Office of Inspector General | United States Postal Service

Audit Report

Surface Visibility Scanning – Capital Metro Area and Capping Report

Report Number NL-AR-18-006 | April 12, 2018

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Highlights

Objective

Our objective was to identify opportunities to improve Surface Visibility (SV) scan compliance at U.S. Postal Service processing and distribution centers (P&DC) in the Capital Metro Area and summarize our prior Western Area SV scanning audit work. This is our second and final report examining SV scanning compliance.

We selected the Capital Metro Area for this audit because from fiscal year (FY) 2015, Quarter (Q) 4, to FY 2017, Q4, its average scan compliance rate was about 82 percent, the lowest in the nation. We selected two high-performing sites and two low-performing sites based on their FY 2017 scan compliance, as of July 21, 2017, to identify best practices. We judgmentally selected the Greensboro and Norfolk P&DCs as high performers due to their average scan compliance rates of 93 percent and the Northern Virginia and Peachtree P&DCs as low performers due to their average scan compliance rates of 80 percent.

The Postal Service's SV network provides nationwide mail container visibility, real-time asset identification, and improved dock operations at over 374 sites. During a video message to all employees in November 2017, the Postmaster General said that "we have real-time visibility into our network and we know customers track their packages more closely during the holiday season. So timely and accurate scanning is key." SV sites have Mail Transport Equipment Labelers (MTEL) to print barcoded placards that are scanned four different times using a wireless SVmobile scanning device. Permanently affixed trailer barcodes are scanned twice.

The Postal Service's FY 2018 national facility scan compliance goal is 94 percent. As of February 2, 2018, the reported percentage achieved was 90 percent.

What the OIG Found

We identified a best practice in the Capital Metro Area and summarized the best practice we identified in our previous Western Area audit.

In the Capital Metro Area, Norfolk and Greensboro P&DC management reviewed daily scan data to identify problem areas, conducted spot checks of those areas to correct issues, and ensured scans were conducted. Additionally, supervisors discussed any problem areas with individual employees and during stand-up talks.

In the Western Area, we previously identified a best practice of posting scan data printouts on the workroom floor that compared the scanning performance of all P&DCs.

This audit also found needed improvements in scan compliance in the Capital Metro and Western areas for containers without MTEL placards and in the Capital Metro Area for load and unload scans not being performed.

We observed at the Greensboro, Norfolk, Northern Virginia, and Peachtree P&DCs that about 48 percent of selected incoming mail containers and about 12 percent of selected outgoing mail containers did not have MTEL placards. This occurred because the P&DC staff could not print MTEL placards for 24 hours after any trip was changed in the MTEL system. Headquarters Enterprise Analytics said that they were aware of the MTEL placard printing issue, but did not know how often it happened and did not consider it a problem.

At the Greensboro and Peachtree P&DCs, we observed placards falling off containers because the plastic sleeves that are supposed to contain the MTEL placards were not present. Instead, the staff taped the MTEL placards to the mail containers, which is less secure than using the required plastic sleeves. Additionally, Northern Virginia P&DC managers were not ensuring that MTEL placards were being used.

We also observed personnel at the selected Capital Metro Area P&DCs were not always performing load and unload scans. Our analysis of missing trip scan data from SVWeb indicated that over 43 percent of trips did not have load or unload scans. This occurred because the Greensboro, Norfolk, Northern Virginia, and Peachtree P&DCs had inadequate management oversight of scanning in the dock areas. Additionally, the SV coordinator at the Norfolk P&DC was not aware of an SV system update that required trailers to be assigned to trips before employees performed container load scans. The SV coordinator said they revised their processes to ensure employees assign trailers to trips before performing load scans.

As a result of these conditions, the Capital Metro Area has reduced scan scores and customer visibility. As of February 2, 2018, the average scan score for the Capital Metro Area was 86 percent and the national average is 90 percent.

Finally, the Northern Virginia and Peachtree P&DCs could not find 43 of 210 (over 20 percent) assigned SVmobile scanners. Our analysis indicated that 23 scanners at the Northern Virginia P&DC and 20 scanners at the Peachtree P&DC that could not be located had not connected to the SV network in the 30 days prior to our visits. This occurred because local management did not follow the SV policy requiring employees to sign for issued scanners.

As a result, we calculated questioned costs of over $32,000 for replacing the missing scanners. We made a referral to our Office of Investigations about the missing scanners.

In the Western Area, we previously identified problems with SVmobile scanner connectivity, the capability of Postal Service personnel performing duplicate scans, and inadequate personnel assigned to scanning. Western Area management was taking corrective actions to address these issues.

What the OIG Recommended

We recommended management:

- Implement SV scanning best practices nationwide.
- Require P&DC managers to ensure employees use plastic MTEL sleeves for all mail containers with MTEL placards.
- Develop procedures to ensure mail container visibility during MTEL system trip updates.
- Update the MTEL system to resolve the 24-hour system update delay.
- Ensure through training and monitoring that P&DC managers provide adequate oversight of scanning operations to ensure all mail is scanned as required.
- Conducting an inventory to determine the number of SVmobile scanners on hand nationwide compared to the issued number and the needed replacements.

Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

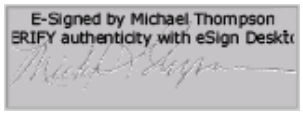
April 12, 2018

MEMORANDUM FOR: ROBERT CINTRON
VICE PRESIDENT, NETWORK OPERATIONS

LINDA M. MALONE
VICE PRESIDENT, CAPITAL METRO
AREA OPERATIONS

ISAAC S. CRONKHITE
VICE PRESIDENT, ENTERPRISE ANALYTICS

JEFFERY C. JOHNSON
VICE PRESIDENT, INFORMATION TECHNOLOGY



FROM: Michael L. Thompson
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Surface Visibility Scanning – Capital Metro Area and Capping Report
(Report Number NL-AR-18-006)

This report presents the results of our audit of Surface Visibility Scanning – Capital Metro Area and Capping Report (Project Number 17XG026NL000).

We would appreciate a written response to our findings, recommendations, and we appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Daniel Battitori, Director, Transportation, or me at 703-248-2100.

Attachment

cc: Postmaster General
Chief Operating Officer and Executive Vice President
Corporate and Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service's Surface Visibility Scanning (SV) in the Capital Metro Area and Capping Report (Project Number 17XG026NL000). The objective of our audit was to identify opportunities to improve SV scan compliance at Postal Service processing and distribution centers (P&DC) in the Capital Metro Area and summarize our prior Western Area SV scanning audit work. See Appendix A for additional information about this audit.

Background

Since fiscal year (FY) 2004, the Postal Service has spent about $120 million on a SV scanning network at over 374 sites nationwide. The SV program is intended to link multiple scans and collect data on mail and packages to provide 100 percent mail container visibility. The SV program helps the Postal Service optimize its surface transportation network by providing accurate tracking data capabilities, real-time asset identification, and improved dock productivity tracking and performance. The program is also replacing the Transportation Information Management Evaluation System (TIMES) with Surface Visibility Web (SVWeb) 2.0 to eliminate manual data entries.

SV sites have a Mail Transport Equipment Labeler (MTEL) to print unique barcoded placards that contain distribution and routing data. The placards are affixed to mail containers while trailers have barcodes permanently affixed for scanning. Postal Service personnel at SV-equipped sites use SVmobile scanners, which are wireless handheld touch screen computers with an integrated bar code scanner, to scan the MTEL barcodes. Six scans that identify the following processing events are required for SV scan compliance: assign, close, load, unload, arrive, and depart.

Employees are required to scan MTEL placards four different times using an SVmobile scanner to collect container and trip data that indicate:

- Assignment of MTEL placards to mail containers;
- Closed mail containers for dispatch;
- Loaded mail containers on trailers; and
- Unloaded mail containers from trailers.

Employees scan permanently affixed trailer barcodes twice to record:

- Departure of trailers from the dock; and
- Arrival of trailers at the dock.

The Postal Service's FY 2018 national facility scan compliance goal is 94 percent[1] and, as of the week ending February 2, 2018, the reported percentage achieved was 90. The Postal Service calculates the scan compliance rate for both the container and trip management categories by dividing the total of all six scans performed by the expected number of scans. The Postal Service tracks scan scores by facility, district, area, and headquarters personnel; and issues weekly SV scan reports with the results of the expected and performed scans.

Finding #1: Best Practices

We identified a best practice in the Capital Metro Area at the Greensboro and Norfolk P&DCs. P&DC management reviewed daily scan data to identify and address problem areas and conducted spot checks of those areas to correct issues and ensure scans were conducted. Specifically, SV coordinators at these facilities reviewed the SV scan data from SVWeb and the Enterprise Data Warehouse (EDW) to monitor scans scores daily. The scan data includes information on the employee who performed the scan, work area, tour, and scans not performed. The SV coordinator sends the information to plant managers and supervisors to discuss with the employees individually and during stand-up talks. When scan compliance performance drops, supervisors and managers spot check the required scans to determine which scans were not performed.

1 SV National Performance Assessment goal used for Executive and Administrative Schedule personnel performance at processing facilities in FY 2018.

During our visit to the Albuquerque P&DC — a high-performing facility in the Western Area — we observed a best practice. Specifically, at the Albuquerque P&DC, we observed posting of scan data printouts on the workroom floor that compared the P&DC's performance to those of other Western Area facilities to highlight the importance of scanning compliance.

Recommendation #1:

We recommend the Vice President, Network Operations, implement the following Surface Visibility scanning best practices nationwide:

- Require management to review daily scan data to identify problem areas and spot check those areas to correct issues and ensure scans were conducted.
- Post compliance reports at Processing and Distribution Centers that compare their performance to other facilities to highlight the importance of scanning.

Finding #2: Opportunities to Improve Scan Compliance

We found improvements were needed in scan compliance in the Capital Metro Area. Specifically, we found:

- Incoming and outgoing mail containers without barcoded MTEL placards at the Greensboro, Norfolk, Northern Virginia, and Peachtree P&DCs. This occurred because P&DC staff could not always print barcoded MTEL placards due to MTEL software system update issues. In addition, at the Greensboro and Peachtree P&DCs, we observed placards falling off containers because the plastic sleeves that are supposed to contain the MTEL placards were not present. Instead, the staff taped the MTEL placards to the mail containers, which is less secure than using the required plastic sleeves. Additionally, the Northern Virginia P&DC Manager of In-Plant Support (MIPS) said they were not ensuring employees used barcoded MTEL placards.
- Personnel did not always perform load and unload scans because management at the Greensboro, Norfolk, Northern Virginia, and Peachtree P&DCs provided inadequate oversight of scanning in the dock areas. Additionally, the Norfolk P&DC SV coordinator was not aware that a software update to the SV system required trailers be assigned to trips before employees could perform container load scans. The SV coordinator said they revised their processes to ensure employees assign trailers to the trips before performing load scans.

As a result of these conditions, SV scan scores in the Capital Metro Area are lower than those in all other Postal Service areas. As of February 2, 2018, the average for the Capital Metro Area was 86 percent and the national average is 90 percent. Failure to attach MTEL placards using the plastic sleeves and conducting the required SV scans will reduce scan scores and customer visibility. Increased visibility enables customers to plan their mailings and positions the Postal Service to be more competitive. With increased customer visibility, the Capital Metro Area could potentially avoid the risk of losing about $46 million in revenue at the two low-performing sites (the Northern Virginia and Peachtree P&DCs) from customers who seek alternative delivery options.

In the Western Area we identified opportunities for improvement related to MTEL placards, staff assignment, and connectivity issues. Specifically, we found:

- About 15 percent of mail containers without MTEL placards at the Albuquerque, Portland, Seattle, and St. Paul P&DCs. This occurred because P&DC staff did not always print and attach MTEL placards as needed and did not oversee highway contractors who discarded MTEL placards during manual consolidation of mail for their routes.
- The Portland and St. Paul P&DCs did not have enough dock personnel to ensure that all scanning was done during peak work periods. This occurred because Portland P&DC management did not have adequate staffing resulting from authorized, but vacant, positions and because the St. Paul P&DC did not coordinate staffing to ensure adequate coverage during peak work periods.
- The Albuquerque and Portland P&DCs had intermittent disruptions in their wireless scanner reception. SVmobile scanner connectivity issues occurred because of structural building interference and interference from cellular

phones, routers, and microwave ovens sharing the same frequency as the SVmobile scanners and network. In addition, the Portland and St. Paul P&DCs' SVmobile scanners could not pair due to interference from the Bluetooth® connection on employees' mobile phones.

We made four recommendations in the Western Area report. The area has implemented two of the recommendations and should complete the third one in the next six months. Management did not agree with the fourth recommendation concerning the connectability of scanners.

Lack of Mail Transport Equipment Labeler Placards

Mail containers arriving to and departing from the Greensboro, Norfolk, Northern Virginia, and Peachtree P&DCs did not always have barcoded MTEL placards attached. SV scanning requires barcoded MTEL placards. We judgmentally selected containers and observed over 48 percent of the selected incoming containers (Table 1) and about 12 percent of selected outgoing containers (Table 2) without barcoded MTEL placards.

Table 1. Incoming Containers Without MTEL Placards

P&DC Location	Number of Containers Without Barcoded Placards	Total Containers Observed	Percentage of Containers Without Barcoded Placards
Greensboro, NC	89	212	41.98%
Norfolk, VA	4	18	22.22%
Northern Virginia	16	51	31.37%
Peachtree, GA	97	147	65.99%
Total	206	428	48.13%

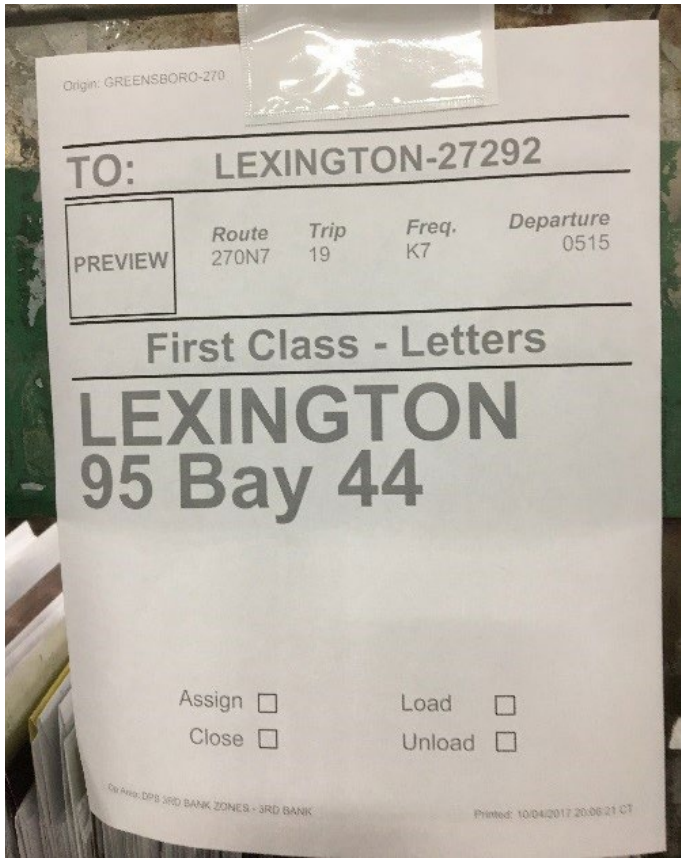
Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

Table 2. Outgoing Containers Without MTEL Placards

P&DC Location	Number of Containers Without Barcoded Placards	Total Containers Observed	Percentage of Containers Without Barcoded Placards
Greensboro, NC	5	127	3.94%
Norfolk, VA	4	90	4.44%
Northern Virginia	8	64	12.50%
Peachtree, GA	38	184	20.65%
Total	55	465	11.83%

Source: OIG analysis.

Figure 1. Observation of a Non-Barcoded Placard



Source: OIG observation at the Greensboro, NC, P&DC, October 5, 2017. This is a preview placard, which contains trip routing information but does not have an MTEL barcode that can be scanned.

The Visibility Program Specialist at Headquarters Enterprise Analytics said they were aware of the MTEL placard printing issue, but they were not aware of how often it happened and did not consider it a problem. The program specialist also said that as a workaround, personnel can scan barcoded MTEL placards with similar routing information or use non-barcoded preview placards during the 24 hours it takes for the system to update. During our exit conference, Vice President, Enterprise Analytics said that this is a system constraint and is not cost effective to change. Capital Metro Area management identified that changes to route information should be known well in advance of the 24 hours. Therefore, management said that a system update did not need to occur, but they needed to coordinate trip changes so that the impact is minimized for the 24-hour update constraint.

At the Greensboro and Peachtree P&DCs, we also observed placards falling off containers and not being replaced. This occurred because personnel at the Greensboro and Peachtree P&DCs did not attach plastic sleeves to the containers to hold the MTEL placards. Instead, they taped the placards on the containers, which is not as secure as using the required plastic sleeves. The Greensboro P&DC MIPS said they tape MTEL placards onto containers because the correct size sleeve is not always available. The Peachtree P&DC MIPS said that, over time, the sleeves get damaged from use and it becomes harder to insert and remove the placard from the sleeve for scanning.

Additionally, the Northern Virginia P&DC MIPS said they did not ensure employees used barcoded MTEL placards.

Load and Unload Scans Not Always Performed

We observed that personnel at four of the Capital Metro Area P&DCs did not always perform load and unload scans. For example, on November 7, 2017, at the Peachtree P&DC, we observed two trips coming from the Atlanta Network Distribution Center (NDC) and the North Metro P&DC and no unload scans were performed. We also observed one trip going to the Atlanta NDC with no load scans performed.

"We observed that personnel at four of the Capital Metro Area P&DCs did not always perform load and unload scans."

Our analysis of missing trip scan data for non-canceled and non-empty containers from SVWeb during the dates of our site visits indicated that over 43 percent of trips did not have load or unload scans (see Table 3).

Table 3. Number of Trips Without Load/Unload Scans Recorded

P&DC Location	Fieldwork Dates	Number of Trips Without Load/Unload Scans	Total Trips Analyzed	Percentage of Trips Without Load/Unload Scans
Greensboro, NC	October 2-6, 2017	1,168	2,121	55.07%
Norfolk, VA	September 25-29, 2017	742	2,241	33.11%
Northern Virginia	October 23-27, 2017	1,322	3,420	38.65%
Peachtree, GA	November 6-9, 2017	1,156	2,313	49.98%
Total		4,388	10,095	43.47%

Source: SVWeb 2.0 for non-canceled, non-empty container trips.

Management at the Greensboro, Northern Virginia, Norfolk, and Peachtree P&DCs did not have adequate oversight of scanning in the dock areas. Although managers and supervisors at the four P&DCs acknowledged employees were not scanning, they did not ensure employees performed load and unload scans.

Additionally, the SV coordinator at the Norfolk P&DC was not aware of an SV system software update that required trailers be assigned to trips before employees performed container load scans. When the trailer is not assigned a trip number, the SV system does not record the load scan. The SV coordinator said they revised their processes to ensure employees assign trailers to the trips before performing load scans.

> *"Failure to attach MTEL placards and conduct the required SV scans will reduce scan scores and reduce customer visibility."*

Reduced Customer Visibility

Failure to attach MTEL placards and conduct the required SV scans will reduce scan scores and reduce customer visibility. The average area P&DC scan compliance rate was about 82 percent from FY 2015, Quarter (Q) 4, to FY 2017, Q4. Further, with reduced customer visibility, we estimated using FY 2017 data that the Capital Metro Area is at risk of losing about $46 million in revenue at the low-performing sites — the Northern Virginia and Peachtree P&DCs — from customers who seek alternative delivery options. Increased visibility enables customers to plan their mailings and positions the Postal Service to be more competitive.

Recommendation #2:

We recommend the Vice President, Capital Metro Area, require Processing and Distribution Center managers to ensure that Mail Transport Equipment Labeler (MTEL) plastic sleeves are always used for mail containers with MTEL placards.

Recommendation #3:

We recommend the Vice President, Capital Metro Area, develop procedures to ensure mail container visibility during Mail Transport Equipment Labeler system trip updates.

Recommendation #4:

We recommend the Vice President, Enterprise Analytics, in coordination with Vice President, Information Technology, update Mail Transport Equipment Labeler software to resolve the 24-hour system trip update delay.

Recommendation #5:

We recommend the Vice President, Capital Metro Area, ensure through training and monitoring that Processing and Distribution Center managers provide adequate oversight of scanning operations to ensure Mail Transport Equipment Labeler placards are attached and all mail is scanned as required.

Finding #3: SVmobile Scanner Accountability

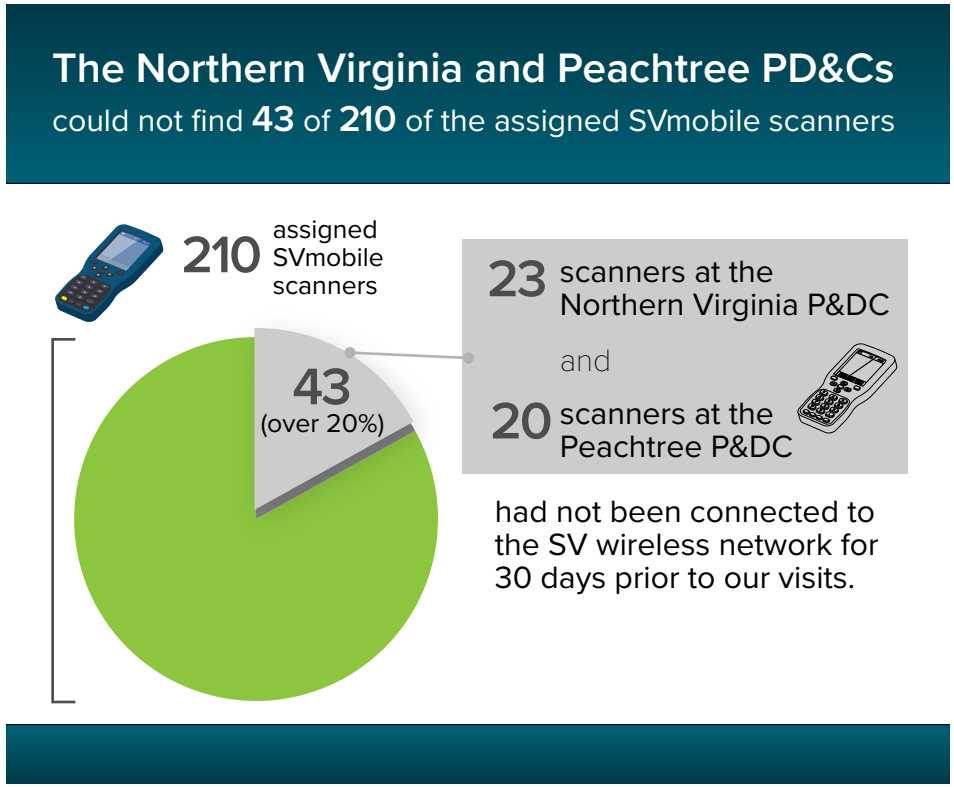
We found the Northern Virginia and Peachtree P&DCs had missing SVmobile scanners. This occurred because P&DC management did not follow the SV policy and lost accountability for all allocated scanners. As a result, we calculated questioned costs of over $32,000 for replacing the missing scanners.

Lack of SVmobile Scanner Accountability

The Northern Virginia and Peachtree PD&Cs could not find 43 of 210 (or over 20 percent) of the assigned SVmobile scanners. Our analysis of SVmobile scanner inventory data indicated that 23 scanners at the Northern Virginia P&DC and 20 scanners at the Peachtree P&DC had not been connected to the SV wireless network for 30 days prior to our visits. The SV coordinator at the Northern Virginia P&DC and the MIPS at the Peachtree P&DC did not know the location of the missing scanners (see Table 4).

Table 4. SVmobile Scanners not Connected to the SV Network

P&DC	Fieldwork Dates	Scanners Assigned	Scanners Not Synced in Past 30 days	Percent Missing
Northern Virginia	October 23-27, 2017	139	23	16.55%
Peachtree, GA	November 6-9, 2017	71	20	28.17%
Totals		210	43	20.48%



Source: U.S. Postal Service Ethos Inventory System.

This occurred because management at the Northern Virginia and Peachtree P&DCs did not follow SV guidance for scanner accountability and, as a result, had no way to determine their location. According to SVmobile installation guidance,[2] plant managers should print and laminate inventory cards to sign out SVmobile scanners to employees. When signing out a scanner, the user must bring their inventory card for the designated employee or supervisor to place in the cradle of the scanner. Upon returning the scanner, the inventory card should be returned to the user and the scanner placed back in the appropriate cradle. The SV coordinator at the Northern Virginia P&DC said the SVmobile scanners were kept in a storage cabinet and anyone can get a scanner when needed. The Peachtree P&DC MIPS said they installed a cage to lock up the scanners to provide better control, but the cage is only manned by limited duty employees when they are available.

Replacement Cost of Missing Scanners

We calculated questioned costs of over $32,000 for replacing the 43 SVmobile scanners at the Northern Virginia and Peachtree P&DCs. We made a referral to the OIG's Office of Investigations concerning the 43 missing SVmobile scanners.

We queried the Postal Service's Ethos Inventory system and found that nationwide the Postal Service has issued over 22,000 SVmobile scanners. We estimate that if 10 percent were missing, it would cost the Postal Service about $1.6 million to replace them. We are not claiming any replacement costs associated with our estimate.

Recommendation #6:

We recommend the Vice President, Network Operations, in coordination with all Area Vice Presidents, conduct an inventory to determine the number of SVmobile scanners on hand compared to the issued number in order to determine the number of missing SVmobile scanners and the needed replacements.

Management's Comments

Management partially agreed with the findings and recommendations but disagreed with the revenue at risk.

Management agreed with recommendations 1 and 6, but they did not agree with recommendations 2, 3, 4, and 5. Management said the OIG observations used to support our findings and recommendations were inadequate and insufficient. They also said the OIG did not base assumptions regarding customer behavior on any data. Management stated that missed scans will not affect customer visibility and objected to applying the results of those observations to potential revenue at risk. They further said that FY 2017 revenue could not be at risk since it was already collected.

Management said that Tables 1 and 2 are not representative of total containers actually processed at the four P&DCs because the tables did not exclude containers coming from delivery units not required to use MTEL placards. Management also said Table 3 possibly included containers that did not require placards and the data were not physically observed and could not be verified.

Regarding recommendation 1, management agreed that scanning compliance reports should be posted at P&DC operations and said this is already an established policy. The target implementation date is April 30, 2018.

Regarding recommendation 2, management disagreed that using plastic sleeves will result in a significant improvement to scanning because taping the placards onto containers is sufficient and the OIG provided no data to quantify the extent of the problem.

Regarding recommendation 3, management disagreed with developing procedures to ensure mail container visibility during MTEL system trip updates. Management said a system update is unnecessary and the only action needed is ensuring that contracts are updated more than 24 hours before placards need to be printed.

2 *U.S. Postal Service Surface Visibility Installation Guide*, Introduction, Step 2, Inventory Management, dated August 24, 2017.

Regarding recommendation 4, management disagreed to update MTEL software to resolve the 24-hour system trip update delay. Management said that when contract changes are updated prior to 5:00 p.m., Central Standard Time, the placard is available to print the next day; therefore, a system update is unnecessary.

Regarding recommendation 5, management disagreed that training and monitoring will ensure all mail is scanned. Management said that, instead, they need to provide clear and visual aids to enhance employee awareness of the required scans. Management also said they monitor processes daily.

Regarding recommendation 6, management agreed to conduct scanner inventory counts nationwide in response to issues raised in our audit report. The target implementation date is April 30, 2018.

See Appendix B for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 6 and corrective actions should resolve the issues we identified in the report.

The OIG considers management's comments unresponsive to recommendations 2, 3, 4, and 5.

Regarding recommendation 2, although plastic sleeves may not result in a significant improvement to scanning performance, the sleeves could ensure the placards would not fall off. P&DC personnel said a box of 100 plastic sleeves costs about $90.00, less than $1.00 per sleeve. Current procedures used to secure MTEL placards with tape do not always work. Containers must have a barcoded MTEL placard attached to provide total mail visibility to customers.

Regarding recommendations 3 and 4, although management disagreed to develop procedures to ensure mail container visibility during MTEL system trip updates, the OIG believes the alternate procedures of submitting MTEL system changes prior to 5:00 p.m. Central Standard Time could ensure mail container visibility and help minimize the impact on the availability of barcoded placards to P&DC personnel.

Regarding recommendation 5, the OIG does not believe enhancing employee awareness and current daily monitoring processes by management will ensure that all mail is scanned. During our site visits, P&DC management told us the employees were aware of scan requirements, but did not always perform scans unless a member of management was there to observe the process. The OIG concluded that without additional emphasis provided by management, including conducting spot checks and following up with personnel responsible for missing the scans, performance scores will not improve and customers will lose mail visibility during periods of missed scans.

Regarding the revenue at risk, the OIG used professional judgment when conducting the audit and our observations provide additional evidence that can demonstrate how we came to that judgment. The revenue at risk represents a systematic way to quantify the risk of not addressing the issues raised in our report and not implementing our recommendations. The revenue at risk is also an estimate of the potential risk that exists in the system based on our judgment and assumptions applied to the risk modeling tool and not a definitive amount the Postal Service will lose. The OIG realizes that our observations are not meant to be a statistical representation of the population, but we do feel that we conducted a valid observation of operating conditions in addition to our analyses of reporting data and discussions with facility personnel and management.

Regarding the data in Tables 1 and 2, the OIG judgmentally observed containers during our visits to the P&DCs. Although containers coming from delivery units do not require MTEL placards, Headquarters Enterprise Analytics personnel told us that unit personnel have had access to MTEL placards for several years. Any missed scan results in lost visibility to the customers. Regarding Table 3, it would not have been possible for the OIG to physically verify all containers that did not have load/unload scans, but we did not include cancelled trips and empty containers from our data analysis. The OIG believes that if we had conducted a statistically valid and projectable observation methodology, then any conclusions drawn could have been claimed as monetary impact.

Recommendations 2, 3, 4, and 5 require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

Our site selection methodology for performing an area-wide audit included analyses of Performance and Results Information System (PARIS) Transportation Risk SV data. We determined the SV scanning practices of four P&DCs: Norfolk and Greensboro (high-performing) and Northern Virginia and Peachtree (low-performing). We paired the high and low performers and conducted reviews during concurrent plant visits for audit consistency and comparability.

We selected the Capital Metro Area for this audit because from FY 2015, Q4, to FY 2017, Q3, the average scan compliance rate for the area was about 80 percent, the lowest in the nation. Like our previous audit, we selected two high-performing sites and two low-performing sites based on their FY 2017 scan compliance as of July 21, 2017, to identify best practices. We judgmentally selected the Greensboro and Norfolk P&DCs as the high-performing sites and the Northern Virginia and Peachtree P&DCs as the low-performing sites. The four P&DCs in Table 5 are included in our scope.

Table 5. Facility Profiles for the Selected P&DCs

P&DC	District	Expected Scans	Performed Scan	Missed Expected Scans	Scan Rate as of July 21, 2017
Greensboro	Greensboro	1,839,780	1,735,194	104,586	94.32%
Norfolk	Richmond	1,470,388	1,355,185	115,203	92.17%
Northern Virginia	Northern Virginia	1,869,476	1,539,952	329,524	82.37%
Peachtree	Atlanta	2,134,940	1,667,063	467,877	78.08%

We received assistance from the data analytics manager on the scan compliance reporting available for SV and potential data reporting and SV system issues.

To achieve our objective, we:

- Interviewed Postal Service Headquarters SV program staff, Capital Metro Area officials, and SV system coordinators at the P&DCs we visited to understand SV scanning processes.
- Interviewed Capital Metro Area officials to identify area-wide initiatives that improved scan compliance.
- Observed SV scanning processes to identify efficient practices and opportunities to improve scan compliance including review of the area-wide initiatives at the Greensboro (October 2-6, 2017), Norfolk (September 25-29, 2017), Northern Virginia (October 23-27, 2017), and Peachtree (November 6-9, 2017) P&DCs.
- Analyzed and evaluated related scanning data from SVWeb and the EDW for FYs 2012 through 2017 in the site selection process to determine if scan performance had improved.
- Analyzed and evaluated PARIS Transportation Risk SV data to ensure consistency of data analyses.
- Reviewed and evaluated relevant criteria on SV scanning procedures and processes.
- Analyzed the Postal Service's Ethos Inventory System data to identify the status of the SVmobile scanners at the Northern Virginia and Peachtree P&DCs and discussed with management.
- Consulted with an OIG operations research analyst to develop our other impact methodology.

We conducted this performance audit from September 2017 through April 2018, in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 7, 2018, and included their comments where appropriate.

We assessed the reliability of SVWeb 2.0, the Ethos Inventory System, and EDW data by performing physical observations at the Greensboro, Norfolk, Northern Virginia, and Peachtree P&DCs from September 25 through November 9, 2017, to assess the reliability of the system data; and by interviewing site SV coordinators, managers, supervisors, expediters, clerks, and mail handlers who monitor and conduct SV scans.

We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
Surface Visibility Scanning – Western Area	Identify opportunities to improve SV scan compliance at Postal Service P&DCs in the Western Area.	NL-AR-17-009	9/5/2017	N/A

Appendix B: Management's Comments

UNITED STATES POSTAL SERVICE

March 30, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

Subject: Response to Draft Audit Report – Surface Visibility Scanning – Capital Metro Area and Capping Report (Report Number NL-AR-18-DRAFT)

Thank you for the opportunity to respond to the OIG Audit of Surface Visibility Scanning. The Postal Service is dedicated to improving our scan performance and providing the highest level of visibility to our customers. Management does not agree with the findings noted in the audit report based on the sampling data used to determine the scan visibility included in this report. : 1) the observations used to substantiate recommendations were inadequate and insufficient, 2) assumptions were made regarding customer behavior that is not based on any data, and 3) data was not provided to USPS regarding missing scanners that allowed us to verify their conclusions.

Regarding the observations and data collected as shown in Tables 1 and 2 in the report, the information collected doesn't provide meaningful information because the observations are so small compared to total activity. In the table 1 data the OIG sampled 428 incoming containers across all four plants however all four plants had 20,569 actual incoming containers for the days observed. For outgoing containers the OIG observed 465 containers compared to 36,701 that were dispatched during the time frames for each plant. The observations neglected to exclude containers that come from delivery units where Placards are not used. The sampling data presented in this report is statistically insignificant compared to the number of pieces of equipment and trips that are processed through the processing facilities where observations were made. The following information was pulled from E.D.W. to indicate the actual number of containers and trips for the weeks in question.

SITE	DATES	Total # outgoing containers	Total # incoming containers	Total # of trips
Norfolk 233	September 25-29, 2017	7854	5232	1955
Greensboro 270	October 2-6, 2017	9536	5092	3358
Northern VA 220	October 23-27, 2017	10344	6647	3462
Peachtree ATL	November 6-9, 2017	8967	3598	2011

Regarding reduced customer visibility that asserts Capital Metro Area is at risk of losing approximately $46 million in revenue, the OIG incorrectly assumed missing scans would reduce scan scores and customer visibility. The scanning events the OIG observed and the data they pulled to determine the scans that were not made are in fact not visible to the external customer and in many cases containers are not required to have MTEL placards. Additionally the assumption that FY 2017 revenue was at risk is completely false as the revenue data the OIG pulled was actual revenue that the Postal Service collected. As this process is not publicly shared missing scans would have zero impact to revenue. We disagree with the entire amount stated in the report.

The findings associated with Table 3 listing the number of trips with or without load/ unload scans makes the assumption that all containers received and sent actually contained mail and required scans. Many containers do not require a placard to be affixed. The data used by the OIG was pulled from a report and was not physically verified through observation and cannot be verified.

Regarding Questioned Costs – Replacement Costs for Missing SVmobile Scanners in the amount of $32,121, Capital Metro Area agrees that accountability of these devices is important to ensure equipment is available for use and when in need of repair or replacement can be accounted for. Capital Metro Area will utilize the results obtained from the action taken for recommendation #6 to ensure scanners are properly managed.

Management does not agree with all of the recommendations as outlined in the audit response indicated below.

Recommendation #1
We recommend the Vice President, Network Operations implement the following Surface Visibility scanning best practices nationwide:

- Require management to review daily scan data to identify problem areas and spot check those areas to correct issues and ensure scans were conducted.
- Post compliance reports at Processing and Distribution Centers that compare their performance to other facilities to highlight the importance of scanning.

Management Response/ Action Plan
This is and has been an established policy in our facilities.

Management agrees that scanning compliance reports should be posted in plant operations. This is also a current practice in our plants, facilities are also utilizing different technologies to display many operational metrics.

Target Implementation Date
April 30, 2018

Responsible Management Official
Manager, Processing Operations, HQ

Recommendation #2
We recommend the Vice President, Capital Metro Area, require Processing and Distribution Center managers to ensure that Mail Transport Equipment Labeler (MTEL) plastic sleeves are always used for mail containers with MTEL placards.

Management Response/ Action Plan
We disagree that adding plastic sleeves to every container will result in significant improvement to surface visibility scanning. Taping labels is sufficient to ensure the placard remains with the equipment. No quantifiable data was presented in the report reflecting how frequently this was a problem or whether taping the placards to the containers was necessarily worse.

Recommendation #3
We recommend the Vice President, Capital Metro Area, develop procedures to ensure mail container visibility during Mail Transport Equipment Labeler system trip updates.

Management Response/ Action Plan
Management disagrees with this recommendation. A work around should not be necessary. Instead changes to the contracts simply needs to occur more than 24 hours prior to the need to print placards. Developing a new process is unnecessary to address this issue.

Recommendation #4
We recommend the Vice President, Enterprise Analytics, in coordination with Vice President, Information Technology, update Mail Transport Equipment Labeler software to resolve the 24 hour system trip update delay.

Management Response/ Action Plan
Management disagrees with the recommendation of updating Mail Transport Equipment Labeler software. When contract changes are updated before 1700 central time, the next day the placard is available to print. Changes to the contracts simply needs to occur more than 24 hours prior to the need to print placards. Updating the system is not necessary to address this issue.

Recommendation #5
We recommend the Vice President, Capital Metro Area, ensure through training and monitoring that Processing and Distribution Center managers provide adequate oversight of scanning operations to ensure Mail Transport Equipment Labeler placards are attached and all mail is scanned as required.

Management Response/ Action Plan
We disagree with this recommendation suggesting that training and monitoring scanning operations will ensure all mail is scanned. Instead the employees accountable for the work need to be provided with clear visual references that outline the required standard work. These types of tools are available and shared with the appropriate employees to guide them through successfully completing the required scans. Management already monitors these processes on a daily basis.

Recommendation #6
We recommend the Vice President, Network Operations, in coordination with all Area Vice Presidents, conduct an inventory to determine the number of SVmobile scanners on hand compared to the issued number in order to determine the number of missing SVmobile scanners and the needed replacements.

Management Response/ Action Plan
Management agrees with this recommendation and will conduct an inventory of SVmobile scanners.

Target Implementation Date
April 30, 2018

Responsible Management Official
Manager, Processing Operations, HQ

Robert Cintron
Vice President, Network Operations

Linda M. Malone
Vice President, Capital Metro Area Operations

for Isaac S. Cronkhite
Vice President, Enterprise Analytics

For Jeffrey C. Johnson 3/30/18
Vice President, Information Technology

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