



### ***IMPACT ON:***

The allocation of mail processing costs to U.S. Postal Service products and the reliability of Postal Service cost avoidance estimates.

### ***WHY THE OIG DID THE AUDIT:***

Our objectives were to determine the impact Management Operating Data System (MODS) data would have on MODS-based productivities and their associated cost avoidance models and the attribution of mail processing costs to Postal Service products.

MODS is an operations system that measures productivity by matching employee workhours with mail volume using a series of operation numbers that identify what work was performed.

### ***WHAT THE OIG FOUND:***

Additional steps are needed to provide more accurate mail processing and cost avoidance estimates. Management should focus corrective actions on those MODS operation numbers and facilities that are creating the most significant number of MODS errors. In addition, management can improve data quality review procedures and use alternative methodologies to further minimize the effect of MODS errors. We analyzed the impact of alternative methodologies on two cost avoidance models, and estimated the revised workshare discounts could have resulted in \$86.8 million in reduced workshare discounts and increased revenue. Using

accurate MODS data in mail processing variability studies would have a significant impact on costs attributed to postal products. As a result, some products that are currently identified as not covering their attributable costs (underwater products) could actually be covering costs, and vice versa.

### ***WHAT THE OIG RECOMMENDED:***

We recommended the Postal Service develop a monthly report identifying MODS operation numbers and facilities with frequent errors, expand current reports to include observations that exceed automated and manual capabilities, and implement controls within MODS that enforces the requirement for facility managers to correct MODS errors. We also recommended management correct MODS errors at facilities and evaluate whether alternate quality assurance procedures would provide more reliable results.

### ***WHAT MANAGEMENT SAID:***

Management concurred with our findings and recommendations but disagreed with our calculation of monetary benefits.

### ***AUDITORS' COMMENTS:***

The U. S. Postal Service Office of Inspector General considers management's comments to be responsive to the recommendations, and corrective actions should resolve the issues identified in this report.