

September 29, 1999

JOHN A. RAPP
VICE PRESIDENT, FIELD OPERATIONS SUPPORT

SUBJECT: Government Mails Section of the Brentwood Processing and Distribution Center, Washington, D.C. (Audit Report Number DS-AR-99-003)

This report presents the results of our audit of the Government Mails Section of the Brentwood Processing and Distribution Center, Washington, D.C. (Project Number 99PA020DS000). This audit was included in our fiscal year 1999 Audit Workload Plan as a result of a complaint forwarded by Congressman John McHugh, Chairman, Subcommittee on the Postal Service, Committee on Government Reform and Oversight. The complaint, in part, alleged problems with the misdirection and delay of mail handled by the Government Mails Section.

Our audit confirmed that problems do exist with the misdirection and delay of mail at the Government Mails Section. The major reasons for the delays and misdirection of mail are described in the attached report.

We have summarized management's comments after each recommendation in this report and have included verbatim comments at Appendix B. Management's comments were responsive to the issues and recommendations raised in this report. We appreciated the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact [REDACTED] or me at (703) 248-2300.

Richard Chambers
Assistant Inspector General
for Performance

Attachment

cc: John E. Potter
Alan B. Kiel
John R. Gunnels

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EXECUTIVE SUMMARY

Introduction

The Government Mails Section of the Brentwood Processing and Distribution Center (the Center), Washington, D.C., processes and distributes mail to government agencies that have been assigned a unique Zone Improvement Plan (ZIP) Code. We completed an audit to examine allegations forwarded by Congressman John McHugh, Chairman, Subcommittee on the Postal Service, Committee on Government Reform and Oversight, concerning problems with the misdirection and delay of mail at the Government Mails Section. This audit was included in our fiscal year (FY) 1999 Audit Workload Plan.

Results in Brief

We confirmed that problems did exist with the misdirection and delay of mail at the Government Mails Section. Specifically, we found government agencies were not using assigned unique ZIP Codes and that mail that had an incorrect barcode and/or ZIP Code was not handled according to established policy. Additionally, we found that mail arrived into the Government Mails Section too late to meet processing and delivery requirements. Further, the Government Mails Section incurred \$217,226 in overtime and penalty costs between June 20, 1998, and June 18, 1999.

Summary of Recommendations

We recommend the Vice President, Field Operations Support, in conjunction with the Vice President, Customer Relations and Premier and National Account Managers, implement a program to ensure federal agencies exclusively use their official unique ZIP Codes and to ensure that postal employees comply with the established policies and procedures for the identification, isolation, handling, tracking, and prevention of loop mail. In addition, we also recommend that the Center's operating plan be changed to reflect the critical entry and clearance times required for the Government Mails Section to meet their dispatch and/or delivery times. Further we recommend the Vice President, Field Operations Support, ensure that the Center's operating plan be periodically reviewed to ensure key elements such as critical entry and clearance times are still valid. Finally, we recommend that the Vice President decline a request to hire 23 additional clerks for the

Government Mails Section, and coordinate automating tasks at the Government Mails Section with the addition of a flat sorting machine.

Summary of Management's Comments

Management agreed with all of our recommendations except one. Management disagreed with recommendation 2, stating mail that is correctly addressed to the valid street address of a government agency rather than to their unique ZIP Code is not considered loop mail. Additionally, management felt there was no basis for claiming the \$1.1 million cost savings cited in the report. Management's comments are summarized in the report and the full text is shown in Appendix B.

Management's comments also inquired about the status of other issues raised in the original complaint. Since the issues were outside the scope of this audit, we will provide status in a separate letter.

Overall Evaluation of Management's Comments

Management's comments were responsive to the issues raised in the report. Management proposed an alternative action to recommendation 2, which should eliminate the reprocessing of government mail. Also, since management had not formally considered or approved the additional staffing, we will not pursue the \$1.1 million cost avoidance.

INTRODUCTION

Background

In March 1997, we received correspondence from the Honorable John M. McHugh, Chairman, Subcommittee on the Postal Service, Committee on Government Reform and Oversight, written by unidentified postal employees assigned to the Government Mails Section of the Brentwood Processing and Distribution Center (the Center), Washington, D.C. In part, the employees alleged problems with misdirection and delay of mail. Accordingly, we included this audit in our FY 1999 Audit Workload Plan.

The Official Mail and Messenger Service, currently known to the Postal Service as the Government Mails Section, provides the delivery and collection of mail to government agencies. The Government Mails Section is located in the Brentwood Processing and Distribution Center (the Center). In the late 1980s, the Government Mails Section was reorganized to reduce manual sorting processes and to implement automation to expedite mail processing and distribution.

Government agencies are assigned unique ZIP Codes by the Postal Service for a specific location. A unique ZIP Code is a 5-digit ZIP Code that is assigned exclusively to a single firm, government agency, or equivalent. The Government Mails Section is responsible for processing and delivering mail to government agencies in the Washington, D.C. metropolitan area that have been assigned unique ZIP Codes. Currently there are 206 unique ZIP Codes assigned; however, only 190 are actively used.

Management Instruction, "Loop Mail Program," Number PO-420-1999-1, dated March 31, 1999, establishes policies and procedures for the identification, isolation, handling, tracking, and prevention of loop mail. This instruction requires that distribution/throwback clerks cross out or slash through incorrect ZIP Codes on nonbarcoded as well as barcoded mailpieces. If known, the correct ZIP Codes should be placed on the address side of the mailpiece.

Additionally, postal managers at delivery offices, stations, and branches must periodically monitor the loop mail case and develop reports that measure the amount of loop mail by type. Stations and/or branches return this mail to the Center for processing. In areas where high concentrations

of loop mail exist, using reports and performing diagnostic testing will minimize loop mail volumes.

Objective, Scope, and Methodology

Our objective was to examine allegations regarding misdirection and delay of mail at the Government Mails Section and the use of employee overtime. To accomplish our objective, we defined the universe of government agencies that have their mail processed and delivered through the Government Mails Section. We interviewed Government Mails Section employees, union and management officials, and government agency representatives. We randomly sampled overtime and various management reports processed between June 1998 and June 1999. We also reviewed documents related to delayed mail, customer complaints, and other relevant issues.

This audit was conducted from May through August 1999, 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 conclusions and observations with appropriate management officials and included their comments, where appropriate.

AUDIT RESULTS

We confirmed that problems did exist with the misdirection and delay of mail at the Government Mails Section located at Brentwood Processing and Distribution Center, Washington, D.C.

Misdirected Mail

Our audit confirmed problems with the misdirection of mail at the Government Mails Section. Specifically, we found:

- Government agencies were not using assigned unique ZIP Codes.
- Mail that had an incorrect barcode and/or ZIP Code was not handled according to established policy.

Unique ZIP Codes were not being used as assigned. Our discussions with 20 government agencies revealed that 6 used their physical street location ZIP Code instead of their assigned unique ZIP Code. We further determined that the mailing addresses provided on the World Wide Web sites for 12 agencies contained different ZIP Codes than the unique ZIP Codes assigned. This occurred because postal management did not ensure that government agencies were utilizing their assigned unique ZIP Codes as intended. Therefore, government mail may be misdirected.

Additionally, postal employees did not always cross out incorrect ZIP Codes or barcodes as required on missent mail resulting in "loop mail."¹ This occurred because postal management did not ensure that postal employees complied with established policies and procedures to identify, isolate, handle, track, and prevent loop mail. This missent mail should be identified and returned to the processing center to be incorporated into the appropriate mailstream.

Recommendations

We offer the following recommendations:

The Vice President, Field Operations Support, should:

1. In conjunction with the Vice President, Customer Relations and Premier and National Account Managers, implement a program to ensure federal agencies exclusively use their official unique ZIP Codes.

¹ Loop Mail is mail that is incorrectly barcoded and/or ZIP coded which is discovered at a destination for which it is not addressed.

Management's Comments	<p>Management agreed with the recommendation. Management pointed out however, that conflicting needs complicate the issues surrounding how mail is addressed to government agencies. They stated that the agencies' use of street addresses on WEB or telephone directory pages make it easier for their constituents to find the agencies' offices, but also leads to the use of street addresses on correspondence sent to the agencies. They noted that the Postal Service has no means to encourage individual originating mailers to use the unique ZIP Code mailing addresses.</p> <p>In response to the recommendation, management stated that the Capital Performance Cluster will expand their efforts with the Government Mails Postal Customer Council to more aggressively inform government agencies regarding the use of their unique ZIP Codes. In addition, they plan to develop more efficient procedures that are sensitive to the needs of those government agencies for handling mail sent to street addresses. Management plans to work with the government agencies to convert to normal business delivery procedures using the agency's street address if so requested. However, management noted that the agency would lose its unique ZIP Code address, under those circumstances.</p>
Evaluation of Management's Comments	<p>Management's planned action is responsive to the recommendation.</p>
	<p>2. Ensure that postal employees comply with the established policies and procedures for the identification, isolation, handling, tracking, and prevention of loop mail.</p>
Management's Comments	<p>Management did not agree with the recommendation. Management stated mail that is correctly addressed to the valid street address of a government agency rather than to their unique ZIP Code is not considered loop mail. Management noted that loop mail procedures are not the most effective way to handle mail addressed to government agencies' street addresses. As an alternative action, management plans to initiate normal delivery of that mail at the agency's office as addressed.</p>

Where this does not meet the needs of the agency because of security or other issues, they plan to instruct the station responsible for the street address to prepare the mail as for delivery and return it labeled for the agency to Government Mails for subsequent delivery. Unlike the loop mail procedure, this will eliminate reprocessing the mail manually at the Processing and Distribution Center and in the Government Mails section.

**Evaluation of
Management's
Comments**

Although management did not agree with the recommendation, their proposed alternate action is responsive to the issue. Management plans to initiate normal delivery of mail to an agency's street address, which eliminates the reprocessing of government mail. This delivery alternative satisfies the intent of our recommendation.

Delayed Mail

We confirmed that problems did exist with the delay of mail at the Government Mails Section located at the Brentwood Processing and Distribution Center (the Center) in Washington, D.C. Specifically, we found that mail arrived into the Government Mails Section too late to meet processing and delivery requirements resulting in excessive use of overtime. Also, 9 of the 20 government agencies contacted stated they had problems with delayed mail during the past year. This occurred because the Center's operating plan (critical entry² and clearance times³) did not match delivery requirements for the Government Mails Section. Revising the Center's current operating plan to reflect an earlier mail processing time for the Government Mails Section should reduce the amount of overtime hours.

Additionally, Government Mails Section officials could not monitor daily volumes of mail processed through the section because government mail was not being reported correctly in the performance reporting system for the Center. However, in June 1999, the Center began to correct reporting deficiencies with the Daily Mail Condition Reports.⁴ These reports identify and allow managers to monitor problems in mail processing within a postal facility and to use resources necessary to meet the fluctuating mail volume and service commitments.

Recommendations

We offer the following recommendations:

The Vice President, Field Operations Support, should:

3. Revise the Center's operating plan to reflect the critical entry and clearance times required for the Government Mails Section to meet their dispatch and/or delivery times.

**Management's
Comments**

Management agreed with the recommendation and stated that the Capital Performance Cluster has revised the operating plan for the Washington, DC, Processing and Distribution Center as it relates to the Government Mails section. As revised, the critical entry time and the clearance

² Critical entry time is the latest time that committed mail must be available to an operation if that mail is to complete the operation by its planned clearance time.

³ Clearance time is the latest time committed mail is planned to complete an operation if that mail is to make the proper planned dispatch or delivery.

⁴ Since management initiated action during our audit, no recommendation is provided.

time for the Government Mails section is 0630 and 0800 respectively. Management submitted the revisions to the Capital Metro Area for approval.

<p>Evaluation of Management's Comments</p>	<p>Management's planned action is responsive to our recommendation.</p>
	<p>4. Ensure that the operating plan for the Center is reviewed periodically to ensure key elements such as critical entry and clearance times are still valid.</p>
<p>Management's Comments</p>	<p>Management agreed with the recommendation and stated that the Capital Performance Cluster will utilize the existing procedures established by headquarters to review operating plans and submit revisions to the area for approval.</p>
<p>Evaluation of Management's Comments</p>	<p>Management's planned action is responsive to our recommendation.</p>

Government Mails Section Overtime Use and Staffing Issues	We reviewed Scheduling and Staffing Summary reports and Weekly Overtime Use reports and conducted interviews to determine the level of overtime usage and staffing plans within the Government Mails Section. We noted that for the 25 weeks ⁵ reviewed, the Government Mails Section incurred \$217,226 in overtime and penalty costs due to heavy mail volume and staff shortages. We also noted that a request was made to the Acting Postmaster to hire 23 additional full-time employees. We believe that if the Government Mails Section were to acquire a flat sorting machine at no cost ⁶ and not hire the additional staff, they would realize a total cost avoidance of at least \$1.1 million annually. See appendix A for computational methodology details.
Recommendations	We offer the following recommendations: The Vice President, Field Operations Support, should: 5. Decline the request to hire additional staff and increase automation at the Government Mails Section by adding a flat sorting machine.
Management's Comments	Management concurred with our recommendation to decline the request to hire 23 additional clerks and to possibly provide the Government Mails Section with a flat sorting machine. However, they expressed concern about our basis for estimating a cost avoidance in our draft report, since the floor supervisors' consideration of staffing needs does not constitute submission or approval of such a request. Also, they commented that the amount of overtime Government Mail employees worked, equated to only a 5.4 percent overtime rate, which they viewed as very efficient. Further, they clarified the availability of a flat sorting machine, and indicated that recent flat sorting machine upgrades and operational enhancements may allow for the Government Mails Section flats to be absorbed into the existing flat environment as an alternative.
Evaluation of Management's Comments	Management's comments are responsive to the recommendation. With regard to the cost avoidance, although a formal memorandum requesting the 23 additional staff was not prepared, we obtained evidence during the

⁵ June 20, 1998 through June 18, 1999.

⁶ A flat sorting machine can be obtained from excess postal equipment according to the District Manager, Capital District.

audit that a verbal request had been made. We also obtained the Scheduling and Staffing Summary used by the Government Mails Manager in determining the additional staffing needs. We were also informed that this documentation was provided to the Acting Postmaster in support of the verbal request.

Although we believe the recommendation was appropriate, we will not pursue the \$1.1 million cost avoidance, since the Government Mails Manager staffing needs were not formally considered or approved.

Cost Avoidance Computation Methodology

We randomly selected the 25 weeks between June 20, 1998 and June 18, 1999. With 95 percent confidence we project an average weekly overtime hours of 317.2 hours plus/minus 27 hours.

During interviews with postal management, we were informed that the production capacity of a multiposition flat sorting machine is equivalent to approximately nine full-time employees. We verified the capacity of a multiposition flat sorting machine to determine whether management's assertion was reasonable. Accordingly, a single flat sorting machine could handle a production volume equivalent to the annual overtime workload. Labor costs for processing mail can be reduced through automation that costs \$3.63/per thousand vs. manual processing costs of \$47.03/per thousand.

Assuming a 40-hour week for full time employees, we project a need for between seven and nine clerks. Using the 1999 average hourly rate for clerks and a derived hourly rate for benefits, we projected the total annual cost for a single clerk to be \$49,379. Therefore the annual cost of hiring 23 full time employees would be about \$1,135,722.

JOHN A. RAPP
VICE PRESIDENT, FIELD OPERATIONS SUPPORT



September 15, 1999

RICHARD CHAMBERS
ASSISTANT INSPECTOR GENERAL FOR PERFORMANCE

SUBJECT: Transmittal Draft Audit Report, Government Mails Section of the
Brentwood Processing and Distribution Center, Washington, D.C.
(Audit Report Number DS-AR-99-Draft)

The Capital Performance Cluster, which has responsibility for the management of the Washington, D.C. Processing and Distribution Center (P&DC), has implemented several corrective actions to address recommendations in the draft audit report.

Detailed below are the changes the Capital Performance Cluster will implement in response to the recommendations of the Government Mails section audit. In addition, I have included comments intended to clarify points that may have been subject to misinterpretation which were raised during the initial and exit interviews with the Capital Performance Cluster managers and in the published draft report.

Recommendation 1:

The Vice President, Field Operations Support, in conjunction with the Vice President, Customer Relations, and National Account Managers, implement a program to ensure Federal Agencies exclusively use their official unique ZIP Codes.

Response: We Agree

As pointed out in the review, conflicting needs complicate the issues surrounding how mail is addressed to government agencies. For example, the agencies' use of street addresses on WEB or telephone directory pages makes it easier for their constituents to find the agencies' offices, but also leads to the use of street addresses on correspondence sent to the agencies. The Postal Service has no means to encourage individual originating mailers to use the unique ZIP Code *mailing* addresses.

The Capital Performance Cluster will expand their efforts with the Government Mails Postal Customer Council to more aggressively inform government agencies regarding the use of their unique ZIP Codes. In addition, they will develop more efficient procedures that are sensitive to the needs of those government agencies for handling mail sent to street addresses. Where advantageous, they will work with the government agencies to convert to normal business delivery procedures using the agency's street address if so requested. Under that circumstance, however, the agency would lose its unique ZIP Code address.

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Recommendation 2:

The Vice President, Field Operations Support, should ensure that postal employees comply with the established policies and procedures for the identification, isolation, handling, tracking, and prevention of loop mail.

Response: We Disagree

* Mail that is correctly addressed to the valid street address of a government agency rather than to their unique ZIP Code is not considered loop mail. The loop mail procedures are the most effective way to handle mail addressed to government agencies' street addresses. Instead, as noted above in response to Recommendation 1, we will initiate normal delivery of that mail at the agency's office as addressed. Where this does not meet the needs of the agency because of security or other issues, we will instruct the station responsible for the street address to prepare the mail as for delivery and return it labeled for the agency to Government Mails for subsequent delivery. Unlike the loop mail procedure, this will eliminate reprocessing the mail manually at the P&DC and in the Government Mails section.

Recommendation 3:

The Vice President, Field Operations Support, should revise the center's operating plan to reflect the critical entry and critical clearance times required for the Government Mails section to meet their dispatch and/or delivery times.

Response: We Agree

The Capital Performance Cluster has revised the operating plan for the Washington, D.C. P&DC as it relates to the Government Mails section. As revised, the critical entry time for the Government Mails section is 0645 (0630 now). The clearance time for the Government Mails section is 0815 (0800 now). In accordance with the existing requirements, this revision has been submitted to the Capital Metro Area for approval.

Recommendation 4:

The Vice President, Field Operations Support, should ensure that the operating plan for the center is reviewed periodically to ensure key elements such as critical entry and clearance times are still valid.

Response: We Agree

The Capital Performance Cluster will utilize the existing procedures established by headquarters to review operating plans and submit revisions to the area for approval.

Recommendation 5:

The Vice President, Field Operations Support, should decline the request to hire 23 additional clerks for the Government Mails section and increase automation at the Government Mails section by adding a flat sorting machine (FSM).

* **Note:** Per verbal conversation with Jeff Lewis, Manager, Operations Support on September 28, 1999, this sentence should read: The loop mail procedures are not the most effective way to handle mail addressed to government agencies' street addresses.

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Response: We Agree

The Capital Performance Cluster has not hired distribution clerks in the Washington, D.C. P&DC since September 30, 1995, and currently has no plans to hire additional staff for the Government Mails section. This recommendation appears to be premature, as the floor supervisors' consideration of staffing needs does not constitute submission or approval of such a request. In addition, such staffing decisions are made at the area level. Thus, there appears to be no basis for claiming the annual cost savings cited in both this section on Government Mails section overtime or in Appendix A, Cost Avoidance Computation Methodology.

In this section of the review, the draft audit report cites costs associated with overtime worked by employees of the Government Mails section. The local labor agreement permits employees of the Government Mails section to work overtime in other Washington, D.C. P&DC operations. The amount of overtime Government Mails employees worked in Government Mails operations amounted to only a 5.4 percent overtime rate, which is very efficient. Over the period referenced in the report, Accounting Period (AP) 11 1998 through AP 11 1999, penalty overtime in the Government Mails section totaled only 24 hours out of 233,211 hours worked.

In the course of the exit interview, the auditors may have misunderstood the comment regarding the availability of an excess flat sorting machine (FSM) attributed to the Capital District Manager. The availability of an FSM for the Government Mails section may be possible due to the national deployment of new Automated Flat Sorting Machines (AFSM 100s). The Washington, D.C. P&DC will receive an AFSM 100 in July of 2000. As a result, an FSM 881 may be available for the Government Mails section.

However, in addition to the recent FSM OCR upgrade, the Washington P&DC is implementing several operational enhancements to increase the throughput of their flat sorting equipment. Improving mail preparation, more effective staffing, and setting more aggressive throughput goals will increase the flat-sorting capacity of the existing machines. As these initiatives produce results, they intend to absorb Government Mails flats within the existing flat environment. This will also increase the FSM utilization within the Washington P&DC.

ADDITIONAL COMMENTS:

In addition to the responses to the specific recommendations made in the audit report, the Capital Performance Cluster offered the following comments to points raised in the interviews and in the draft report.

In the section of the report discussing delayed mail, it states that the government mail operation was not included in the performance reporting system for the Washington, D.C. P&DC until June of 1999. The Washington, D.C. P&DC has always reported the volume for the Government Mails section on lines 15 and 16 and 34 and 35 of the Daily Mail Condition Report (DMCR). (Although in the reporting system those lines are categorized as Incoming SCF, the Washington, D.C. P&DC has no SCF. Historically, the Washington P&DC has used those lines for Government Mails.) However, the on-hand volume, plan failures, and delays reported were not accurate; they were often understated. An analysis of the DMCR System revealed that since July 1999, the Washington P&DC has correctly reported both delays and plan failures in addition to

more accurate on-hand volumes. This is a result of the changes cited in the Response to Recommendation 3 and better training with regard to reporting procedures and responsibilities. The Capital Performance Cluster also plans to report the delivery portion of the Government Mails operation in the Customer Service Daily Reporting System (CSDRS).

In the pre-audit interviews, the audit team cited allegations of numerous labor practices and safety infractions which were among the issues that instigated this audit. The draft report does not address these issues nor was the Washington Performance Cluster or Capital Metro Operations management shown the allegations. We are concerned that after three years (the date of the letter requesting a review), the safety and/or labor issues may not have been addressed.

Should you have any questions or require additional information, please let me know or contact [REDACTED]



John A. Rapp

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