



August 20, 2007

MICHAEL J. NAPPI
MANAGING DIRECTOR, INTERNATIONAL NETWORK OPERATIONS

ANACZARINA C. HILARIO
PLANT MANAGER, SAN FRANCISCO INTERNATIONAL SERVICE CENTER

SUBJECT: Audit Report – Mail Condition Reporting at the San Francisco International Service Center (Report Number NO-AR-07-006(R))

This report presents the results of our audit of mail condition reporting at the San Francisco, California International Service Center (ISC) (Project Number 07XG011NO000). This report was initially issued on July 25, 2007. We are reissuing this report to clarify information on inaccurate reporting on pages 3 and 4. The report responds to a request from the Managing Director, International Network Operations, to review mail condition reporting activities.

Background

The Postal Service's Global Business Unit has responsibility for mail processing operations at the ISCs. The Postal Service uses the Web Mail Condition Reporting System (WebMCRS), formerly the *Daily Mail Condition Report*, as a repository for information on the results of mail processing operations. Specifically, WebMCRS reports the volume of mail on-hand and the volume of mail ready for processing on a daily basis. It also reports the volume of mail that has not met operational clearance times (CT) and/or service commitments according to the facility's local operating plan. Personnel at the facility manually count the mail when possible or estimate the mail count and enter the data into WebMCRS. All mail associated with the facility, regardless of the amount, should be counted in its respective WebMCRS category (on-hand, plan failure, late arriving, delayed processing, and delayed dispatch). See Appendix A for definitions of these categories.

The WebMCRS provides management with a tool for monitoring distribution functions, identifying problems in achieving operational targets, and obtaining data for analyzing operational trends.

Objective, Scope, and Methodology

Our objective was to assess the timeliness, completeness, and accuracy of mail condition data reported in WebMCRS for the San Francisco ISC. We used fiscal year 2007 WebMCRS data gathered from the three facilities in the San Francisco District – the ISC, the processing and distribution center (P&DC), and the airport mail center (AMC). The latter two facilities process some international mail for the ISC and forward mail counts to the ISC daily. We conducted on-site observations over 4 days during January 2007.

To accomplish our objective, we conducted interviews with Postal Service managers and employees and analyzed the facility's performance over a 6-month period to identify trends and potential issues. We also performed analytical procedures and comparisons and observed mail condition counts. Further, we tested for timeliness by verifying whether mail condition information was available in accordance with WebMCRS daily reporting requirements. We assessed completeness by determining whether facility personnel recorded data elements at all and put them in correct WebMCRS categories. Finally, we assessed accuracy by determining whether the volume recorded in each category was reflective of the conditions at the facility.

We used computer-processed data from the WebMCRS, Daily Facility Summary. We did not test controls over the system. However, we checked the reasonableness of results by confirming our analyses and results with Postal Service managers and multiple data sources.

We conducted this audit from November 2006 through August 2007 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management officials on March 22, 2007, and included their comments where appropriate.

Prior Audit Coverage

We did not identify any prior U.S. Postal Service Office of Inspector General (OIG) or Postal Inspection Service audits or reviews of the ISCs related to our objective.

Results

Timeliness, Completeness, and Accuracy of WebMCRS Data

The mail condition report for the San Francisco ISC was submitted on a timely basis, but the data was incomplete and inaccurate.

The Postal Service requires¹ personnel to count all mail volume and report it in the respective WebMCRS categories on a daily basis. Plant managers should have a hard copy of the report available by 8 a.m. daily and be prepared to discuss any operational issues with executives from headquarters. If Postal Service employees do not report all mail volume this may constitute falsification of official records.

Timely Reporting – The ISC submitted mail condition reports timely. Personnel at all three facilities performed their respective mail condition counts between 4 a.m. and 5 a.m.; and the P&DC and AMC provided counts to the ISC by 6 a.m. for consolidation to WebMCRS by 7:30 a.m. As required, the reports were submitted by 8 a.m. daily.

Incomplete Reporting – The ISC mail condition reports were incomplete.

- The P&DC and AMC only reported on-hand volumes to the ISC and did not report plan failures, late arriving, delayed processing, or delayed dispatch volumes.
- The ISC also did not always report plan failures or other mail conditions. As shown in Table 1, the ISC should have reported the plan failure of 6,628 mailpieces on January 17, 2007, but instead reported “0.” Other categories were not always complete as they showed “0” as well.
- Furthermore, for the 3-month period prior to our visit, the ISC only reported plan failures on 9 days. This period covers the Postal Service’s busiest season and more plan failures would have been expected. After our visit, the ISC reported plan failures over half the time. Appendix B shows the plan failures recorded for the period.

Inaccurate Reporting – The WebMCRS data was inaccurate as it understated plan failures.

- On January 18, 2007, the ISC reported 12,581 mailpieces under the plan failure category whereas the supporting worksheets showed an additional 9,875 mailpieces considered plan failures. Our count found an additional 35,248

¹ *WebMCRS Training/User Guide*, dated March 17, 2005.

mailpieces also considered plan failures, for a total of 57,704 mailpieces. (See Table 1.)

- On January 19, 2007, the ISC reported 17,270 mailpieces under the plan failure category whereas the supporting worksheets showed an additional 12,580 mailpieces considered plan failures. Our count found an additional 30,020 mailpieces also considered plan failures, for a total of 59,870 mailpieces. (See Table 1.)
- On January 19, 2007, the ISC used a local conversion rate² and reported 462 mailpieces for 14 pallets whereas it would have reported 1,846 mailpieces if it had used the available standard conversion rate. The ISC did not have the headquarters approval required to use local conversion rates.

Table 1. Review of Mail Counts During January 2007*

OBSERVATION DATE	ON-HAND	PLAN FAILURE	LATE ARRIVING	DELAYED PROCESSING	DELAYED DISPATCH
January 16	125,356	0	0	0	0
January 17	118,268	0 6,628	0	0	0
January 18	174,742	12,581 57,704	0	0	570
January 19	220,042 234,718	17,270 59,870	0	2,878	1,857

* The numbers in black represent what the ISC reported in WebMCRS and the numbers in red represent what should have been reported.

These conditions occurred because the ISC did not:

- Have a process for identifying, reviewing, and recording all mail volumes in the categories WebMCRS requires.
- Report mail condition data according to service commitments in the ISC operating plan.
- Properly train employees to count mail according to the *WebMCRS Training/User Guide*.
- Use national conversion rates because they believed local rates more accurately reflected mail conditions at the ISC.

² Conversion rate – the factors used for specific types and classifications of mail when converting container type and mail types to number of mailpieces. Standard conversion rates are established by headquarters and are nationally publicized. When standard conversion rates are not available, local conversion rates may be used based on headquarters approval.

The 3 months of consecutive increase in reported plan failures after our site visit (January to March 2007) suggests the ISC substantially underreported mail in the past. (See Appendix B.) We examined plan failure data as far back as October 2006 and the ISC had not reported the level of failure shown after our visit.

As a result, management could not rely on data in WebMCRS to make distribution decisions, identify problems in achieving operational targets, or analyze operational trends. In addition, the reported mail condition data was misleading because it gave the impression the ISC was more successful than it actually was.

Recommendations

We recommend the Managing Director, International Network Operations, direct the Plant Manager, San Francisco International Service Center, to:

1. Establish a process for identifying, reviewing, and reporting all mail volumes by respective categories in the Web Mail Condition Reporting System.
2. Report mail condition data according to service commitments in the International Service Center operating plan.
3. Provide Web Mail Condition Reporting System training and ensure employees know how to count and report mail volumes in all required categories.
4. Use national conversion rates in Web Mail Condition Reporting System or obtain headquarters approval for conversion rate variances.

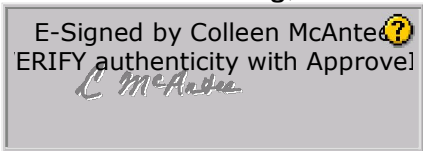
Management's Comments

Management indicated agreement with our finding and all recommendations. On June 21, 2007, management directed the Plant Manager, San Francisco ISC, to provide more oversight over the mail condition reporting and data integrity. Management indicated the Plant Manager had taken action to implement the report's recommendations. Management's comments, in their entirety, are included in Appendix C.

Evaluation of Management's Comments

Management's comments are responsive to the recommendations, and the actions taken should correct the issues identified in the finding.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Robert J. Batta, Director, Network Processing, or me at (703) 248-2100.



Colleen A. McAntee
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
Paul E. Vogel
John W. Holden
James L. Larkin
Jerry R. Alabastro
Katherine S. Banks

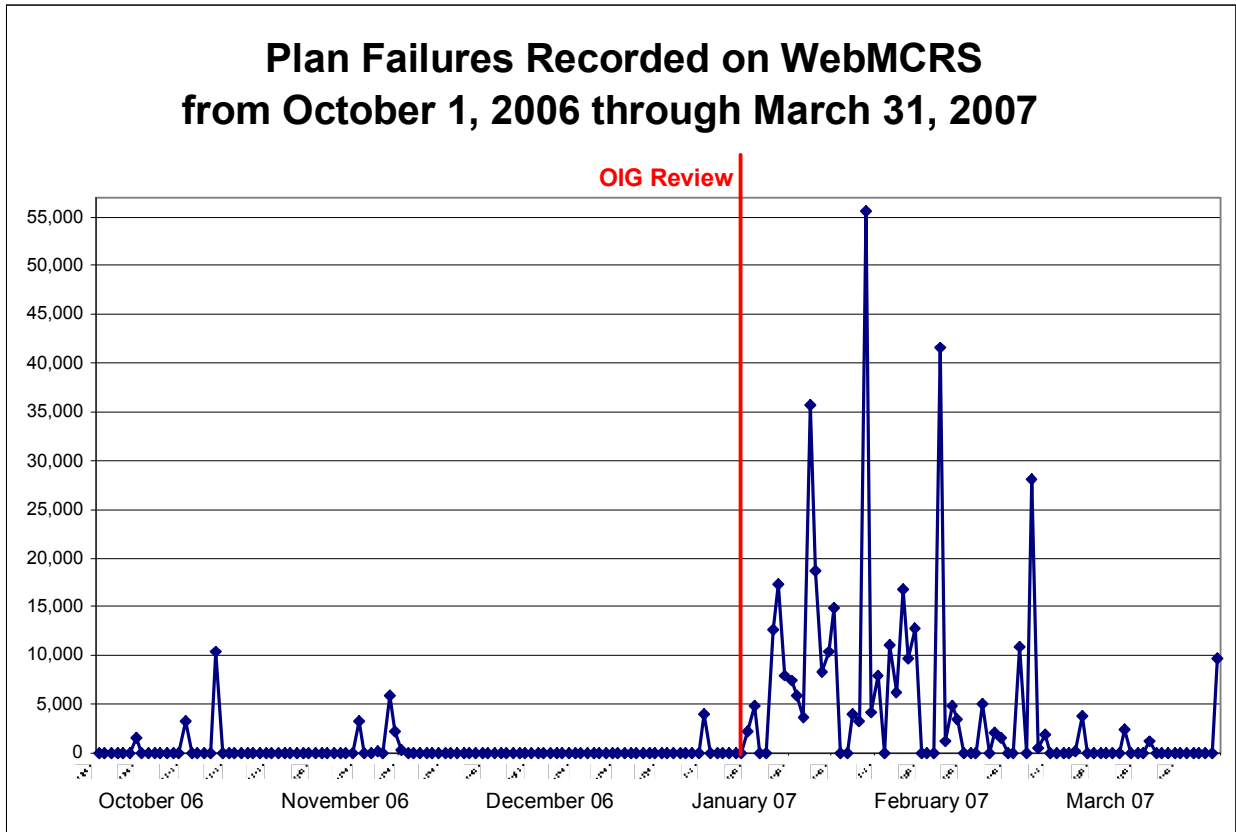
APPENDIX A

DEFINITIONS OF WEB MAIL CONDITION REPORTING SYSTEM MAIL CATEGORIES

- **On-Hand Mail** – the total of all available mail at the beginning of the day, by designated operation within the facility, regardless of service commitment. Available mail includes, but is not limited to:
 - Mail in the vehicle yard.
 - Mail in transit between local or auxiliary processing facilities.
 - Mail at the receiving dock that is waiting to be unloaded or is in the process of being unloaded.
 - Mail on the workroom floor, in the staging and storage areas, or ahead of or in or between operations.
 - All managed mail or area distribution volume, regardless of commitment.
- **Plan Failure** – occurs when mail entered an operation prior to its Critical Entry Time (CET), but was not processed by the line operation CT.
- **Late Arriving** – mail received after the facility CET for the corresponding service commitment, regardless of its processing status.
- **Delayed Processing** – occurs when mail that arrived at a facility prior to the CET was not processed and finalized in time to be dispatched on the designated Dispatch of Value (DOV) to meet the programmed delivery day. This includes mail recovered within the facility from downstream operations after CT that will not meet its intended service commitment.
- **Delayed Dispatch** – occurs when mail is processed and finalized but not dispatched on its designated DOV trip.

APPENDIX B

SUMMARY OF SAN FRANCISCO ISC PLAN FAILURES



Notes:

- Data reflects 182 days of WebMCRS reporting.
- November and December are the Postal Service's busiest processing time of year.

APPENDIX C. MANAGEMENT'S COMMENTS

GLOBAL BUSINESS



July 12, 2007

Colleen A. McAntee
Deputy Assistant Inspector General
For Mission Operations

SUBJECT: Draft Audit Report – Mail Condition Reporting at the San Francisco
International Service Center (Report Number NO-AR-07-DRAFT)

Referencing the report of June 8, 2007, I acknowledge the deficiencies identified by the Office of Inspector General and have implemented processes to remedy and correct the inconsistencies and inaccurate reporting of the Mail Condition Report.

The Plant Manager, San Francisco International Service Center, has been directed to:

1. Establish a process for identifying, reviewing, and reporting all mail volumes by respective categories in the Web Mail Condition Reporting System.
2. Report mail condition data according to service commitments in the International Service Center operating plan.
3. Provide Web Mail Condition Reporting System training and ensure employees know how to count and report mail volumes in all required categories.
4. Use national conversion rates in Web Mail Condition Reporting System.

In response to these instructions Anaczarina Hilario, Plant Manager, San Francisco ISC has implemented the following:

1. The SF ISC In-Plant Support staff has aggressively conducted and provided Web Mail Condition Reporting System training to Managers and Supervisors, Distribution Operations on how to count and report mail volumes in all required categories to all the facilities. Supervisors and Managers were also made responsible and accountable in counting the mail.
2. The Manager of SFISC In plant Support met with the Senior Plant Manager, SFP&DC and the Plant Manager, SF AMC to address and to commit their compliance with the service commitments and MCR reporting of International products. Conversely, he met with all the SF ISC Managers Distribution Operations and supervisors on all three (3) tours and discussed the importance, accuracy and urgency of mail condition reporting.
3. All employees responsible for MCR counts and reporting in the three facilities that process International Mail (SF P&DC, AMC and ISC) have been re-trained on the proper and correct counting of International products.
4. After the exit meeting with the OIG who conducted the MCR audit, the ISC began to use the correct National Conversion rates.

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This report contains no FOIA exempt information. Should you have any questions or concerns that you feel need to be discussed, I am available at (202) 268-7198.



Michael J. Nappi
Executive Director
International Operations

Attachments:

Management Directive
MCRS Training Guide
Daily Mail Condition Report Compliance
MCRS Conversion Rates

cc: Paul E. Vogel
John W. Holden
Kim H. Stroud
Delores Gentry
Robert J. Batta
File

EXECUTIVE DIRECTOR
INTERNATIONAL NETWORK OPERATIONS
 UNITED STATES
POSTAL SERVICE

June 21, 2007

Michael J. Nappi
Executive Director
International Operations
475 L'Enfant Plaza SW
Washington, DC 20260-6801

Anaczarina Hilario
Plant Manager
San Francisco ISC
2650 Bayshore Blvd
Daly City, CA 94013

Dear Ms. Hilario,

In review of the Draft Audit Report – Mail Condition Reporting at San Francisco International Service Center (SFO ISC) submitted to me by the Office of Inspector General (OIG), the document denotes inconsistencies and inaccurate reporting to include non-compliance in the national Mail Condition Reporting directives of line item specifics; Plan Failures and Delays.

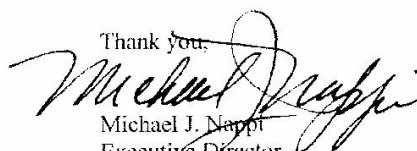
As the SFO ISC Plant Manager, it is your ultimate responsibility in oversight of the Mail Condition reporting and data integrity. Therefore, it is imperative that you ensure the practices declared in the report immediately cease and desist. Taking all of this into account, I am directing you and your staff to establish, monitor, and maintain the following:

- Establish a process to identify, review, and reporting all mail volumes by respective categories in the Web Mail Condition Reporting System (WebMCRS).
- Report mail condition data according to service commitments in the International Service Center Operating Plan.
- Provide WebMCRS training and ensure employees know how to count and report mail volumes in all required categories.
- Use national conversion rates in the WebMCRS or obtain headquarters approval for conversion rate variances.

To ensure all stakeholders have the proper tools for training and acknowledgment of official procedures, I am attaching the *WebMCRS International Conversion Rates, Standard Operating Procedures, WebMCRS training guide handbook*.

Please provide in writing the practices and implementation of measure put in place corresponding to the items listed above to my office by COB, June 27, 2007.

Should you have any questions or concerns that you feel need to be discussed, I am available at (202) 268-7198 office or (202) 255-4529 cell.

Thank you,

Michael J. Nappi
Executive Director
International Operations

Cc: Paul E. Vogel
John W. Holden
James L. Larkin
Jerry R. Albastro
Katherine S. Banks
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