September 30, 2006

JO ANN FEINDT
VICE PRESIDENT, GREAT LAKES AREA

SUBJECT:  Audit Report – Address Management System Information – Great Lakes
          Area (Report Number DR-AR-06-008)

This report presents the results of our self-initiated audit of the Address Management
System (AMS) Information in the Great Lakes Area (Project Number 06XG040DR000),
This is one of a series of such audits.  The information in this report will be included in a
nationwide capping report assessing AMS information.  Our objective was to assess the
U.S. Postal Service's management of delivery AMS quality review results to ensure
address information is correct and complete to effectively process and deliver the mail
in the Great Lakes Area.

Postal Service officials in the Great Lakes Area, Chicago, Gateway, and Lakeland
Districts effectively managed Delivery AMS quality review results for approximately 10
percent of their routes.  However, opportunities exist for area officials to implement best
management practices from the New York Metro Area, New York District, to improve
the quality of AMS data to process and deliver the mail.  Approximately 129,668 AMS
data errors may exist in the Great Lakes Area, Chicago, Gateway, and Lakeland
Districts because street reviews were not conducted for 8,770 routes.  If the Chicago,
Gateway, and Lakeland Districts implemented a program similar to New York District,
they would be able to reduce errors by 32.97 percent, which would save the Postal
Service $2,678,506 over the next 10 years.  We will report $2,678,506 of funds put to
better use in our *Semiannual Report to Congress*.

Currently, the Chicago, Gateway, and Lakeland Districts' programs included performing
quality street reviews for 948 routes using local AMS officials, AMS specialists and
coordinators.  However, AMS officials did not use available district resources, such as
delivery supervisors or appropriate designees, to conduct additional street reviews for
the remaining 8,770 routes.  In addition, the associate supervisors' training course given
to these districts' delivery supervisors does not include specific information on AMS
quality street reviews.  The Great Lakes Area District locations have not experienced
high Delivery Point Sequencing (DPS) volume; however, a decrease in AMS data errors
would help increase DPS mail volume and reduce operating costs.

We recommended the Vice President, Great Lakes Area, implement an AMS quality
review program similar to the New York District that includes providing training in AMS

quality street reviews to all delivery supervisors or appropriate designees.  We also recommended establishing an annual district schedule of AMS quality street reviews and directing delivery supervisors or appropriate designees to review delivery routes annually.  Finally, we recommended the AMS office establish a tracking system for street reviews.

Management agreed with our findings and recommendations and the $2,678,506 in funds put to better use.  Management implemented corrective actions during the audit to ensure address information is correct and complete to effectively process and deliver the mail in the Great Lakes Area, Chicago, Gateway, and Lakeland Districts.  These actions included: (1) providing training in AMS quality street reviews to all delivery supervisors or appropriate designees, (2) establishing an annual district schedule of AMS quality street reviews and directing delivery supervisors or appropriate designees to review delivery routes annually, and (3) establishing a tracking system for street reviews.  Officials stated that the procedures would be in place by February 2007 and the additional street reviews will begin in March 2007.  The U.S. Postal Service Office of Inspector General considers the actions taken by management responsive and they should correct the issues identified in the findings.  Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit.  If you have any questions or need additional information, please contact Rita Oliver, Director, Delivery and Retail, or me at (703) 248-2100.

E-Signed by Colleen McAntee
ERIFY authenticity with Approve
C McAntee

Colleen A. McAntee
Deputy Assistant Inspector General
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# INTRODUCTION

**Background**

Address management has become the foundation for how the Postal Service moves mail.  Over the years, the Postal Service has been striving to obtain the highest quality address information possible for internal use and for its customers.  In March 1993, the Postal Service implemented Delivery Point Sequencing (DPS).[1]  DPS is the process of putting barcode mail into the carrier's line of travel (LOT) to eliminate manual mail sorting, improve efficiency, and reduce costs.

In 1994, the Postal Service established the Address Management System (AMS) to capture, correct, and complete address information to enhance the efficiency of mail processing and delivery through automation.  Address information in the AMS is captured in sort programs used to process mail in DPS.  A sort program developer creates sort programs as part of the Sort Program System (SPS), which is part of the National Directory Support System (NDSS).  DPS sort programs are transferred to either a Mail Processing Barcode Sorter (MPBCS) or a Delivery Barcode Sorter (DBCS)[2] for sorting mail into DPS.

Mail that cannot be processed on automated equipment requires manual processing, which is less efficient and is costly to the Postal Service.  During fiscal year (FY) 2005, the Postal Service processed 94 billion pieces of mail nationwide, including 72 billion pieces (77 percent) processed on automated equipment and the remaining 22 billion pieces (23 percent) processed manually.

In 2003, the Postal Service outlined a strategy to Enhance Address Quality in its Intelligent Mail Corporate Plan.  The strategy includes improving the address database, filling change of address orders, and using Address Change Service.  To improve the address database, the Postal Service established a Delivery AMS quality review program to evaluate the quality of AMS data and meet the goal of 100 percent accurate AMS data nationwide.

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[1] DPS resulted from an agreement in 1992 with the National Association of Letter Carriers to change the automation environment.
[2] DPS mail is also sorted on carrier sequence barcode sorters, a type of mail processing equipment used by smaller Postal Service facilities.

As part of the quality review program, National Customer Support Center (NCSC) teams annually conduct street reviews of 40 routes at each Postal Service district nationwide. The NCSC teams select 40 city or rural delivery routes based on Postal Service guidelines. For every route selected within a ZIP Code, two alternate routes are selected.[3]

The street reviews include:

- Identifying all possible delivery addresses included in Address Information System products and the NDSS files.

- Validating the number of possible delivery addresses assigned to each carrier route.

- Validating the correct LOT or delivery sequence for each carrier route.

- Assigning ZIP+4 Codes to maximize compatibility with automated equipment.

- Verifying the standardization of addresses according to Publication 28, *Postal Addressing Standards.*

- Reviewing AMS database products to meet the needs and expectations of Postal Service customers.

When a district scores below 98 percent on the street review, the NCSC team will review it every 6 months, and districts scoring from 98 to 100 percent will receive an annual review. Districts scoring 99 percent or higher may receive abbreviated route reviews, at the discretion of area or district officials.

In addition to the NCSC street reviews, AMS district officials conduct street reviews of routes to maintain the accuracy of AMS data. Furthermore, carriers also identify AMS data changes based on their street deliveries. The carriers note

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[3] The *Delivery AMS Quality Street Review Guidelines* state that NCSC will review 40 routes annually. Great Lakes Area officials informed OIG that due to the availability of resources, NCSC is in the process of reducing the number of street reviews they perform annually.

address changes in their AMS edit books and submit the information to the AMS district officials using their Web Electronic Edit Sheet for review and correction in the AMS database.

As the Postal Service continues to process mail on automated equipment, the quality of address information takes on new importance.  Use of correct and complete address information can reduce costs to the Postal Service.

## Objective, Scope, and Methodology

Our objective was to assess the Postal Service's management of the Delivery AMS quality review results to ensure address information is correct and complete to effectively process and deliver the mail in the Great Lakes Area.  We obtained data on FYs 2005 and 2006 Delivery AMS quality reviews from the NCSC to analyze routes reviewed, AMS data errors identified, and performance scores.  We selected the Great Lakes Area, Chicago, Gateway, and Lakeland Districts and the New York Metro Area, New York District to perform our reviews, based on the NCSC performance scores identified by Delivery AMS quality review results.[4]

We obtained and reviewed prior AMS review results for the New York District, which showed street review performance scores consistently above 99 percent.  As a best management practice, we evaluated the feasibility and applicability of the New York AMS data maintenance program to other Postal Service districts.  Our review of performance scores showed that the Chicago District was consistently below 98 percent.  In addition, the Gateway and Lakeland Districts FY 2006 scores were below 98 percent. (See Appendix A.)  We evaluated the district's AMS data maintenance process to determine if they could improve their programs.  We also reviewed the district's FY 2006 DPS information to analyze their DPS volumes in relation to the Postal Service goal.[5]

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[4] We selected the Chicago District based on their historically low performance scores, and we selected the New York District based on its historically high performance scores and improvements to the AMS process.  At the request of Great Lakes Area officials, we also included Gateway and Lakeland Districts' FY 2006 street review results in our scope – they also have historically low AMS performance scores.

[5] We are planning a future review that will incorporate DPS percentages, to identify opportunities to generate revenue, reduce costs, and improve customer service.

We conducted this audit from July to September 2006 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate. We did not use any computer-generated data to develop our conclusions.

## Prior Audit Coverage

The U.S. Postal Service Office of Inspector General (OIG) has issued one audit report, directly related to our audit objective:

*Address Management Systems – Southeast Area – Rio Grande District* (Report Number DR-AR-06-001, January 25, 2006). The report outlined opportunities to improve the quality of AMS data and put $988,945 of processing and delivery costs over the next 10 years to better use. Management agreed with our findings, recommendations, and monetary benefits.

# AUDIT RESULTS

**Address Management System Information Great Lakes Area**

Postal Service officials in the Great Lakes Area, Chicago, Gateway, and Lakeland Districts effectively managed Delivery Address Management System quality review results for approximately 10 percent of their routes.[6] However, opportunities exist for area officials to implement best management practices from the New York Metro Area, New York District, to improve the quality of AMS data to process and deliver mail. As illustrated in Chart 1, the Great Lakes Area, Chicago, Gateway, and Lakeland Districts may have approximately 129,668[7] AMS data errors because street reviews were not conducted for 8,770 routes.[8]

**Chart 1. Potential AMS Data Errors
Chicago, Gateway, and Lakeland Districts**
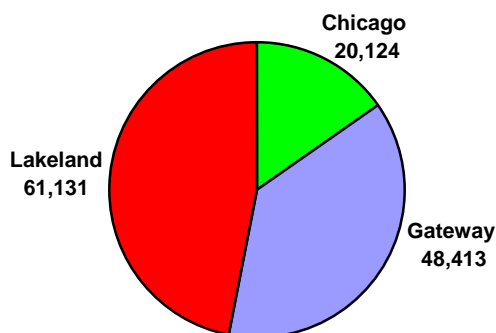


Source: Postal Service NCSC and Great Lakes Area Officials

At the time of our review, the Chicago, Gateway, and Lakeland District's programs included performing quality street reviews for 948 routes using local AMS officials, AMS specialists and coordinators.[9] AMS officials did not use available district resources, such as delivery supervisors or appropriate designees, to conduct additional street reviews for the remaining 8,770 routes.

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[6] The 10 percent represents the 948 routes reviewed out of the 9,718 total routes for the three districts (2,481 for Chicago, 3,509 for Gateway, and 3,728 for Lakeland).

[7] Our projection of the number of errors that may exist in routes not reviewed is based on the formula NCSC uses in its street reviews.

[8] The 8,770 routes not reviewed consist of the Chicago District with 2,236, Gateway District 2,901 and Lakeland District 3,633.

[9] The 948 routes reviewed by the districts consist of the Chicago District with 245, Gateway District 608, and Lakeland District 95.

In addition, the AMS Review Module in the associate supervisors' training course given to the districts' delivery supervisors does not include specific information on AMS quality street reviews.

As stated earlier in our report, the Postal Service established AMS to capture, correct, and complete address information to enhance the efficiency of mail processing and delivery through automation. DPS was created to eliminate manual mail sorting, improve efficiency, and reduce costs. Therefore, correct AMS address information is vital for sort programs to process mail in DPS.

As illustrated in Table 1, for FY 2005, the Great Lakes Area district locations have not experienced high DPS mail volume percentages. A decrease in AMS data errors would help increase DPS mail volumes and reduce operating costs.

**Table 1. DPS Mail Volume Percentages for Fiscal Year 2005**

| Great Lakes Area Districts Locations | FY 2005 DPS Percentages |
|---|---|
| | |
| Central Illinois | 77.54 |
| Chicago | 65.73 |
| Detroit | 78.47 |
| Gateway | 76.90 |
| Greater Indiana | 78.82 |
| Greater Michigan | 77.41 |
| Lakeland | 76.10 |
| Northern Illinois | 75.11 |
| Southeast Michigan | 76.51 |
| | |
| Great Lakes Area Average | 75.67 |

**Source: Postal Service Great Lakes Area Officials**

|  | If the Chicago, Gateway, and Lakeland Districts implemented a program similar to the New York District, they would be able to reduce errors by 32.97 percent,[10] which would save the Postal Service $2,678,506 over the next 10 years.  We will report $2,678,506 of funds put to better use in our *Semiannual Report to Congress.* (See Appendix B.) |
|---|---|
| **Chicago District** | In FY 2005, the Chicago District had 2,481 city routes.  As illustrated in Chart 2, the NCSC team reviewed 2 percent (40 of 2,481) of these routes according to Postal Service guidelines.  The team identified 350 AMS errors, approximately nine errors per route.  The district received a 97.83 percent AMS performance score.[11] |
|  | During this same period, Chicago AMS officials reviewed another 8 percent (205 of 2,481) of the routes and identified 1,577 AMS data errors.  Officials did not review the remaining 90 percent of the routes (2,236 of 2,481).  Based on FY 2005 NCSC team reviews and the related error rate per route, 20,124 AMS data errors may exist.[12] |

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[10]The New York Metro error reduction rate factor is 72.56 percent, and the control group error reduction rate factor is 29.77 percent.  The New York Metro error reduction rate factor is divided by the control group error reduction rate factor (1.7256/1.2977), which equals 32.97 percent.  The expectation is that the three districts will reduce their error rate by 32.97 percent by implementing a program similar to the New York District.

[11] To compute a district's AMS performance score, each error  found during a route review is subtracted from the total number of possible deliveries for the district.  This adjusted possible delivery figure is then divided by the district's total possible deliveries to arrive at the district's AMS performance score.

[12] The error rate for the Chicago District is based on the FY 2005 NCSC team review of 40 routes.  The review identified nine errors per route.  A total of 350 errors were found during the team's review which is then divided by the 40 routes which equals 8.75 errors per route.  The error rate is rounded up to nine and multiplied by 2,236 routes not reviewed which equals 20,124 potential AMS data errors.

**Chart 2. Routes Reviewed – Chicago District - FY 2005**
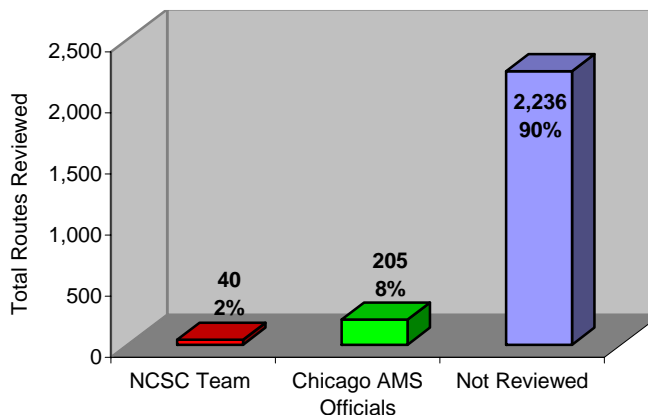


Source: Postal Service NCSC and Great Lakes Officials

The Chicago District's AMS quality review program, which is administered by local AMS officials, included street reviews using AMS specialists and coordinators for 205 routes reviewed.[13] AMS officials also performed "desk reviews" for 607 routes where carriers did not electronically submit their edit book update to district officials.[14] AMS officials did not use available district resources, such as delivery supervisors or appropriate designees, to conduct additional street reviews for the remaining 2,236 routes. Officials stated their primary focus was ensuring timely mail delivery.

In addition, the associate supervisors' training course given to Chicago District's delivery supervisors does not include specific information on AMS quality street reviews. The AMS review module only provides information on edit book updates and how to enter the changes into the automated system for submission to district officials. With the potential 20,124 AMS data errors in the Chicago District, the efficiency of mail processing and delivery through automation may be adversely impacted.

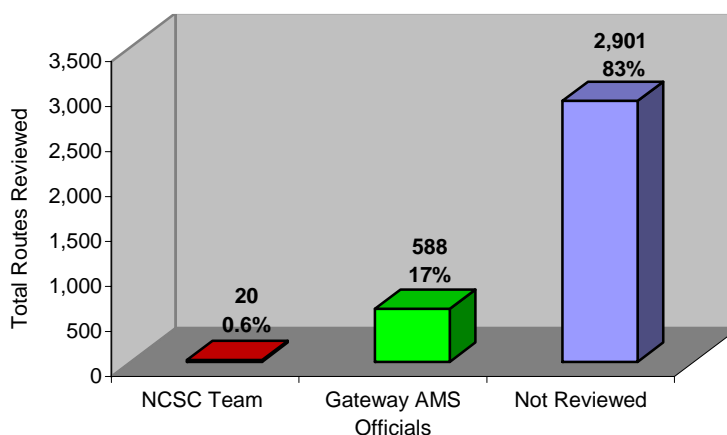| Gateway District | In FY 2006, the Gateway District had 3,509 routes.[15] As illustrated in Chart 3, the NCSC team reviewed 0.6 percent (20 of 3,509) of these routes according to Postal Service |

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[13] The AMS Coordinators are not permanent positions at the delivery offices. These coordinators are currently carriers and clerks whose first priority is mail delivery.
[14] Desk reviews are based on discussions with carriers that had not submitted their edit books. These reviews do not include physical street reviews of the routes.
[15] The district's routes consist of 2,508 city routes and 1,001 rural routes.

guidelines.  The team identified 345 AMS errors,
approximately 22 errors per city route and three errors per
rural route.  The district received a 96.56 percent AMS
performance score.  During this same period, Gateway AMS
officials reviewed another 17 percent (588 of 3,509) of the
routes and identified 5,574 AMS data errors.  Officials did
not review the remaining 83 percent of the routes (2,901 of
3,509). The 2,901 routes not reviewed represent 2,090 city
routes and 811 rural routes.  Based on FY 2006 NCSC
team reviews and the related error rate per route, 48,413
AMS data errors may exist.[16]

**Chart 3. Routes Reviewed – Gateway District - FY 2006**



**Source:  Postal Service NCSC and Great Lakes Officials**

In addition, the associate supervisors' training course given
to Gateway District's delivery supervisors does not include
specific information on AMS quality street reviews.  The
AMS review module only provides information on edit book
updates and how to enter the changes into the automated
system for submission to district officials.

With the potential 48,413 AMS data errors in the Gateway

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[16] The error rate for the Gateway District, based on the FY 2006 NCSC team reviews of 20 routes (15 city and
five rural), is 22 errors per city route and 3 errors per rural route.  A total of 345 errors were found during the team's
review (329 errors on city routes and 16 errors on rural routes).  To compute the city error rate, the 329 errors found
on city routes is divided by the 15 city routes, which equals 21.9 errors per city route (rounded down to 22).  The 22 is
then multiplied by 2,090 city routes not reviewed, which equals 45,980 potential AMS data errors on city routes.  To
compute the rural error rate, the 16 errors found on rural routes is then divided by the five rural routes, which equals
three errors per rural route.  The three is then multiplied by 811 rural routes not reviewed which equals 2,433
potential AMS data errors on rural routes.  The 45,980 potential errors on city routes, plus, 2,433 potential errors on
rural routes, equals 48,413 potential AMS data errors.

|  | District, the efficiency of mail processing and delivery through automation may be adversely impacted. |
|---|---|
| **Lakeland District** | In FY 2006, the Lakeland District had 3,728 routes.[17]  As illustrated in Chart 4, the NCSC team reviewed 0.5 percent (20 of 3,728) of these routes according to Postal Service guidelines.  The team identified 346 AMS errors, approximately 17 errors per route.  The district received a 96.97 percent AMS performance score. |

During this same period, Lakeland AMS officials reviewed another 2 percent (75 of 3,708) of the routes and identified 695 AMS data errors.  Officials did not review the remaining 98 percent of the routes (3,633 of 3,708).  The 3,633 routes not reviewed represents 2,550 city routes and 1,083 rural routes.  Based on FY 2006 NCSC team reviews and the related error rate per route, 61,131 AMS data errors may exist..[18]

**Chart 4. Routes Reviewed – Lakeland District - FY 2006**
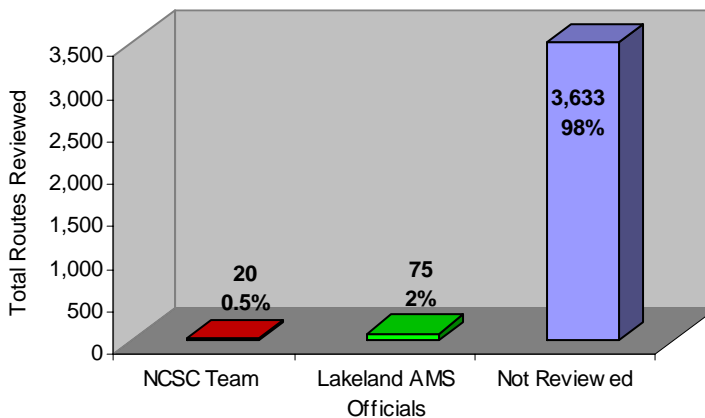


**Source:  Postal Service NCSC and Great Lakes Officials**

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[17] The district's routes consist of 2,610 city routes and 1,118 rural routes

[18] The error rate for the Lakeland District, based on the FY 2006 NCSC team reviews of 20 routes (15 city and five rural), is 21 errors per city route and seven errors per rural route.  A total of 346 errors were found during the team's review (310 errors on city routes and 36 errors on rural routes).  To compute the city error rate, the 310 errors found on city routes is divided by the 15 city routes, which equals 20.6 errors per city route (rounded up to 21).  The 21 is then multiplied by 2,550 city routes not reviewed, which equals 53,550 potential AMS data errors on city routes.  To compute the rural error rate, the 36 errors found on rural routes is then divided by the five rural routes, which equals 7.2 errors per rural route (rounded down to seven).  The seven is then multiplied by 1,083 rural routes not reviewed which equals 7,581 potential AMS data errors on rural routes.  The 53,550 potential errors on city routes, plus, 7,581 potential errors on rural routes, equals 61,131 potential AMS data errors.

The Lakeland District's AMS quality review program, administered by local AMS officials, did include street reviews using AMS specialists and coordinators for the 75 routes reviewed. [19]  AMS officials stated that their recent scoring below 98 percent from the NCSC review of 20 routes was attributable to delays in edit book submissions. AMS officials did not use available district resources, such as delivery supervisors or appropriate designees, to conduct additional street reviews for the 3,633 routes.

In addition, the associate supervisors' training course given to Lakeland District's delivery supervisors does not include specific information on AMS quality street reviews.  The AMS review module only provides information on edit book updates and how to enter the changes into the automated system for submission to district officials.   With the potential 61,131 remaining AMS errors in the Lakeland District, the efficiency of mail processing and delivery through automation may be adversely impacted.

| New York District | The New York District has 2,202 city routes.  In FY 2005, the NCSC team reviewed 2 percent (40 of 2,202) of these routes according to Postal Service guidelines.  The team identified 195 AMS errors, approximately five errors per route, and the district received a 99.21 percent AMS performance score from the street review.  The NCSC team did not review the remaining 98 percent of the routes (2,162 of 2,202). |

In 1998, the New York District began an extensive AMS quality review program, administered by local AMS officials, which requires delivery units to complete AMS street reviews using existing staff.  As part of the program, New York District officials added an AMS review module to the associate supervisors' training course given to New York delivery supervisors.  In addition, the New York AMS office established AMS review schedules for all delivery units and an accountability system that monitors the completion of AMS street reviews conducted by delivery supervisors or their designees.  As a result, the New York District used existing staff to significantly increase its review coverage.

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[19] The AMS Coordinators are not permanent positions at the delivery offices, but they are current carriers and clerks whose first priority is mail delivery.

In FY 2005, using their AMS review program, New York District officials established a goal to review all routes annually, which included routes reviewed by the district and the NCSC. The existing staff reviewed and implemented corrective actions for the AMS errors identified. AMS reviews conducted by delivery unit staff are implemented by all districts in the New York Metro Area, and the program has been very successful. Since its inception, all districts have achieved significant increases in AMS performance scores. The historical average performance score for the New York District is 99.03 percent.[20]

During our audit, the Deputy Postmaster General and Chief Operating Officer issued a memorandum dated August 23, 2006 on Address Management National Street Reviews. The memorandum stated that for FY 2007, trained field personnel would conduct all Delivery AMS Street Reviews. The Address Management National Street Review Team will not conduct onsite street reviews in FY 2007 and will not have funding to assist the field with travel costs. The FY 2007 Delivery AMS Street Review schedule would continue to be coordinated through the area and headquarters address management. Street Review materials will continue to be provided by the NCSC.

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**Recommendations**

We recommend the Vice President , Great Lakes Area, implement an AMS quality review program similar to the New York District that includes:

1. Providing training in Address Management National Street Reviews to all delivery supervisors or appropriate designees.

2. Establishing a district schedule of annual Address Management System Quality Street reviews and direct delivery supervisors or appropriate designees to review delivery routes annually.

3. Requiring the Address Management System Office to establish a tracking system to monitor completed street reviews.

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[20] The 99.03 percent is 1.03 percent above the 98 percent passing score. Districts scoring between 98 and 100 percent receive a NCSC street review once a year, and districts scoring 99 percent or higher have the option to conduct an abbreviated review performed at the discretion of the area and/or district.

| **Corrective Actions Implemented** | The Great Lakes Area officials implemented corrective action during our audit. Management agreed to: (1) provide training in AMS quality street reviews to all delivery supervisors or appropriate designees, (2) establish an annual district schedule of AMS quality street reviews and direct delivery supervisors or appropriate designees to review delivery routes annually, and (3) establish a tracking system for street reviews. Officials stated that the procedures would be in place by February 2007 and the additional street reviews will begin in March 2007. |
|---|---|
| **Management's Comments** | Management agreed with the findings, recommendations, and monetary benefits. The Great Lakes Area officials, implemented corrective action during our audit. |
| | Management stated that they will develop a standardized AMS street review training to be given to all delivery units employees by the district AMS offices. The training will begin in mid-October 2006 with a target completion date of February 2007. |
| | The response also indicated that management will develop a standardized AMS street review training to be given to all delivery unit employees by the district AMS offices. The training will begin in mid-October 2006 with a target completion date of February 2007. |
| | Management stated that each district will implement a program for reviewing all routes by FY 2007, and the responsibility for conducting the reviews will be at the delivery unit level with coordination by the responsible Manager, Post Office Operation or Postal Career Executive Service Postmaster. Management also stated that the area will conduct unannounced AMS quality street reviews in each district beginning in March 2007. |
| | Finally, the response indicated that the area will develop a tracking system to record reviews completion. The tracking system will track the overall score, a breakdown of the errors detected, and the date the identified errors were corrected. The tracking system will be available for use in October 2006. Management's comments, in their entirety, are included in Appendix C. |

| **Evaluation of Management's Comments** | Management's comments are responsive to our findings and recommendations. Management's corrective actions, taken and planned, should correct the issues identified in the findings. |

# APPENDIX A
# NATIONAL CUSTOMER SERVICE CENTER
# REVIEW RESULTS FOR THE GREAT LAKES AREA

| No. | Great Lakes Area District Locations | FY 05 Score % | FY 05 Score Date | Achieved 98% Score FY 05 | | Historical Average Score as of FY 05 | Achieved 98% Score History | | FY 06 Score % | FY 06 Score Date | Achieved 98% Score FY 06 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | |
| 1 | Central Illinois | 98.56 | 10/13/04 | Yes | | 97.90 | No | | ** | ** | ** |
| 2 | Chicago | 97.83 | 3/08/05 | No | | 96.20 | No | | 95.65 | 3/07/06 | No |
| 3 | Detroit | 97.36 | 7/19/05 | No | | 98.50 | Yes | | 98.37 | 5/18/06 | Yes |
| 4 | Gateway | 98.37 | 4/04/05 | Yes | | 96.92 | No | | 96.56 | 7/11/06 | No |
| 5 | Greater Indiana | 98.96 | 3/21/05 | Yes | | 97.64 | No | | 98.83 | 4/04/06 | Yes |
| 6 | Greater Michigan | 98.02 | 5/16/05 | Yes | | 97.45 | No | | ** | ** | ** |
| 7 | Lakeland | 98.47 | 5/03/05 | Yes | | 97.54 | No | | 96.97 | 11/29/05 | No |
| 8 | Northern Illinois | 98.25 | 6/07/05 | Yes | | 98.43 | Yes | | ** | ** | ** |
| 9 | Southeast Michigan | 98.35 | 6/21/05 | Yes | | 98.42 | Yes | | 98.66 | 5/16/06 | Yes |

**Source: Postal Service National Customer Service Support Center officials**
**** – National Customer Service Support Center Review has not been completed.**

# APPENDIX B
## OFFICE OF INSPECTOR GENERAL CALCULATION OF FUNDS PUT TO BETTER USE

The OIG identified $2,678,506 in funds put to better use over the next 10 years for the Chicago, Gateway, and Lakeland Districts.  This will be reported in our *Semiannual Report to Congress.*

| District | Fiscal Year | Funds Put to Better Use |
|----------|-------------|-------------------------|
| | | |
| Chicago | 2005 | $842,757 |
| Gateway | 2006 | 859,041 |
| Lakeland | 2006 | 976,708 |
| | | |
| **Total** | | **$2,678,506** |

The following assumptions were used in the calculation of the $2,678,506.

1.  We used the New York Metro Area as our standard for predicting the cost savings possible for the Chicago, Gateway, and Lakeland Districts.

2.  We assumed that all Postal Service areas other than New York Metro had not implemented an error reduction program over the time period of the AMS street reviews.  These areas were our control group for purposes of estimating the net benefit of the New York Metro program.

3.  The AMS National Street Review Model is used to calculate cost savings. Therefore, we assumed that it realistically represented costs that the Postal Service could save if it implemented a program that would reduce the incidence of AMS errors.  However, in our opinion, any costs saved would have to be related to a reduction in overtime or casual hours, and therefore, labor rates used should be hourly overtime rates (which was not the case).

4.  We used the AMS National Street Review Model unchanged, with one exception: the model had FY 1999 labor rates imbedded.  We updated these rates to reflect FY 2007 rates by escalating by 2.4 percent per year to arrive at a projection.

5.  We assumed that the cost of implementing an error reduction program would be negligible.

6.  We assumed that the average cost per error for the Chicago, Gateway, and Lakeland Districts would remain constant before and after program implementation.

7. If the Chicago, Gateway, and Lakeland Districts began implementing a program immediately, FY 2007 would be devoted to setup and training.  We assumed that cost savings would not begin until FY 2008.  Our calculation of savings (funds put to better use) is a discounted cash flow analysis over a 10-year period.  The amount we will report in our *Semiannual Report to Congress* is the present value of the estimated savings over the 10 years.

8. AMS errors can never be reduced to zero.  We assumed the practical lower limit to be a 1 percent error rate.  However, this constraint did not affect the calculation for the Chicago, Gateway, and Lakeland Districts in this instance.

9. We assumed that error rates on rural routes would respond to an error reduction program in the same way as city routes.

10. In our analysis of the New York Metro Area, we excluded the Caribbean District due to uncertainties regarding implementation of an error reduction program.

11. Not all categories of AMS errors have associated costs.  We assumed that costly and non-costly errors would respond to an error reduction program in the same manner.  That is, if the overall reduction rate for all AMS errors was 20 percent, the reduction rate for costly errors was also 20 percent.

# APPENDIX C.  MANAGEMENT'S COMMENTS

Jo Ann Feindt
Vice President, Great Lakes Area Operations

**UNITED STATES**
**POSTAL SERVICE**

September 26, 2006

KIM H. STROUD
DIRECTOR, AUDIT REPORTING
UNITED STATES POSTAL SERVICE OFFICE OF INSPECTOR GENERAL

SUBJECT: Exit Conference – OIG Review of the Address Management System
Information – Great Lakes Area Response

The Great Lakes Area agrees with the findings put forth in the audit report for
Chicago, Gateway and Lakeland districts of $2,678,506 over 10 years of funds put to
better use.  These funds will be used to perform additional AMS quality street reviews
as outlined below.

- The Great Lakes Area office will develop a standardized AMS Street Review
  training to be given to all delivery units (EAS/Craft) employees by the District
  Address Management System offices.  This training will begin in Mid-October,
  2006 with a targeted completion date of February 2007.

- Each district will implement a program for reviewing all routes in FY 07.
  Specific offices requiring additional oversight to ensure program compliance
  will be determined from the results of the most recent national AMS quality
  street review and Address Quality Improvement dashboard reports and
  reporting tool.

- Responsibility for conducting the reviews will be at the delivery unit level with
  coordination by the responsible Manager, Post Office Operation or PCES
  Postmaster.  The Address Management Systems office will advise selected
  offices of the number of routes they are to review each week and also monitor
  completion compliance.

- The Area will conduct unannounced AMS quality street reviews in each district
  that will begin in March 2007.

- The Great Lakes Area will develop and implement an AMS Street Review
  tracking system to record reviews completion.  The tracking system will track
  the overall score and a breakdown of the errors detected.  Included in the
  tracking system will be a date that errors identified were corrected in the AMS
  database by the Address Management Systems office. The tracking system
  will be available for use in October 2006.

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If you have any questions please contact Mark Rosenwinkel, Manager Delivery
Programs Support at 630-539-5335.

for Jo Ann Feindt

Attachment

cc: Jacqueline Krage, Manager, Operation Support
   Mark Rosenwinkel, Manager, Delivery Programs Support
   Tyrone Daniels, AMS Coordinator

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