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SUBJECT: Audit Report – *PostalOne!* Phase Two (Report Number DA-AR-03-001)

This report presents the results of our audit of the *PostalOne!* Phase Two Business Customer Support System and Transportation Management (Project Number 02BG005DA000). The Marketing Technology and Channel Management office of the Postal Service requested this review. The objectives of our audit were to evaluate management's corrective actions from our *PostalOne!* Phase One audit; validate the business case; evaluate costs, benefits, and risks; and review internal controls. We identified opportunities for the Postal Service to align systems to corporate goals, objectives, and policies and mitigate risks; and to measure and evaluate performance and customer satisfaction.

We identified opportunities for Postal service to align systems to corporate goals, objectives, and policies and mitigate risks; and to measure and evaluate performance and customer satisfaction. We made nine recommendations to management to address these issues. These recommendations address improving customer satisfaction with business mailers, achieving corporate goals, measuring and tracking costs, mitigating security risks, complying with Section 508 of the Rehabilitation Act, and strengthening internal controls.

Management agreed with all of our recommendations and indicated they are either working to address or have resolved our issues. We view management's comments as responsive to our findings and recommendations. Management's comments and our evaluation of these comments are included in this report.

The Office of Inspector General (OIG) considers recommendations 1, 4, 6, 8, and 9 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

We appreciate the cooperation and courtesies provided by your staff during our audit. If you have any questions, please contact Tracy LaPoint, director, Developmental and Information Systems, at (703) 248-2167, or me at (703) 248-2300.

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Attachment

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## EXECUTIVE SUMMARY

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### Introduction

In April 2002, the Postal Service Board of Governors approved the *PostalOne!* Phase Two Business Customer Support System. This system provides electronic capabilities between large business mailers and the Postal Service for the induction of mail. As part of Phase Two, in December 2001, the *PostalOne!* Transportation Management Decision Analysis Report was approved. This system scans tray labels, captures weight information and assigns mail via air or surface at the business mailer's facilities, while interfacing with the Surface-Air Management System for mail transportation assignments.

In this audit, which was requested by the Marketing Technology and Channel Management office, we evaluated management's corrective actions from our *PostalOne!* Phase One audit, validated the business case; evaluated costs, benefits, risks; and reviewed internal controls.

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### Results in Brief

*PostalOne!* Business Customer Support System and the Transportation Management have a strong potential to provide integration capabilities for acceptance and delivery of mail, and other corporate functions. While there are many benefits in deploying *PostalOne!*, we identified the following:

*PostalOne!* program management took appropriate corrective actions on our *PostalOne!* Phase One audit recommendations. However, we found improvements are still necessary for program management to provide timely training and notification of system changes to business mailers, as well as consistently capturing all operational and system problems based on calls to the help desk. Unless these concerns are addressed, the *PostalOne!* Business Customer Support System and the Transportation Management will not be truly effective.

Our review of the *PostalOne!* business case revealed program managers and the chief technology officer have not formally adopted roles and responsibilities on *PostalOne!* systems development and integration of Phase Two with the Information Platform. Unless these roles and responsibilities are formally defined, the lack of

accountability for the *PostalOne!* system development and integration will hinder Information Platform's corporate goals.

We reviewed the initial Decision Analysis Reports for the Business Customer Support System and found that overall performance measures were not established, sensitivity analysis was not performed, and investment progress was not properly tracked. Unless the *PostalOne!* program office establishes performance-tracking methods following Postal Service policies and ensures compliance; the project may not meet the savings projected in the Decision Analysis Report.

The security certification processes for both *PostalOne!* Phase Two systems were not initiated. During our site visits we found security vulnerabilities with both systems. In addition, we found that the Operations Facilities Module under the Business Customer Support System was not compliant with Section 508 of the Rehabilitation Act. Omitting a security assessment from the security certification process could increase the likelihood of unacceptable losses. Also, *PostalOne!* could be removed from the Postal Service's web environment, for noncompliance with Section 508 of the Rehabilitation Act.

*PostalOne!* program officials reviewed and verified invoices for payments to vendors without being designated in writing as contracting officer representatives. In addition, one program manager did not receive training on contracting officer representatives' duties. Since training is essential to properly administer contracts, it is uncertain whether the invoice certification process protected Postal Service interests.

The program offices have been very responsive in taking action on many of the issues we identified during our audit.

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**Summary of  
Recommendations**

Our report included nine recommendations to management. These recommendations addressed improving customer satisfaction with business mailers, achieving corporate goals, measuring and tracking costs, mitigating security risks, complying with Section 508 of the Rehabilitation Act, and strengthening internal controls.

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**Summary of Management's Comments**

Management agreed with our findings and recommendations to improve management processes, adopt roles and responsibilities for system development and integration with Information Platform, establish metrics to measure success, track and report costs, review security controls, mitigate risks, and enhance contract administration controls. Management's comments, in their entirety, are included in Appendix B of this report.

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**Overall Evaluation of Management's Comments**

Management's comments and actions taken or planned are responsive to our findings and recommendations and should correct the issues identified in the report.

## INTRODUCTION

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### Background

In February 2000, the Board of Governors approved the Decision Analysis Report for research and development, recommending an investment of \$10.1 million to develop and pilot *PostalOne!* Phase One Business Customer Support System. This system provides electronic capabilities for the acceptance of mail from large business mailers by the Postal Service.

As part of *PostalOne!* Phase Two, in May 2002, the Board of Governors approved the Decision Analysis Report for \$54.1 million to further develop and implement the Business Customer Support System, in addition to, reengineering the Permit System and replacing obsolete equipment.

In December 2001, as part of Phase Two, a \$4.2 million Decision Analysis Report for the *PostalOne!* Transportation Management was approved. This system scans tray labels, captures weight information, and assigns mail via air or surface at the business mailer's facilities. This system interfaces with the Surface-Air Management System for mail transportation assignments.

These two systems will allow the Postal Service to efficiently collaborate with its business mail customers, who generate over 73 percent of all mail volume and over \$34 billion of revenue annually. The Postal Service entered into partnerships with four major contractors. The contracting officers are responsible for administering *PostalOne!* Phase Two contracts. The program managers for *PostalOne!* acted as the contracting officer representatives, which included reviewing and certifying vendor payments.

The intent of *PostalOne!* Phase Two is to allow an electronic partnership between the Postal Service and its large volume business mailers and ultimately streamline the mail acceptance and verification process, and to properly align customer production with the Postal Service's distribution activities. *PostalOne!* will provide five business capabilities to business mailers as shown in Figure 1.



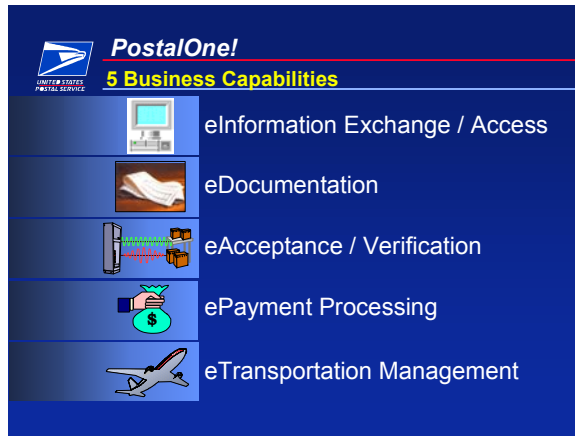


Figure 1. Five Business Capabilities of PostalOne!

The Postal Service is undertaking an “Information Platform” initiative to realize financial and service benefits by enabling better resource management, mailpiece information and communications, and activity based costing. *PostalOne!* is one of four cornerstone initiatives of the Information Platform and is the foundation program for the Postal Service’s Sales and Marketing business area, as shown in Figure 2.

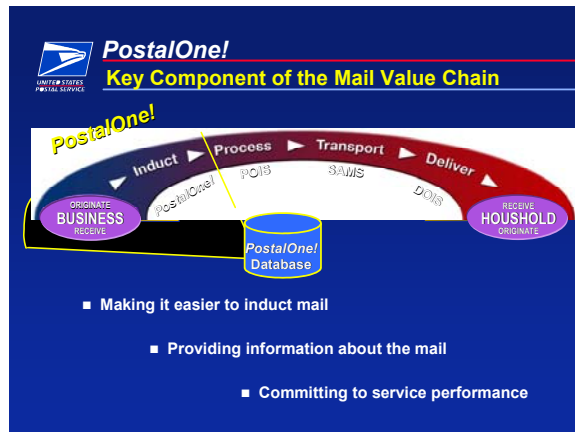


Figure 2. Information Platform Mail Value Chain

**Objectives, Scope, and Methodology**

The objectives of our audit were to review the *PostalOne!* Phase Two Business Customer Support System and Transportation Management to:

- Evaluate management's corrective actions on our previous audit.
- Validate the business case.
- Evaluate costs, benefits, and risks.
- Review internal controls.

To evaluate management's corrective actions, we surveyed and interviewed business mailers, and reviewed business mailers' calls to the help desk. We also interviewed Postal Service officials and contract employees. In many cases, Postal Service employees provided us with hardcopy documentation to corroborate or support interviews. We coordinated with the statistician within the Office of Inspector General (OIG).

To validate the business case, we reviewed and analyzed several documents and reports on *PostalOne!* We also interviewed contractor personnel and Postal Service officials at headquarters.

To evaluate the costs, benefits, and risks, we reviewed and analyzed several documents and reports on the *PostalOne!* Business Customer Support System and Transportation Management, including contract and finance information, and operational data. We also interviewed contractors and Postal Service officials at headquarters and in the field. In some cases, program managers and contract employees provided us with operational data from Postal Service systems to corroborate interviews. We did not verify nor rely on the computer-generated data provided. We coordinated with the cost benefit analyst and computer specialists within the OIG.

To review internal controls, we reviewed and analyzed several documents and reports on *PostalOne!* including contract information. We also interviewed contractor personnel and Postal Service officials at headquarters. We coordinated with contract specialists within the OIG.

This audit was conducted from December 2001 through October 2002 in accordance with generally accepted government auditing standards. We reviewed internal controls related to the *PostalOne!* Phase Two Business Customer Support System and the Transportation Management to the extent considered necessary. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

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**Prior Audit Coverage**

On September 28, 2000, we issued a report entitled, Information Platform Planning, (Report Number DA-AR-00-004). We stated that the Information Platform program was not fully aligned with the Postal Service's strategic goals and plans, expected benefits were not adequately supported, a comprehensive funding strategy was not completed, and other business areas that affected the program were not appropriately integrated. Management agreed with all of our recommendations and stated they would incorporate our findings into the Information Platform program plan.

On April 9, 2001, we issued a report entitled PostalOne! Business Customer Support Systems Phase One (Report Number DA-AR-01-004). We stated that the program office should update the current *PostalOne!* business requirements before proceeding to Phase Two; complete pilot testing prior to deployment of Phase Two; and improve communication and coordination between the *PostalOne!* program office, its business mailers, and the Information Platform group. Management agreed with all of our recommendations and stated they were working to address these issues.

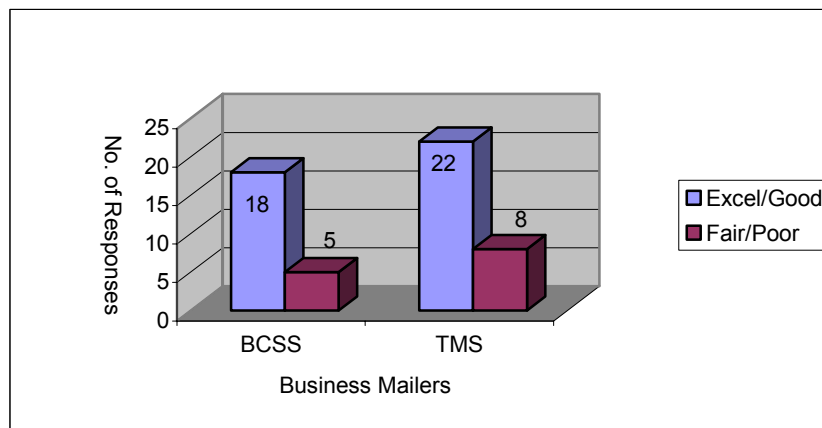
## AUDIT RESULTS

**Continued Improvement on Business Processes Needed**

*PostalOne!* program management took appropriate corrective actions on the recommendations made in our audit of *PostalOne!* Phase One. However, we found that improvements are still needed in business processes. Specifically, program management was not providing timely training and notification of system changes to business mailers. Also, program management was not consistently capturing all operational and system problems. Unless these concerns are addressed and put in place before national deployment, the *PostalOne!* Business Customer Support System and Transportation Management will not be truly effective.

**Timely Communication and Training Needed with Business Mailers**

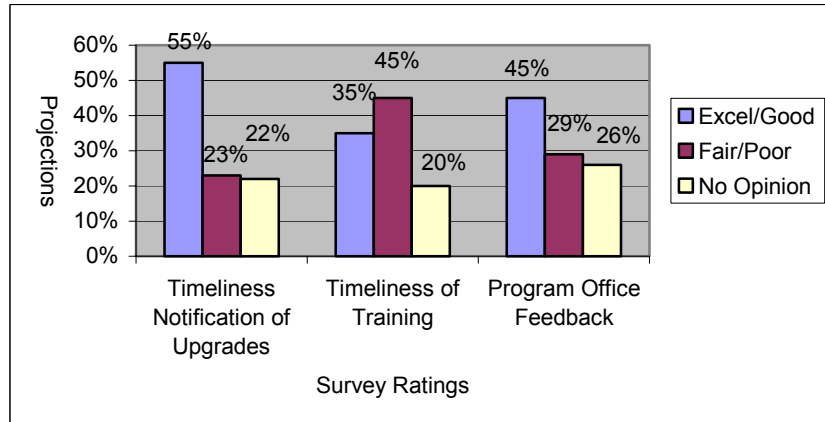
We conducted a survey (see Appendix A) and determined that the business mailers generally found the *PostalOne!* Business Customer Support System and Transportation Management to be beneficial and reliable, as described in Figure 3.



**Figure 3. Results of *PostalOne!* Reliability Survey<sup>1</sup>**

However, the survey results for the Business Customer Support System revealed concerns about the timeliness of communication and training, as shown in Figure 4.

<sup>1</sup> Results of the reliability survey are based only on the results of e-mail and telephone responses received from business mailers.



**Figure 4. Results of PostalOne! Business Customer Support System**

When performing site visits<sup>2</sup> to validate the survey results for the Business Customer Support System and Transportation Management, we confirmed that weaknesses existed such as:

- Limited feedback from the program office on future functionalities of *PostalOne!*
- Untimely notification of changes or upgrades made to the system and/or system unavailability.
- Untimely training.

The success of the *PostalOne!* program depends heavily on the satisfaction of the business mailers. Although the program office took corrective actions on our prior audit recommendations, we determined that the same conditions still exist because of inconsistent communication between program management and the business mailers. This hindered the proper use and understanding of the *PostalOne!* systems, which may lead to dissatisfaction and eventual withdrawal from the program.

<sup>2</sup> We selected and visited six Business Customer Support System customers and five Transportation Management customers to validate survey data.

Since *PostalOne!* is a voluntary program, the participation of major mailers is critical to the program's ability to achieve benefits outlined in the *PostalOne!* business case.

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Timely and Consistent  
Help Desk Reporting  
Needed

*PostalOne!* systems have inconsistent processes for reporting problems to the help desk. Specifically, program offices were not ensuring that requirements in the Service Level Agreement<sup>3</sup> were being followed and had not established reporting requirements for certified vendors. Without capturing ongoing problems, system performance cannot be accurately assessed and corrected by the program offices.

In Memphis, Tennessee, the *PostalOne!* Business Customer Support System help desk function was submitting periodic reports to the program office. However, these reports did not contain all the information and did not follow weekly reporting requirements stated in the Service Level Agreement. During April 2002, as a result of our recommendation, the Memphis help desk function started submitting compliant weekly reports to the program office.

The Transportation Management program office did not always receive timely reports on operational and system issues. Currently the Transportation Management has three certified vendors. Vendor A<sup>4</sup> was reporting in a timely fashion, as outlined in their contract. However, at first, the Postal Service did not enter into contractual agreements with vendors B and C,<sup>5</sup> because business mailers purchased equipment directly from the vendors. Vendors B and C have been awarded contracts, but the request for proposal and statement of work did not include reporting requirements.

Without timely capturing of operational and system problems, Postal Service managers will not be able to fully assess performance issues, improve system operations, and identify future training requirements.

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<sup>3</sup> The Service Level Agreement was established between the PostalOne! Business Customer Support System Program Office with the National Customer Support Center.

<sup>4</sup> Vendor A supplies the Desktop and Automated Transportation Management.

<sup>5</sup> Vendors B and C supply the Automated Transportation Management.

<p><b>Recommendation</b></p>	<p>We recommend the vice president, Service and Market Development, and manager, Marketing Technology and Channel Management:</p> <ol style="list-style-type: none"> <li>1. Implement the formal communication process recommended in our <i>PostalOne!</i> Phase One audit and notify business mailers in a timely manner of system availability, upgrades, training, and added functionalities.</li> </ol>
<p><b>Management's Comments</b></p>	<p>Management agreed with the recommendation and indicated they have implemented several key initiatives, both short-term and long-term, to formalize and improve communications with business mailers.</p>
<p><b>Recommendation</b></p>	<ol style="list-style-type: none"> <li>2. Obtain and review Memphis help desk reports according to the Service Level Agreement.</li> </ol>
<p><b>Management's Comments</b></p>	<p>Management agreed with the recommendation and indicated that the Memphis help desk is providing all reports specified in the Service Level Agreement. The program office reviews the reports weekly to determine whether management actions are necessary to address system performance or other issues.</p>
<p><b>Recommendation</b></p>	<ol style="list-style-type: none"> <li>3. Establish a formal agreement with vendors B and C to require reporting of operational and system issues.</li> </ol>
<p><b>Management's Comments</b></p>	<p>Management agreed with the recommendation and stated that they are planning to draw formal agreements with vendors to submit periodic reports on help desk issues to the program office.</p>
<p><b>Evaluation of Management's Comments</b></p>	<p>Management's actions taken or planned should correct the problems or resolve the issues identified in the report.</p>

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**Adoption of Roles and Responsibilities Essential for Achieving Business Case**

*PostalOne!* program managers and the chief technology officer had not formally adopted roles and responsibilities for systems development and integration of Phase Two with the Information Platform. As part of Phase Two, the Permit System will become an additional functionality of *PostalOne!* and, along with other corporate initiatives, *PostalOne!* will integrate with the Information Platform. According to Postal Service policies, information systems must be built in a standardized, repeatable, and efficient manner in order to achieve expected business benefits.

Since the *PostalOne!* Phase One audit, communications between *PostalOne!* program management and the chief technology office have improved. Although, discussions have been held on formal roles and responsibilities for systems development and integration, these roles have not been defined, approved, or implemented.

Unless these roles and responsibilities are formally defined, the lack of accountability for the *Postal One!* system development and integration will hinder the Postal Service's corporate goals. The Postal Service's challenge is to integrate information throughout the entire cycle of multiple business transactions, which will increase value to customers.

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**Recommendation**

We recommend the vice president, Service and Market Development; and manager, Marketing Technology and Channel Management; in coordination with the chief technology officer:

4. Define, adopt, approve, and implement roles and responsibilities for *PostalOne!* systems development and integration following the Postal Service's Integrated Solutions Methodology.<sup>6</sup>

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**Management's Comments**

Management agreed with the recommendation and stated that they have formally adopted roles and responsibilities on systems development and integration in an official Transition Plan dated August 2002. This plan includes

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<sup>6</sup> Integrated Solutions Methodology is a portal that provides a standard methodology, which includes a concept to operations lifecycle framework of five phases and deliverables.



establishing roles and responsibilities for the technical architecture and system engineering that supports systems development.

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**Evaluation of  
Management's  
Comments**

Management's actions taken or planned should correct the issues identified in the report.

<p><b>Weaknesses in Measuring and Tracking Costs and Benefits</b></p>	<p>We reviewed the initial and final approved Decision Analysis Reports for the Business Customer Support System and Transportation Management. We found weaknesses in measuring and tracking costs and benefits, specifically:</p> <ul style="list-style-type: none"> <li>• Success metrics were not defined.</li> <li>• Sensitivity analysis was not included.</li> <li>• A single finance number was used for multiple programs.</li> </ul> <p>Postal Service policy states that performance-tracking methods must be presented in support of projects.<sup>7</sup> Also, Postal Service policy requires that a sensitivity analysis be included in the Decision Analysis Report to forecast probable outcomes for major projects.<sup>8</sup> Unless the <i>PostalOne!</i> program office establishes performance-tracking methods following Postal Service policy, and ensures compliance; the project may not meet savings projected in the Decision Analysis Report.</p>
<p>Metrics to Measure Success and Sensitivity Analysis are Required</p>	<p>Our initial review of the <i>PostalOne!</i> Phase Two Business Customer Support System showed that two Decision Analysis Reports, dated September and December 2001, did not include specific metrics to measure program success nor a sensitivity analysis. In March 2002, the <i>PostalOne!</i> Decision Analysis Report was revalidated for the Board of Governor’s approval. Postal Service policies require developmental plans to include methodology and criteria to measure results, and also, require a sensitivity analysis to be included for major projects.</p> <p>Unless the Postal Service tracks the progress of <i>PostalOne!</i> Phase Two, the project may not meet its intended objectives or improve mission performance. For decision-making on capital investments, one way to evaluate project performance is to measure the project’s outcomes against the approved goals, objectives, and projected savings.</p>

<sup>7</sup> Handbook F-66B Section 2-6.10 requires methodology and criteria to measure results be included in Research and Development Decision Analysis Reports.

<sup>8</sup> Handbook F-66 Section 5-5 states that a sensitivity analysis should be included in the Decision Analysis Report backup for most major projects. The number of sensitivity analyses should be consistent with the importance of the project being evaluated.

During our audit, Capital and Program Evaluation, Revenue Assurance, and the *PostalOne!* program office determined that metrics to measure success and sensitivity analysis should be included in the revalidated Decision Analysis Report. In March 2002, the *PostalOne!* program office included these measures and sensitivity analyses in the revised Decision Analysis Report. A draft Plan to Measure Success that outlines performance measures was developed in May 2002.

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Noncompliance in Tracking and Reporting Costs

The program offices for *PostalOne!* Phase Two used finance number 68-0006 to track and report costs for the Business Customer Support System and the Transportation Management. This finance number was assigned to *PostalOne!* Phase One. Postal Service policies require costs to be tracked and reported for compliance reports<sup>9</sup> and after cost studies.<sup>10</sup> The program offices were unaware that separate finance numbers should be used for each approved Decision Analysis Report. Unless separate finance numbers are assigned to each approved Decision Analysis Report, it is difficult to track costs, report the project's progress in compliance and investment highlight reports, and perform any after-cost studies.

During our audit, the Capital and Program Evaluation performance group and *PostalOne!* program offices determined that separate finance numbers should be issued and used for the Business Customer Support System and Transportation Management programs. As a result, in accounting period 9 of Postal Service FY 2002, separate finance numbers were issued:

- 66-0706 Business Customer Support System Phase Two.
- 66-0707 Transportation Management Phase Two.

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<sup>9</sup> Handbook F66 Section 7-4.1 states that the project sponsor is responsible for ensuring that costs for all projects are tracked and reported using the appropriate Decision Analysis Reports.

<sup>10</sup> Handbook F66 Section 7-6.1 requires in part that cost data be collected continuously for 44 accounting periods to be used for after-cost studies.

<p><b>Recommendation</b></p>	<p>We recommend the vice president, Service and Market Development; and the manager, Marketing Technology and Channel Management; in coordination with the vice president, Finance, controller:</p> <p>5. Finalize success metrics and ensure they are included in the compliance reports.</p>
<p><b>Management's Comments</b></p>	<p>Management agreed with the recommendation and stated that the program office has started the work outline in the plan for establishing the program's benefit baseline.</p>
<p><b>Recommendation</b></p>	<p>6. Review costs reported under <i>PostalOne!</i> Phase One finance number 68-0006 and make necessary adjustments to transfer costs to the appropriate Phase Two finance numbers.</p>
<p><b>Management's Comments</b></p>	<p>Management agreed with the recommendation and indicated that effective accounting period 10 FY 2002, both programs started using their new finance numbers for capital expenditures. In addition, as of September 7, 2002, expense transactions are reported to their respective finance numbers.</p>
<p><b>Evaluation of Management's Comments</b></p>	<p>Management's actions taken or planned should correct the problem or resolve the issues identified in the report.</p>

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**Noncompliance with Security Certification and 508 Disability Policies**

The security certification and accreditation process for *PostalOne!* Phase Two was not initiated as required under Postal Service policies. The Business Customer Support System was not certified because program management did not define who was responsible for initiating the process. The Transportation Management did not achieve certification because management was not aware that it was required. As a result, during our site visits, we found security vulnerabilities with both systems.

The *PostalOne!* program managers submitted the Business Impact Assessments for the Transportation Management and the Business Customer Support System in January and June 2002, respectively. We noted that the Transportation Management is requesting a nonsensitive classification.

Furthermore, the Operations Facilities Module<sup>11</sup> of the Business Customer Support System, which was coded for production, was not compliant with Section 508 of the Rehabilitation Act.<sup>12</sup> The module was still under construction and was not available to internal customers. *PostalOne!* could be removed from the Postal Service web environment for noncompliance.

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**Security Certification Required and Sensitivity Classification Reconsidered**

*PostalOne!* program management did not submit the Business Impact Assessments to apply for security certification and accreditation for the *PostalOne!* Business Customer Support System and Transportation Management. We determined that program managers for *PostalOne!* and Information Platform Sales and Marketing did not define who was responsible for initiating the security certification process for the Business Customer Support System. Program management was unaware that a security certification was required for the Transportation

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<sup>11</sup> The Operations Facilities Module of *PostalOne!* is a feature that enables specific internal users at Postal Service facilities to gather and view business mail data and perform forecasting.

<sup>12</sup> Postal Service policies state that Postal Service must follow Section 508 of the Rehabilitation Act. This policy requires all federal agencies to take specific steps to make their electronic and information systems, including computer hardware, software, telecommunications equipment, and web pages accessible to persons with disabilities.

Management, since vendors and business mailers have undergone a *PostalOne!* Assignment Support System certification.<sup>13</sup>

During our site visits, we found the following security vulnerabilities:

- User accounts and passwords assigned during training were never changed and were being used to access the production systems.
- Many users were circumventing the application process for security access by not filing Postal Service Forms 1357.
- The systems did not have system administrators.

Corporate security standards<sup>14</sup> require a determination of the sensitivity and criticality of an application to assess which management, operational, and technical security controls are applicable. According to Handbook AS-805 sensitive information, if lost, could cause significant financial loss, inconvenience, or delay in performance of the Postal Service mission.

Omitting a security assessment from the security certification process could increase the likelihood of unacceptable losses. In addition, improperly classifying information could result in users not properly safeguarding information, inadequate security controls being implemented, and inadequate protection, or recovery mechanisms being designed into either the system or a related process.

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Noncompliance with Section 508	The operations facilities module under the Business Customer Support System was not compliant with Section 508 of the Rehabilitation Act. The module was under construction and was not available to internal
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<sup>13</sup> *PostalOne!* Assignment Support System is a partnering between Transportation Management vendors and business mailers to maximize benefits of *PostalOne!* through standardization, process improvements, and quality control. Partners and vendors who demonstrate through testing that facilities or systems have attained optimal operating conditions are awarded the certification.

<sup>14</sup> Postal Service’s new Handbook AS-805 requires that the Business Impact Assessment be filed to determine sensitivity and criticality levels of information resources for security certification. The handbook establishes security requirements and controls to safeguard Postal Service’s information infrastructure.

customers. However, the Business Customer Support System website was registered in the Enterprise Information Repository as compliant with Section 508 and the program office notified the Postal Service Internet Services Group that *PostalOne!* was compliant.

*PostalOne!* went into production during April 2002 and only specific users have access and view privileges to the operations facilities module. The module has been coded for production but will not be available to internal Postal Service customers until March 2003.

The Postal Service’s Section 508 Web-Accessibility Guidelines state in part that federal agencies should take specific steps to make their electronic and information systems, including computer hardware, software, telecommunications equipment, and web pages, accessible to persons with disabilities. Additionally, all web pages currently under construction must comply with Section 508 before they are posted.

Noncompliance with Section 508 of the Rehabilitation Act and related Postal Service policies limit the ability of intended users to access *PostalOne!* This could impact internal users at Postal Service facilities to gather and view business mail data and perform forecasting and delay business operations. Also, formal complaints could possibly be made and *PostalOne!* could be removed from the Postal Service web environment for noncompliance.

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<b>Audit Comment</b>	The OIG is currently conducting a Security Vulnerability Assessment on the <i>PostalOne!</i> Business Customer Support System. The results of this review will be issued in a separate report.
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<b>Recommendation</b>	<p>We recommend the vice president, Service and Market Development and the manager, Marketing Technology and Channel Management, in coordination with the Chief Technology Officer:</p> <ol style="list-style-type: none"> <li>7. Certify that the <i>PostalOne!</i> Phase Two systems comply with the new Postal Service Handbook AS-805 for security certification and retrain all system users on the new requirements.</li> </ol>
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<b>Management's Comments</b>	Management agreed with the recommendation and stated that the <i>PostalOne!</i> Business Customer Support System Business Impact Analysis for security certification was approved in June 2002. See recommendation 8 management's comments on security certification for <i>PostalOne!</i> Transportation Management.
<b>Recommendation</b>	<p>We recommend the vice president, Service and Market Development, and the manager, Marketing Technology and Channel Management, in coordination with the Chief Technology Officer:</p> <p>8. Reassess the nonsensitivity classification of the Transportation Management to ensure data integrity.</p>
<b>Management's Comments</b>	Management agreed with the recommendation and stated that the <i>PostalOne!</i> Transportation Management submitted a Business Impact Analysis for security certification requesting a nonsensitivity classification. However, in light of the OIG recommendation the <i>PostalOne!</i> team will reassess the security classification.
<b>Recommendation</b>	9. Notify the Internet Services Group once the <i>PostalOne!</i> Operations Facilities Module is compliant with Section 508 of the Rehabilitation Act.
<b>Management's Comments</b>	Management agreed with the recommendation and stated that they will notify the Internet Service Group once the Operational Facilities Module is 508 compliant, targeted for March 2003.
<b>Evaluation of Management's Comments</b>	Management's actions taken or planned should correct the problem or resolve the issues identified in the report.



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**Postal Service  
Interests Not  
Sufficiently Protected  
in Contract  
Administration**

*PostalOne!* program officials reviewed and verified invoices for payments to vendors without being designated in writing as contracting officer representatives. In addition, we determined that one program manager was not trained in contract administration. In reviewing the contract files, we found no evidence of training waivers.

The Purchasing Manual states that contracting officers may delegate authority to employees; however, delegation must be in writing and placed in the contract file. The Purchasing Manual also states that contracting officer representatives must be trained, unless they receive waivers from the contracting officer.

Since the program manager was not trained to administer contracts, the contracting officers could not guarantee that the *PostalOne!* program manager had taken all actions to ensure that vendors complied with the contract terms and the Postal Service's interests were protected.

During our audit, we discussed the above issues with *PostalOne!* program management. As a result, Postal Service officials were proactive in taking corrective action. The contracting officers for *PostalOne!* master contracts filed delegation of authority letters designating contracting officer representatives to perform certain duties, including certifying invoices for payment. In addition, in July 2002, the program manager completed the necessary training and was certified. Therefore, we are not making any additional recommendations in this area.

## APPENDIX A

### STATISTICAL ANALYSIS OF QUESTIONNAIRE FOR *PostalOne!* PHASE TWO

#### **Purpose of the Sampling**

One of the objectives of this audit was to determine whether the Postal Service Business Customer Support System and the Transportation Management are meeting customer needs, particularly in problem areas identified in prior work by the OIG. In support of this objective, the audit team employed a questionnaire to collect information from mailers in the two programs.

#### **Definition of the Audit Universe**

The audit universe of active participants in the Business Customer Support System consists of 45 customers as of January 2002. Postal Service management provided the universe data.

The audit universe of active participants in the Transportation Management consists of 51 customers as of January 2002. Postal Service management provided the universe data.

#### **Analysis Plan and Modifications**

Because of the small number of active participants in the two programs, the audit team attempted to obtain responses from all participants. All Business Customer Support System sites were sent a message informing them of the purpose of the questionnaire.

The 45 Business Customer Support System mailers was initially contacted by electronic mail. After the first set of 28 responses were received, we determined that six mailers on the universe list were actually all the same, as a single individual responded identically for all six. Therefore, the universe was reduced to 40 separate entities and the number of responses counted as 23. By additional follow up, three more responses were obtained by e-mail. For on-site follow-up of nonresponses, the team visited five sites selected from those who did not respond to the e-mail questionnaire. At the end of the data collection, nine nonresponses remained in the audit universe of 40.

The team attempted to contact all 51 Transportation Management customers by telephone. They obtained 30 responses. Four active users who did not respond to the telephone survey were randomly selected for review based on audit limitations related to travel and time required for interviews.

## **Analysis and Projections**

### **Methodology**

For the Business Customer Support System survey, the responses were analyzed using the formulas for estimation of the population proportion for a simple random sample, as described in Elementary Survey Sampling, Scheaffer, Mendenhall, and Ott, c.1996. We used a 95 percent confidence for the probability interval for the responses. This approach is not unbiased, however, because the respondents were self-selecting, as is typically the problem in surveys of this type. Therefore, use of the point estimate and the upper and lower bound based on responses presumes that nonrespondents would have answered similarly to respondents. Our analysis of the follow up to original nonresponses indicates that such an assumption might be acceptable for some of the survey questions but was not generally valid.

Therefore, because the number of nonresponses had been reduced to nine, we considered the maximum effects possible from the remaining nonresponses by calculating logical bounds as extremes: what the results would have been if all nine nonresponses had gone the same way, either all “positive” or all “negative.”

In all cases, the actual number of responses in a given category was allowed to override a calculated bound.

For the Transportation Management responses, no projections were made because of the large number of nonresponses and the inability to get sufficient follow-up data to analyze the nonresponse pool. The data presented in the text are limited to the responses obtained.

## Results for Business Customer Support System Survey

### A. Web Applications Rating

#### Business Customer Support System Web Applications Rating

Attribute and rating		Number of responses in survey	Projection point estimate	Lower bound based on responses	Upper bound based on responses	Logical lower bound	Logical upper bound
System reliability	Good or excellent	18	58%	49%	67%	45%	68%
	Fair or poor	5	16%	13%	23%	13%	35%
User friendliness	Good or excellent	22	71%	63%	78%	55%	78%
	Fair or poor	4	13%	10%	19%	10%	33%
Information content	Good or excellent	19	61%	53%	70%	48%	70%
	Fair or poor	6	19%	15%	26%	15%	38%
Accessibility of information	Good or excellent	19	61%	53%	70%	48%	70%
	Fair or poor	5	16%	13%	23%	13%	35%
Documentation	Good or excellent	20	65%	56%	73%	50%	73%
	Fair or poor	3	10%	8%	15%	8%	30%
Timeliness of system changes/upgrades	Good or excellent	17	55%	46%	64%	43%	65%
	Fair or poor	7	23%	18%	30%	18%	40%
Training	Good or excellent	11	35%	28%	44%	28%	50%
	Fair or poor	14	45%	36%	54%	35%	58%
Customer Assistance/Help Desk	Good or excellent	18	58%	49%	67%	45%	68%
	Fair or poor	5	16%	13%	23%	13%	35%
Overall, has PostalOne! Business Customer Support System proven beneficial to your company	Very beneficial	8	26%	20%	34%	20%	43%
	Somewhat beneficial	11	35%	28%	44%	not calculated	not calculated
	Not beneficial	2	6%	5%	12%	5%	28%

[Results do not necessarily add to 100 percent in a given response category because some respondents left answers blank.]

## B. Communication Ratings

### Business Customer Support System Communication Ratings

Attribute and rating		Number of responses in survey	Projection point estimate	Lower bound based on responses	Upper bound based on responses	Logical lower bound	Logical upper bound
Feedback from program office	Good or excellent	14	45%	37%	54%	35%	58%
	Fair or poor	9	29%	23%	38%	23%	45%
Teleconferences	Good or excellent	13	42%	34%	50%	33%	55%
	Fair or poor	7	23%	18%	34%	18%	44%
Email notifications	Good or excellent	12	39%	30%	47%	30%	53%
	Fair or poor	9	29%	23%	38%	23%	45%
Web Page notes	Good or excellent	17	55%	46%	63%	43%	65%
	Fair or poor	5	16%	13%	31%	13%	35%
Help Desk	Good or excellent	16	52%	43%	60%	43%	63%
	Fair or poor	7	23%	18%	34%	18%	40%

## APPENDIX B. MANAGEMENT'S COMMENTS



October 9, 2002


RONALD D. MERRYMAN  
ACTING ASSISTANT INSPECTOR GENERAL FOR eBUSINESS

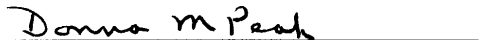
SUBJECT: Transmittal of Response to Draft Audit Report – *PostalOne!*® Phase Two  
(Report Number DA-AR-02-DRAFT)


Attached are the responses to the Draft Audit Report issued by your office. Each of the participating organizations in the *PostalOne!* program identified in the report have contributed, reviewed, and are in concurrence with the responses.

If you have any questions or require additional information, please contact Larry Goodman at (703) 292-3981.

  
John R. Wargo  
Vice President, Service and Market Development

*cc*   
Charles E. Bravo  
Senior Vice President, Chief Technology Officer

  
Donna M. Peak  
Vice President, Finance, Controller

  
Michele Denny, Manager  
Marketing Technology and Channel Management

Attachments

cc: Anita Bizzotto  
Richard J. Strasser, Jr.  
Keith Strange

Responses to OIG Report DA-AR-02-DRAFT

**Recommendation (1)**

Implement the formal communication process recommended in our *PostalOne!*® Phase One audit and notify business mailers in a timely manner of system availability, upgrades, training, and added functionalities.

**Response:**

Agree. The *PostalOne!* program has implemented several key initiatives (short-term and long-term) to formalize and improve communications with our customer base to notify them of system availability, upgrades, and added functionalities. Our short-term solution includes the following:

- Hosting weekly teleconference calls with interested customers.
- Implementing technology that allows the *PostalOne!* program office to make timely content changes on *PostalOne!*'s Home Page for notifications.
- Communicating upgrades and new functionalities to customers via the web site's "Future Releases" and "News" links from the Home Page.
- Allowing more time between initial notification of a change and implementing the change.

The program's long-term solution was to staff a group responsible for *PostalOne!* communication and develop a comprehensive communications plan. Three communication professionals staff this group. Currently they are working on short-term communication efforts such as a comprehensive *PostalOne!* File Transfer Guide, but will develop and implement the long-term communication plan.

**Recommendation (2)**

Obtain and review Memphis help desk reports according to Service Level Agreements (SLA).

**Response:**

Agree. At the time of the audit the Memphis help desk was providing most but not all reports specified in the SLA. Within two weeks of the Office of Inspector General's (OIG) visit to the Memphis help desk, that situation was corrected and today we have in place a system that captures all required reports. The program office reviews the reports weekly to determine what, if any, management actions are necessary to address system performance or other problems/issues submitted.

**Recommendation (3)**

Establish a formal agreement with vendors to require reporting of operational and system issues.

**Response:**

Agree. *PostalOne!* Transportation Management recently awarded contracts for additional shipping systems. These contracts require help desk support for operational and system issues; however, the contracts do not stipulate reporting periodicity. During vendor contract award conferences, reporting requirements and periodicity were reviewed. These agreements will be formalized per the attached agreement (TM\_RPT.doc).

## Responses to OIG Report DA-AR-02-DRAFT

**Recommendation (4)**

Define, adopt, approve, and implement roles and responsibilities for *PostalOne!* system development and integration following Postal Service's Integrated Solutions Methodology.

**Response:**

Agree. *PostalOne!* managers and the Chief Technology Officer (CTO) Organization recognized this need prior to this finding and have formally adopted the roles and responsibilities (see attached document ROLES.doc) for the system's development, and the technical architecture and system engineering (needed to support the systems development) in an official Transition Plan and partnership completed and agreed to in August 2002. Under the Transition Plan, the CTO IP Sales and Marketing group (headed by Carole Koehler) will take the lead with regard to:

1. Defining the Technical Architecture and System Engineering (TASE)
2. Coordinating all IT Support funded within Corporate Field Accounting System (CFAS)
3. Managing/coordinating Core Processes and Compliance under the Integrated System Methodology (ISM) model

As such the CTO Team will ensure that *PostalOne!* will integrate with and complement the Information Platform as well as support and comply with the standards and technical architecture model/methodology set by the Corporate Enterprise Architect. The *PostalOne!* Core Process and Compliance team under the CTO Organization will also ensure full compliance with the ISM (included in the *PostalOne!* master project plan).

**Recommendation (5)**

Finalize success metrics and ensure they are included in the compliance reports.

**Response:**

Agree. Consistent with the existing policies and procedures as defined in the F-66 (*Investment Policies and Procedures*), metrics to measure the performance of the *PostalOne!* Phase Two, Business Customer Support Systems (BCSS) Decision Analysis Report (DAR) were reviewed and included in the DAR and the backup documentation. Also consistent with these policies and procedures, these metrics will be reviewed and reported as appropriate. The BCSS program office has started the work outlined in the plan for establishing the program's benefit baseline.

**Recommendation (6)**

Review costs reported under *PostalOne!* Phase One finance number 68-0006 and make the necessary adjustments to transfer costs to the appropriate Phase Two finance numbers.

**Response:**

Agree. Consistent with the F-66, *Investment Policies and Procedures*, during the development and testing phase of *PostalOne!*, the Transportation Management and BCSS elements were part of the *PostalOne!* Phase One, Development and Testing DAR. Therefore, it was appropriate for them to be under one finance number as the system development and testing covered both functions.

In the second phase, the BCSS and Transportation Management projects were determined to be separate and distinct DARs, approved accordingly, and reported under separate finance numbers under the *PostalOne!* umbrella.



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Responses to OIG Report DA-AR-02-DRAFT

Effective AP10-2002 both programs started using their new finance numbers for capital expenditures. Attached are copies of FACTS Summary Reports (FACTSREP.max) for each finance number showing activity of capital transactions. As of September 7, 2002, expense transactions are reported to their respective finance numbers.

**Recommendation (7)**

Certify that the *PostalOne!* Phase Two systems comply with the new Postal Service *Handbook AS-805* for security certification and retrain all system users on the new requirements.

**Response:**

Agree. The Certification Accreditation (C&A) process for *PostalOne!* Phase One, BCSS, was completed April 2002 and signed by Robert Otto and John Wargo. See attached accreditation letter, ACCRLT.max

The C&A process for *PostalOne!* BCSS Phase Two, led by the CTO IP Sales and Marketing group, has been initiated. The Business Impact Analysis was completed in June 2002 and an ISA kick-off meeting was completed in August 2002. See attached BIA document P2\_BIA.max.

**Recommendation (8)**

Reassess the non-sensitivity classification of the Transportation Management System to ensure data integrity.

**Response:**

Agree. *PostalOne!* Transportation Management conducted a Business Impact Assessment of *PostalOne!* Shipping Systems per the attached document (TM\_BIA.max). The result of this assessment was a non-sensitive classification since: (1) The systems will receive all air and surface assignment directly through S-AMS, a separate information platform system with its own security requirements, (2) Similar to other mail processing equipment located in mailer's facilities (e.g., bar code sorters), mailers may purchase systems without Postal Service approval if desired, and (3) Vendors and business mailers have undergone *PostalOne!* Assignment Support System (PASS) certification testing. However, in light of the OIG's recommendation, the *PostalOne!* Team will reassess the security classification.

**Recommendation (9)**

Notify the Internet Services Group once the *PostalOne!* Operational Facilities Module is compliant with Section 508 of the Rehabilitation Act.

**Response:**

Agree. At the time the audit was conducted the Operational Facilities Module was not 508 compliant. However, that software was (and still is) operating in a pilot/test mode where it is not accessible by or for production users. We will notify the Internet Service group once the Operational Facilities Module is 508 compliant (targeted for March 2003) and the preparations are made to move it into production.