



OFFICE OF **INSPECTOR GENERAL**

UNITED STATES POSTAL SERVICE

Fiscal Year 2014 Statistical Tests Reviews

Management Advisory Report

Report Number
FT-MA-15-005

April 13, 2015



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Data collection technicians did not always conduct system tests in accordance with set procedures.

Background

The Postal Accountability and Enhancement Act of 2006 requires the U.S. Postal Service to report its annual revenue and mail volume to the Postal Regulatory Commission. The Origin-Destination Information System-Revenue, Pieces, and Weight is a continuous, national probability statistical sampling system that provides statistical estimates of destinating mail revenue, volume, and weight. The Postal Service uses the data to develop new postage rates, conduct studies, prepare its budget, and support decisions on mail operations.

As part of this process, data collection technicians conduct statistical mail tests. The tests include sampling live mail and collecting data to estimate stamp use to calculate postage bought by the public, but not used.

The U.S. Postal Service Board of Governors contracted with an independent public accounting firm to express opinions on financial statements and internal controls over financial reporting. The independent public accounting firm uses the Origin-Destination Information System-Revenue, Pieces, and Weight report to support its opinions. The U.S. Postal Service Office of Inspector General coordinates audit work with the independent public accounting firm to ensure adequate coverage.

Our objective was to determine whether the Postal Service conducted statistical mail tests in accordance with established policies and procedures.

What The OIG Found

Data collection technicians did not always conduct system tests in accordance with set procedures. In three of 15 districts reviewed, we identified four exceptions associated with two key financial reporting controls. Specifically, technicians did not always:

- Properly enter or verify information keyed into the laptop computer (three).
- Properly identify, isolate, and capture test mail (one).

These issues are similar to those previously reported. In response to our prior report, management began providing updated quarterly and individualized training to staff and managers on sampling methodology policies and procedures. When data collectors do not properly collect or report test data, there is increased risk management relies on incorrect data to support decisions concerning mail operations.

What The OIG Recommended

Management has begun providing updated training to applicable personnel on sampling methodology policies and procedures and is updating all statistical programs handbooks. These actions are ongoing. Accordingly, we are not making any recommendations.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 13, 2015

MEMORANDUM FOR:

STEVEN R. PHELPS
MANAGER, REGULATORY REPORTING
AND COST ANALYSIS

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota".

FROM:

John E. Cihota
Deputy Assistant Inspector General
for Finance and Supply Management

SUBJECT:

Management Advisory Report – Fiscal Year
2014 Statistical Test Reviews
(Report Number FT-MA-15-005)

This report presents the results of our review of Fiscal Year 2014 Statistical Test Reviews (Project Number 14BR002FT000).

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

Attachments

cc: Julie S. Moore
Corporate Audit and Response Management

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Findings

Our objective was to determine whether the Postal Service conducted statistical Origin-Destination Information System-Revenue, Pieces, and Weight (ODIS-RPW) tests to collect revenue and volume data in accordance with established policies and procedures.

Introduction

This report presents the results of our review of the U.S. Postal Service's Fiscal Year 2014 Statistical Test Reviews (Project Number 14BR002FT000). Our objective was to determine whether the Postal Service conducted statistical Origin-Destination Information System-Revenue, Pieces, and Weight (ODIS-RPW) tests to collect revenue and volume data in accordance with established policies and procedures. See [Appendix A](#) for additional information about this review.

The Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006)¹ requires the Postal Service to report annual costs, revenue, volume, and quality of service to the Postal Regulatory Commission (PRC). To meet this requirement, the Postal Service uses the Revenue, Pieces, and Weight (RPW) report, a required PRC document under the Postal Act of 2006, for product and extra service revenue, volume, and weight reporting information. RPW reporting combines information from many sources. The majority of product revenue and volume comes from census-type systems such as PostalOne! and Point-of-Sale (POS) where complete information is available. Also contributing to product reporting are data from ODIS-RPW. ODIS-RPW is a continuous, national probability statistical sampling system that provides statistical estimates of destinating mail revenue, volume, and weight. RPW uses ODIS-RPW estimates of single-piece mail such as for stamps, where there are no system data that can provide the needed information.

Management uses test data to develop new rates, prepare its budget, conduct studies, and support decisions concerning mail operations. Data collection technicians (data collectors) observe employee work activity, sample live mail, and collect data at randomly selected sites. They record the information on Computerized On-Site Data Entry System (CODES)² laptop computers and transmit it for review. The data collectors record various mailpiece characteristics, such as revenue, weight, shape, indicia,³ barcode, postmark date, origin, and mail class. As part of this process, the Postal Service also relies on Statistical Programs⁴ sample data to estimate revenue and estimate stamp use when calculating postage in the hands of the public (PIHOP).⁵

The U.S. Postal Service Board of Governors contracted with an independent public accounting (IPA) firm to express opinions on financial statements and internal controls over financial reporting. The IPA firm uses ODIS-RPW as one source of information to support its integrated audit of the financial statements and internal controls over financial reporting and maintains overall responsibility for testing and reviewing significant Postal Service accounts and processes. The U.S. Postal Service Office of Inspector General (OIG) coordinated audit work with the IPA firm to ensure adequate coverage.

The IPA firm requested the OIG to stop performing ODIS-RPW test reviews during Quarter (Q)3, fiscal year (FY) 2014, since management made the decision to go into remediation. Management made this decision based upon the need to better define the overall suite of RPW controls. Management evaluated and revised the ODIS-RPW suite of controls, implementing additional headquarters-level controls to strengthen the effectiveness of the control environment. In Q4, the IPA firm requested the OIG to resume its ODIS-RPW test reviews considering this new control design.

1 Public Law 109-435, enacted December 20, 2006.

2 A computerized data entry system that uses portable computers to record data for statistical programs that are designed to attribute costs to and report revenue, pieces, and weight for each mail class and product.

3 Imprinted designation and markings on the mail that denotes postage payment. It includes permit imprint, metered postage, PC Postage® products, and postage stamps.

4 The Statistical Programs group provides statistically reliable, accurate, and timely estimates of revenue, volume, cost, and transit time for domestic and international mail.

5 The process of deferring the recognition of revenue when postage has been purchased, but where services have not yet been provided.

The Postal Service did not always conduct statistical ODIS-RPW tests according to established policies and procedures.

Conclusion

The Postal Service did not always conduct statistical ODIS-RPW tests according to established policies and procedures. We observed 45 tests of two key financial reporting controls in 15 districts. As shown in Figure 1, we identified four exceptions within four tests in three districts.

Figure 1: Summary of Issues Found

Key Financial Reporting Control	District Where Exceptions Identified			
	District 1	District 2	District 3	District 4
Control 801CA041	1	1	1	1
Control 801CA040	1	1	1	1
Control 801CA041	1	1	1	1
Control 801CA040	1	1	1	1

[Redacted]

Source: OIG analysis.

When data collectors do not properly collect or report test data, there is an increased risk management relies on incorrect data to support decisions concerning mail operations.

These issues are similar to those previously reported. In response to OIG’s FY 2013 recommendations,⁹ management began providing updated quarterly and individualized training to district and area staff, including Financial Programs Compliance managers and Statistical Programs supervisors, on sampling methodology policies and procedures.¹⁰ Management stated this training is ongoing. According to management, they periodically provide national webinars to field management and stand-up talks for data collectors alerting them to errors discovered by OIG and other reviewers. Further, we determined the four data collectors associated with the issues reported completed the required training and management conducted an additional process review for

6 Control 801CA041 - For each ODIS-RPW test, the data collector must apply the container subsampling process, resulting in the correct number of test receptacles and accurately record First-Class® single piece sampled mail pieces in the CODES laptop computer.
7 Control 801CA040 - For each ODIS-RPW test, the data collector must confirm the test mail has been identified and isolated in accordance with the mail exit point description and special instructions.
8 These exceptions did not materially affect national estimates.
9 *Fiscal Year 2013 Statistical Test Reviews* (Report Number [FT-MA-14-007](#), dated March 7, 2014).
10 For example, the training now includes considering the results of OIG ODIS-RPW reviews.

We identified three instances where the data collector did not properly enter or verify information keyed into the CODES laptop computer.

We found one instance where the data collector did not properly identify, isolate, and capture test mail in accordance with policies and procedures for missent mail

three data collectors. Finally, management is continuously updating all statistical programs handbooks and posts the most current guidelines on the Postal Service website.

Accordingly, we are not making any recommendations at this time. Thus, management chose not to formally respond to this report. We will continue to monitor these issues as part of our ongoing ODIS-RPW work.

Random Start/Skip Interval and Computerized On-Site Data Entry System Data Entry

We identified three instances where the data collector did not properly enter or verify information keyed into the CODES laptop computer.¹¹ Specifically:

- A data collector entered a \$1 stamp affixed on a First-Class Mail® mailpiece as a Forever Stamp valued at 46 cents.
- A data collector did not identify or enter two First-Class Mail mailpieces as missent and, therefore, overstated the Forever Stamp mail volume.
- A data collector did not identify and capture a First-Class Mail letter that should have been included in the sample.

As data collectors enter the information into the CODES laptop computer, a record of each entry appears on the right side of the screen. Postal Service policy requires that after all the data for a mailpiece has been entered, the data collector must verify the information is correct by answering the questions prompted by the CODES laptop computer. In addition, it states that before entering any mailpiece data, it is critical to correctly identify the class of mail and mail markings on each mailpiece selected for testing.¹² Data collectors stated data entry errors occurred because the value of a stamp was misclassified because of its date, missent pieces were overlooked, and a mailpiece was overlooked because it was stuck to another mailpiece.

Identification/Isolation of Mail

We found one instance where the data collector did not properly identify, isolate, and capture test mail¹³ in accordance with policies and procedures for missent mail.¹⁴ Specifically, the data collector included two containers of missent mail in the ODIS-RPW test; however, the data collector did not record the mailpieces as missent in the CODES laptop computer, as required. This occurred because the data collector did not verify the ZIP Codes on the containers prior to selecting mailpieces.

According to Postal Service policy, the data collector identifies, isolates, counts, samples, and records the necessary mailpieces.¹⁵ Also, when containers of missent mail cannot be excluded before applying the skip intervals at the beginning of a test, or the beginning of a dispatch within a test, they must be included in the counting process when selecting mailpieces using mailpiece skip subsampling or container skip subsampling and recorded as missent.

¹¹ Control 801CA041.

¹² Handbook F-75, *Data Collection User's Guide for Revenue, Volume, and Performance Measurement System – Draft*, Section 5.3, updated September 2014.

¹³ Control 801CA040.

¹⁴ Postal Service management considers this a recording issue. We coordinated this issue with the IPA firm.

¹⁵ Handbook F-75, Chapter 3.

Recommendations

We are not making any recommendations at this time.

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Appendix A: Additional Information

Background

The Postal Act of 2006 requires the Postal Service to report annual costs, revenue, volume, and quality of service to the Postal Regulatory Commission. To meet this requirement, the Postal Service uses the RPW Report, a required PRC document under the Postal Act of 2006, for product and extra service revenue, volume, and weight reporting information. RPW reporting combines information from many sources. The majority of product revenue and volume comes from 'census' type systems such as PostalOne! and POS where complete information is available. Also contributing to product reporting are data from ODIS-RPW. ODIS-RPW is a continuous, national probability statistical sampling system that provides statistical estimates of destinating mail revenue, volume and weight. RPW uses ODIS-RPW estimates of single-piece mail such as for stamps, where there are no system data that can provide the needed information. The Postal Service uses this data to develop new rates, prepare its budget, conduct management studies, and support management decisions concerning mail operations.

The ODIS-RPW test requires data collectors to select mailpieces systematically for tests using random starts and mailpiece/container skip intervals for mail available on a randomly selected day. Data collectors observe employee work activity, sample live mail, collect data at randomly selected sites, record the information on CODES laptop computers, and transmit the data for review. In addition, the data collectors record various mailpieces characteristics, such as revenue, weight, shape, indicia, barcode, postmark date, origin, and mail class. As part of this process, the Postal Service relies on Statistical Programs' sample information to estimate revenue and to estimate stamp use when calculating PIHOP.

Information collected from tests is uploaded to the CODES, which resides on the mainframe at the Computer Operations Service Center in San Mateo, CA. Finance uses ODIS-RPW sample data to prepare the RPW report, which is the official summary of postal revenue, volume, and weight.

The Financial Programs Compliance managers¹⁶ handle the day-to-day operations of Statistical Programs, ensuring employees are trained to properly collect the data. The Statistical Programs supervisors help the managers coordinate and monitor training requirements, and administer unit data collection activities. In addition, they review data collectors' work to ensure they are properly performing all tests they regularly execute. Management reviews data collectors with less than 1 year of experience in a program at least twice during their first year in that program. In addition, management reviews data collectors with more than 1 year of experience in a program at least once during the fiscal year.

Management is also responsible for initiating action for any improvement opportunities noted during the reviews. Once a process review is completed, the reviewer must enter the results into the Process Support and Tracking System. This system provides reports that are used to identify training opportunities.

The IPA firm requested the OIG to stop performing ODIS-RPW test reviews during Q3, FY 2014, since management made the decision to go into remediation. Management made this decision based upon the need to better define the overall suite of RPW controls. Postal Service management evaluated and revised the ODIS-RPW suite of controls, implementing additional headquarters-level controls to strengthen the effectiveness of the control environment. In Q4, the IPA firm requested the OIG to resume its ODIS-RPW test reviews considering this new control design.

¹⁶ The role of the Financial Programs Compliance manager is to conduct statistical programs tests, analyze data and information, and conduct training and process review activities.

Objective, Scope, and Methodology

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

The IPA firm judgmentally selected 45 ODIS-RPW tests, three at each of 15 randomly selected districts.¹⁷ To achieve our objective, we performed site visits to various mail facilities to observe data collectors perform statistical ODIS-RPW tests. We observed 43 data collectors¹⁸ select mail to be tested and record various mailpiece characteristics into the CODES laptop computer. We also interviewed statistical programs management and the data collectors performing the selected tests. In addition, we reviewed the reports for each test provided by management.

Due to the deficiency identified previously, we did not conduct any work in Q3. We considered management's remediation efforts and discussed potential issues with the IPA firm to determine their significance.

We conducted this review from November 2013 through April 2015, in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We did not assess the reliability of the ODIS-RPW data and did not rely on the data for the purposes of this report. The IPA firm performs independent testing to validate testing results. We believe the evidence obtained provides a reasonable basis for our findings and conclusions. We discussed our observations and conclusions with management on March 17, 2015, and included their comments where appropriate. Management chose not to respond formally to this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Fiscal Year 2013 Statistical Test Reviews</i>	FT-MA-14-007	3/7/2014	None
Report Results: Our report found that data collection technicians did not always conduct system tests in accordance with set procedures. We identified 16 test errors in 10 of 45 tests we observed. Specifically, technicians did not always follow and apply the appropriate test mail sampling methodology or correctly enter and verify all data entered into their laptop computers. In addition, data collection technicians did not properly identify, isolate, and capture test mail. Further, we identified four instances where data collection technicians did not protect their laptop computers. Management agreed with our recommendations to continue training on sampling methodology policies and protecting data collection equipment and complete and issue revisions of all statistical programs handbooks.			
<i>Statistical Tests for Fiscal Year 2012</i>	FT-MA-13-009	2/19/2013	None
Report Results: Our report found that data collectors did not always properly identify, isolate, and capture test mail or follow and apply the appropriate test mailing sampling methodology. We identified 22 test errors in 13 of 45 tests we observed. In addition, the data collectors did not label test mail to ensure it was isolated from mail processing until the test was completed and did not correctly enter and verify all data entered into their laptop computers. Further, data collectors did not protect their laptop computers during tests. Management agreed with our recommendations to reinforce, through training, proper data collection methods and the importance of protecting data collection laptop computers.			

¹⁷ The ODIS-RPW tests can be conducted at different types of postal facilities, such as a Post Office or processing plant.

¹⁸ In two districts we observed the data collector conduct two tests.



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