the tests in accordance with established policies and procedures. However, we observed test errors as described below for each report and included recommendations, as appropriate. Management agreed with our findings and recommendations for each report.

Report Title	Report Number	Final Report Date	Report Results
<i>Audit of Statistical Tests for Fiscal Year 2006 – Cost and Revenue Analysis</i>	FF-AR-07-093	2/16/07	Data collectors did not always use marking slips to identify test mail and follow mail exit point (MEP) and special instructions while conducting tests. In addition, data collectors did not always follow procedures for protecting data collection equipment; data collectors had not attended the required training before conducting tests; and Statistical Programs managers did not properly define MEPs.
<i>Audit of Statistical Tests for Fiscal Year 2007 – Cost and Revenue Analysis</i>	FF-AR-08-084	1/30/08	Data collectors did not always identify, isolate, and capture mail to be tested and tag sampled mail after testing to release for processing. In addition to testing errors, data collectors did not always follow procedures for protecting data collection equipment and unit management did not always ensure employees leveled and calibrated electronic scales and did not document calibration results.
<i>Audit of Statistical Tests for Fiscal Year 2008 – Cost and Revenue Analysis</i>	FF-AR-09-024	11/24/08	Data collectors did not always follow proper random start and skip intervals; identify, isolate, and capture mail to be tested; verify the information keyed into [REDACTED] laptop; adhere to sampling procedures; or bring required test material to the site. In addition, data collectors did not always follow procedures for protecting data collection equipment.

APPENDIX B: DETAILED ANALYSIS

Test Errors

Of 63 ODIS-RPW tests observed, three types of test errors accounted for most of the errors (25), during which data collectors incorrectly applied procedures. Specifically, data collectors did not:

- Follow procedures to determine the appropriate random start and mailpiece and/or container skip intervals in four districts (12 errors). In most instances, data collectors stated the errors were due to an oversight. The data collectors attributed the other errors primarily to distractions on the workroom floor. The data collector must select the required mailpieces by applying the mailpiece skip interval through all selected mailpieces and/or containers using the container skip interval.¹⁰
- Verify the information keyed into the [REDACTED] laptop in four districts (nine errors). In most instances, data collectors overlooked the required action; however, two data collectors stated they did not fully understand the requirement for verifying information entered into [REDACTED] laptops. For example, one data collector was unaware of the correct bar code size and was unable to locate the instructions on her computer. The data collector coded several mailpieces into the wrong mailstream due to inattention to detail. The data collector must verify the information is correct when entering mailpiece into the [REDACTED] laptop.¹¹
- Use marking slips to identify mail tested in three districts (four errors).¹² In most instances, data collectors stated the errors were due to an oversight. In addition, in one district, one data collector stated that, because this was a small site, she could easily separate the designated containers from the regular mail. Data collectors must use marking slips to mark trays, bins, all-purpose containers, and all containers to be tested.¹³

When data collectors do not follow ODIS-RPW test procedures, there is an increased risk of jeopardizing the Postal Service's ability to accurately estimate revenue and mail volume.

The following tables present a summary and the details of our observations in each district, as well as a summary of the previously reported errors for the last 3 fiscal years.

¹⁰ Handbook F-75, Section 3.7.2.4.

¹¹ Handbook F-75, Chapter 3, page 3-65.

¹² Even though data collectors did not use marking slips to tag test mail, no mail was excluded or double-counted.

¹³ Handbook F-75, Chapter 3, page 3-6.

Summary of FY 2009 ODIS-RPW Observations and Test Errors by District

District	Number of Data Collectors Observed	Number of Tests Observed	Total Number of Errors	Number of Tests with Errors
Greensboro	5	6	1	1
Northern Illinois	3	3	0	0
Appalachian	5	6	12	4
Connecticut	6	7	5	4
Westchester	4	7	1	1
Seattle	4	6	4	2
Alabama	3	3	0	0
Central Florida	2	2	0	0
North Florida	2	2	0	0
Oklahoma	5	5	1	1
Big Sky	4	5	4	2
Mid-America	4	5	2	1
Northland	5	6	0	0
Total¹⁴	52	63	30	16

* The districts highlighted had no reported test errors.

¹⁴ Although the percentage of tests with errors appears high, each test contains multiple records and fields. Therefore, the percentage of erroneous test entries is much lower than the total number of tests containing errors.

Detail of FY 2009 ODIS-RPW Test Errors¹⁵ and Observations by District¹⁶

Test Errors/Observations	Greensboro District	Appalachian District	Connecticut District	Westchester District	Seattle District	Alabama District	Oklahoma District	Big Sky District	Mid-America District	Total Test Errors
ODIS-RPW										
Data collector did not follow procedures to determine appropriate random start and mailpiece/container skip intervals.		X (7)		X (1)	X (2)			X (2)		12*
Data collectors did not verify the information keyed into [REDACTED] laptop.		X (5)			X (2)		X (1)		X (1)	9*
Data collector did not use marking slips to identify mail being tested.	X (1)		X (2)						X (1)	4*
Data collector did not bring the required test material to the site.			X (3)							3
Data collector did not adhere to container sub-sampling or mailpiece sampling procedures.								X (1)		1
Data collector did not properly identify, isolate, and capture mail to be sampled/ tested.								X (1)		1
Other Observations										
Data collector did not follow procedures to protect data integrity and data collection equipment.		X (1)	X (5)			X (3)		X (1)		10
The manager, Statistical Programs, did not review MEP before testing.			X (2)					X (1)		3
Unit management did not always ensure that scales used in conjunction with [REDACTED] were leveled and/or calibrated.			X (1)							1
The manager, Statistical Programs, did not ensure data collectors were properly trained before conducting tests.			X (1)							1

* Most frequent test error, occurring in more than 5 percent of the total tests.

¹⁵ The numbers of tests with errors are in parentheses.

¹⁶ Four of 13 districts observed had no reported testing errors and other observations.

Summary of Test Errors and Management Issues Previously Reported

Description of Test Errors ¹⁷	Number of Test Errors		
	FY 2009	FY 2008	FY 2007
Testing Error			
ODIS-RPW – Number of Tests Observed	63	53	57
Data collector did not follow procedures to determine appropriate random start and mailpiece/container skip intervals.	12	23	-
Data collectors did not verify the information keyed into [REDACTED] laptop.	9	14	2
Data collector did not use marking slips to identify mail being tested.	4	-	-
Data collector did not bring the required test material to the site.	3	3	1
Data collector did not properly identify, isolate, and capture mail to be sampled/tested.	1	15	5
Data collector did not adhere to container sub-sampling or mailpiece sampling procedures.	1	8	2
Data collector did not tag sampled mail after testing to release for processing.	-	-	3
Data collector did not properly measure/record sampled mailpieces.	-	-	2
Data collector did not communicate effectively with unit personnel to ensure test mail was identified, flagged, and isolated.	-	-	1
TOTAL NUMBER OF ERRORS	30	63	16
Description of Management Issues ¹⁸	Number of Districts		
	FY 2009	FY 2008	FY 2007
Number of Districts Observed	13	14	13
Management Issue:			
Data collector did not follow procedures to protect data integrity and data collection equipment.	4	7	3
The manager, Statistical Programs, did not review MEP before testing.	2	-	-
The manager, Statistical Programs, did not ensure data collectors were properly trained before conducting test.	1	-	-
Unit management did not always ensure that scales used with [REDACTED] were leveled and/or calibrated.	1	1	1
The manager, Statistical Programs, did not document employee training.	-	1	-
Data collectors did not consistently process short-paid mail.	-	1	-
Data collector allowed another data collector to use his [REDACTED] logon identification to enter mailpiece data.	-	-	1
TOTAL	8	10	5

¹⁷ The cells highlighted in gray occurred in at least 5 percent of our observations.

¹⁸ The cells highlighted in gray are reportable repeat findings.

APPENDIX C: MANAGEMENT'S COMMENTS

FINANCE



November 9, 2009

LUCINE M. WILLIS

SUBJECT: Audit of Statistical Tests for Fiscal Year 2009 – Cost and Revenue Analysis
(Report Number FF-AR-10-DRAFT)

Management agrees with the findings in the report on the audit of FY 2009 statistical tests.

Recommendation #1

Direct managers of Statistical Programs to reinforce, through training, procedures to ensure data collectors use marking slips to identify test mail during Origin-Destination Information System-Revenue, Pieces, and Weight tests.

Response

We agree with the recommendation. By January 8, 2010, at the next quarterly training day, Statistical Programs will instruct the district managers of Statistical Programs to reinforce the proper procedures for using marking slips to identify test mail during Origin-Destination Information System-Revenue, Pieces, and Weight tests.

Recommendation #2

Develop national training on protection of data collection equipment for districts to use to train data collectors.

Response

We agree with the recommendation. By February 5, 2010 Statistical Programs will issue a national training module on protection of data collection equipment for districts to use to train data collectors.

Recommendation #3

Direct managers of Statistical Programs to certify that all data collectors have participated in the national training on protection of data collection equipment.

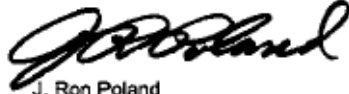
Response

We agree with the recommendation. By February 2, 2010, along with the training module, Statistical Programs will direct managers of Statistical Programs to certify that all data collectors have completed the national training module on protection of data collection equipment no later than the end of Quarter 3, FY 2010.

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Finally, note that this report and management's response do not contain information that may be exempt from disclosure under the Freedom of Information Act.

If you have any questions, please contact me at (202) 268-2634.

A handwritten signature in black ink, appearing to read "J. Ron Poland". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

J. Ron Poland
Manager
Statistical Programs

cc: Mr. Corbett, CFO
Mr. Moeller
Mr. Harris