December 18, 2003

WILLIAM P. GALLIGAN
ACTING VICE PRESIDENT, DELIVERY AND RETAIL

SUBJECT: Management Advisory – Self Service Platform
(Report Number DA-MA-04-001)

This report presents the results of our review of the Self Service Platform (Project Number 03BG066DA000). The report responds to a request from the Board of Governors to review the functional capabilities of the Self Service Platform. The Self Service Platform was designed to offer customers a broader range of Postal Service products, services, and information through a state of the art smart vending platform with convenient and reliable access 24 hours a day, 7 days a week.

Background

Development of the Self Service Platform began in 1999. The Postal Service completed the proof of concept phase in December 1999 with the deployment of the Self Service Platform prototype, the Automated Postal Center.[1] The prototype was deployed for market testing at 30 locations in Orlando, Florida. Over a 4-month period, the prototypes were evaluated in both Postal Service and non-Postal Service locations. The results of this market test validated customer acceptance and usage.

The Board of Governors authorized funding of $95.4 million for the design, development, production, and deployment of the Self Service Platform. This amount includes the purchase of 2,506 full service Self Service Platforms, 2,500 for Postal Service sites and six for training. The funding also includes the field infrastructure necessary to service, maintain, and remotely monitor transaction data. It also provides an automated data interface for accounting and other data requirements.

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[1] The Automated Postal Center was developed in 1999 to develop deployment criteria and validate the field support infrastructure required for national deployment of the Self Service Platform. The purpose was to validate machine functionality in light of retail's objectives, establish site selection criteria for deployment, develop support infrastructure needed to ensure a smooth launch, and document the benefits and validate the sales potential through market testing.

The Decision Analysis Report states the Self Service Platform will provide Postal Service customers with automated access to a full line of products and services in a 40-inch wide by 38-inch deep kiosk. It will also provide convenient access to many premium delivery services such as Express and Priority Mail. In addition it will also provide weighing and rating capability for letters, flats, and packages up to 70 pounds, with convenient, reliable access 24 hours a day, 7 days a week.

The Postal Service intends to incorporate the Self Service Platform into their information technology infrastructure. Communication connectivity for the Self Service Platform will interface with the existing telecommunications network either directly or through a dial-up connection. Presently Automated Postal Center pilot sites transmit daily, selected transaction data via the Vending Activity Reporting System server, which is used to automatically prepare a daily financial report. The report is then transmitted to the Standard Accounting for Retail-Retail Accounting system. At the time of our review, the Self Service Platform infrastructure was not available for observation or validation testing.

The Transformation Plan states, "In today's economy, creating customer value means both improving quality and affordability of products and services and providing the ability to access and use these products and services at times and places that are most convenient to the customer." It further states, "retail and products and services are the main areas of growth in the Postal Service."

Based on the approved Decision Analysis Report, First Article testing was supposed to begin in October of 2003. Our review revealed the Self Service Platform deployment has been delayed until April 2004. The First Article Test will be conducted in January 2004. The Postal Service delayed the First Article Test and deployment due to delays in negotiating contract award.

Automated Postal Center

Objectives, Scope, and Methodology

The objective of this audit was to evaluate the functional capabilities of the Self Service Platform. Survey work was conducted at Postal Service Headquarters and Central Florida pilot sites. The scope of this review included interviews, market test results, data review, and visits to 11 Central Florida pilot sites.

We conducted interviews with appropriate Postal Service Customer Service and Retail personnel concerning both the prototype and the deployed version of the Self Service Platform. We reviewed applicable policies and procedures and other pertinent information deemed necessary to determine if the Self Service Platform creates a new, low-cost alternative and moves simple transactions away from the post office counter.

This review was conducted from May through December 2003 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

We did not identify any prior audits or reviews related to the objective of this review.

Results

We reviewed the existing prototype Automated Postal Center, and determined it met Retail's four objectives to provide customers with convenient access, reduce customer-waiting time in line, reduce the cost of selling Postal Service products, and provide easier customer access to premium products. Feedback from the market testing performed by three different contractors provided positive responses from Postal Service customers. Our site visits also included favorable responses from both Postal Service customers and employees.

Even though Retail met their four objectives, we identified three areas of concern. These areas include lobby mailbox collection, identification of Express Mail acceptance times, and ability to provide universal service regarding language options.

Overflowing Collection Boxes

During our review of 11 field sites in Orlando, Florida, we observed one prototype collection box that was overflowing because prototype Automated Postal Center collection boxes were not empted during high volume times. Consequently, Automated Postal Center customers left their letters, flats, or parcels unsecured in post office lobby areas, which increased the risk of theft or damage.

The <u>Postal Operations Manual</u>, Issue 9, Section 313.1, dated July 2002 states collection services must function efficiently. Section 313.1d states offices need to review operations continually to make modifications as justified by changing conditions.

These procedures do not incorporate specific operating instructions concerning the new Automated Postal Center collection boxes in post office lobbies.

Recommendation

 We recommend the acting vice president, Delivery and Retail:

1. Develop specific operating instructions concerning the new Self Service Platform collection boxes in post office lobbies that are in accordance with collection policy.

Management's Comments

Management agreed with the recommendation and will include specific operating instructions in the Automated Postal Center guidelines and procedures for post office personnel to monitor collection box volumes to avoid overflow conditions. Final language will be completed by April 2004.

Management's comments, in their entirety, are included in the appendix of this report.

Evaluation of Management's Comments

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

Express Mail Acceptance Times

Our observations of the Automated Postal Centers revealed there is no capability to document acceptance times of Express Mail. Acceptance times are necessary to determine if refunds are appropriate. The <u>Domestic Mail Manual</u>, Issue 58, D500.1.6, dated August 10, 2003, states an Express Mail refund request must be made within 90 days after the date of mailing as shown in the "Date In" box on Express Mail label. In addition, Handbook PO 610, <u>Signature Capture and Electronic Record Management: Manager's Guide to Standard Operating Procedures</u>, Exhibit 2-6b, states the acceptance time starts when the mailpiece is scanned.

When purchased at an Automated Postal Center, the Express Mail purchase receipt shows the purchase time, not the acceptance time. The Automated Postal Center customer is not given documentation of the scanned acceptance time. As a result, the Postal Service may experience dissatisfied customers and issue inappropriate refunds

because the current design of the Automated Postal Center does not identify the time of mailpiece acceptance or guaranteed time of delivery.

Recommendations

We recommend the acting vice president, Delivery and Retail:

2. Reiterate standard policy to retail associates regarding proof required for the new Self Service Platform Express Mail refunds.

3. Develop a sign that explains actual acceptance time.

Management's Comments

Management agreed that cutoff time for Express Mail acceptance must be clearly stated. Three procedures will be employed:

- Retail Associates will follow the Express Mail refund process for Automated Postal Center as outlined in Handbook F1, Post Office Accounting Procedures, November 1996 and updated with Postal Bulletins.

- Express Mail cutoff times are part of Automated Postal Center functionality.

- Automated Postal Center will display cutoff acceptance times.

Evaluation of Management's Comments

Management's actions taken or planned are responsive to recommendations 2 and 3 and should correct the issues identified in the report.

Universal Service

The review revealed the prototype Automated Postal Center did not provide multi-lingual service to a diverse population and did not address the special needs of some communities. The Diversity Development Policy Memo, United States Postal Service Policy on Diversity, dated August 27, 1998, states in order for the Postal Service to meet the needs of our diverse customers, they will eliminate barriers and create products and services relevant to our diverse communities with a goal of increasing customer satisfaction, ease of use, and revenue.

The Automated Postal Center offered English as the sole language in which to conduct transactions and provide Postal Service information. Consequently, Delivery and Retail may not meet their stated strategy of optimizing their retail network. Additionally, the Automated Postal Center's potential revenue may not be realized.

Recommendation

We recommend the acting vice president, Delivery and Retail:

4. Evaluate whether alternative language options should be added to ensure the needs of our diverse customers are met.

Management's Comments

Management agreed with the recommendation and stated software is under development to expand multi-language capability though no timeframe has been established.

Evaluation of Management's Comments

Management's action taken or planned are responsive and should correct 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 Tracy A. LaPoint, director, Engineering, at (703) 248-2100 or me at (703) 248-2300.

/s/ Ronald D. Merryman

Ronald D. Merryman
Deputy Assistant Inspector General
  for Technology, Marketing, and Oversight

Attachment

cc: Mary Anne Gibbons
     John A. Rapp
     Frederick J. Hintenach
     Susan M. Duchek

APPENDIX. MANAGEMENT'S COMMENTS

UNITED STATES
POSTAL SERVICE

December 2, 2003

RONALD D. MERRYMAN
DEPUTY ASSISTANT INSPECTOR GENERAL
  FOR TECHNOLOGY/OVERSIGHT

SUBJECT: Draft Management Advisory -- Self Service Platform
                (Report Number DA-AR-04-DRAFT)

Postal Management agrees with the observations and recommendations of the Office of the
Inspector General concerning their review of the Self-Service Platform (Project Number
03BG066DA000). We have identified and addressed the same concerns during our planning
process as we prepare for the deployment of the Automated Postal Center (APC) kiosks – the first
phase of the Self Service Platform.

Recommendation – Overflowing Collection Boxes:

**Develop specific operating instructions concerning the new Self Service Platform collection
boxes in postal lobbies that are in accordance with collection policy.**

Response:

The APC guidelines and procedures will contain specific operating instructions to ensure that post
office personnel monitor collection box volumes to avoid overflow conditions. Final language will be
completed by April 2004.

Additionally, the training guidelines contain a section entitled "best practices" which directs post
office personnel to frequently check the APC collection box to avoid overflow conditions in
accordance with local policy.

Recommendation – Express Mail Acceptance Times

**Reiterate standard policy to retail associates regarding proof required for the new Self
Service Platform Express Mail refunds. Develop a sign that explains Express Mail actual
acceptance times.**

Response:

Management agrees that cutoff times for Express Mail Acceptance must be clearly stated. In order
to accomplish this objective, three procedures will be employed.

1) We will ensure that Retail Associates are aware of and follow the Express Mail
     refund process for the APC as outlined in the F1 Handbook, November 1996
     and updated with Postal Bulletin revisions through October 2, 2003, Post
     Office Accounting Procedures, Section 6, Disbursing Postal Funds, Subsection
     63, Refund Disbursements, Number 631.12 and in accordance with PS Form
     3533 processing.

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2) Express Mail cutoff times are an integral part of APC functionality; customized acceptance times are entered in each APC machine upon initialization.

   During the transaction process, the APC contains functionality to advise the customer that it is past the acceptance time for guaranteed next day or second day delivery and advises the customer that the Express Mail package will be accepted during the next business day.

3) The APC collection box will display cutoff acceptance times in similar fashion to other USPS collection box receptacles.

Recommendation

Alternative language options should be added to ensure that the needs of our diverse customers are met.

Response:

Although a definitive timeframe has not been established, USPS Management agrees that alternative language options are appropriate. Software is under development to expand multi-language capability for the APC.

If you have any questions or would care to discuss this in more detail, please feel free to contact Janet L. Webster, Manager, Customer Service Support Systems, at 202-268-5091 or via email.

William P. Galligan
Acting Vice President
Delivery and Retail

cc: John A. Rapp
    Mary Anne Gibbons
    Frederick J. Hintenach
    Susan M. Duchek