



January 13, 2004

WILLIAM P. GALLIGAN  
ACTING VICE PRESIDENT, DELIVERY AND RETAIL

WILLIAM ALMARAZ  
MANAGER, LOS ANGELES DISTRICT

SUBJECT: Management Advisory – Express Mail  
Processing in the Los Angeles District  
(Report Number NO-MA-04-001)

This report presents the results of our review of Express Mail Processing in the Los Angeles District (Project Number 03YN007AC000) and is part of our ongoing review of Express Mail. We initiated this review based on an inquiry we received that identified concerns with Express Mail packages originating in the Los Angeles, California, District.

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## Results in Brief

We found the Postal Service did not collect postage due from some Express Mail packages originating in the Los Angeles District. We also identified problems with missing acceptance data for some Express Mail packages. As a result, the Postal Service may have lost a projected \$185,600 in revenues from February 2002 through January 2003. In addition, the missing acceptance data makes it difficult to respond to customer inquiries about the status of Express Mail packages.

We recommended Postal Service management collect postage due from unpaid Express Mail packages. We have assisted management with the recovery of lost revenue. We also recommended training and adherence to established procedures to prevent recurrence.

Postal Service management generally agreed with our recommendations and has recovered \$157,427 in revenue from previously unpaid Express Mail packages. Management has also provided additional instruction and training on acceptance procedures and is developing new procedures to prevent recurrence of the issues identified in this report. Management's comments, in their entirety, are included in Appendix B of this report.

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## Background

Express Mail is an expedited mail service for documents and packages weighing up to 70 pounds. It is available for both domestic and selected foreign destinations. Express Mail is one of the Postal Service's guaranteed on-time delivery services, and customers may request and receive a postage refund if an Express Mail package is not delivered on time.

During fiscal year (FY) 2002, the Postal Service delivered approximately 61.2 million pieces of Express Mail, generating \$910.5 million in revenue, or 1.4 percent of total mail revenues for the year. The Los Angeles District generated approximately \$1.2 million in revenue from Express Mail corporate and federal agency accounts in FY 2002 and \$1.7 million in FY 2001.

As of June 30, 2002, the minimum postage for mailing an Express Mail package from a post office to a domestic addressee was \$13.65. In lieu of affixing postage, Express Mail corporate and federal agency accounts give customers a convenient way to pay for Express Mail packages. These accounts enable customers to deposit money with the Postal Service or use a credit card to pay for Express Mail packages as needed.

Express Mail is tracked from the point of acceptance to the point of delivery. To assure the initial induction time for an Express Mail package is established, the package must be entered into the electronic information and accounting system by an acceptance scan.<sup>1</sup> This initial scan by a Point-of-Service ONE system is critical because it not only establishes the starting time for the Express Mail package in

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<sup>1</sup> One of the scanning events for Point-of-Service ONE is to accept Express Mail and delivery confirmation pieces into the mailstream allowing the infrastructure to electronically store delivery records and to permit easy access by customers and Postal Service employees. All domestic delivery records are maintained electronically in a national database, the Product Tracking System, Handbook PO-610, Signature Capture and Electronic Record Management: Manager's Guide to Standard Operating Procedures.

the mainstream, but also the acceptance procedure ensures the collection of revenue from Express Mail corporate account and federal agency customers. When Express Mail packages are delivered without recording an acceptance scan, the Postal Service cannot accurately track the package and may lose Express Mail revenue.

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**Objectives, Scope, and Methodology**

Our objectives were to determine (1) whether the Postal Service did not collect postage due from some Express Mail packages originating in the Los Angeles District, and (2) whether there was a problem with acceptance data for some Express Mail packages originating in Los Angeles. To accomplish our objectives, we interviewed Postal Service managers and employees. We reviewed regulations, manuals, instructions, and other supporting documentation including standard operating procedures for Express Mail. We relied on computer-processed data contained in the Electronic Marketing and Reporting System. However, we did not establish the reliability of this data due to the limited scope of this review.

To determine Express Mail revenues not charged at the time of mail acceptance, we obtained a statistical sample of 353 mailing labels (see Appendix A). Our sample allowed us to statistically project the amount of uncollected revenue from Express Mail corporate and federal agency accounts between February 1, 2002, and January 16, 2003. We also reviewed<sup>2</sup> various reports relating to Express Mail volume and statistics. These reports provided data on historical trends for Express Mail accepted in the Los Angeles District.

To determine whether there was a problem with acceptance data, we observed Express Mail processing at selected facilities. We also observed the scanning of Express Mail labels to determine whether the Postal Service accepted Express Mail packages from Express Mail corporate account and federal agency customers without recording acceptance data. In addition, we analyzed the Express Mail Unmatched Delivery Records Report, which details packages that have delivery information without finance information. Finally, we examined acceptance data transmitted from the Worldway

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<sup>2</sup> We did not perform tests on accuracy and reliability of the report data.

Express Mail Point-of-Service ONE system to the Retail Consolidation Unit.<sup>3</sup>

This review was conducted from March through January 2004 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

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**Prior Audit Coverage**

In October 1996, the General Accounting Office (GAO) issued an audit report, Revenue Losses From Express Mail Accounts Have Grown (Report Number GAO/GGD-97-3). This review disclosed some mailers obtained Express Mail services using invalid Express Mail corporate accounts, and the Postal Service did not always collect the postage due. In addition, the Postal Service accepted and delivered some Express Mail packages without recording any data when it accepted the packages. As a result, the Postal Service could not accurately track and report the transactions.

GAO recommended the Postal Service determine whether Express Mail corporate accounts were cost effective. If the Postal Service determined the Express Mail corporate accounts to be necessary, GAO recommended stronger requirements for opening accounts, and managers and employees be held accountable for handling transactions in accordance with policies and procedures. Postal Service management agreed with GAO's findings and conclusions.

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**Revenue Losses From Transmission Problems With Express Mail Data**

Our review found Express Mail packages originating in Los Angeles from February 2002 through January 2003 may have been delivered without collecting a projected \$185,600 in postage.<sup>4</sup> During this period, the Point-of-Service ONE System at the Worldway Express Mail Unit did not successfully transmit acceptance scan information on Express Mail packages from customers using Express Mail corporate accounts or federal agency accounts.

This transmission problem with Express Mail data occurred because the information in the Point-of-Service ONE

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<sup>3</sup> The Retail Consolidation Unit is a system that consolidates various data, including Express Mail acceptance data.

<sup>4</sup> See Appendix A for a description of how the estimated lost revenue was calculated.

transmission did not match the ten-digit site identification number maintained for each location at the Retail Consolidation Unit. Each Point-of-Service ONE system must have a properly assigned finance number plus a four-digit unit identification number to comprise the ten-digit site identification number. The ten-digit identification number is used to log on and transmit information to the Retail Consolidation Unit. If the numbers do not match, the data will not be processed. Errors in transmission can also be caused by the use of the wrong Internet Protocol address.<sup>5</sup> In either case, the Retail Consolidation Unit automatically generates a daily transmission error report to alert users of such an event.

Postal Service procedures on the installation of Point-of-Service ONE systems require test transmissions be conducted prior to using the system. We found no evidence the Postal Service had conducted the required test of transmissions.

Even though a daily transmission error report was available to the district accounting office,<sup>6</sup> management did not fully identify or take timely action to fully address the problem. However, when the error was brought to the attention of Los Angeles Expedited Services personnel, procedures were implemented to verify successful transmissions from the Worldway Express Mail Unit and to recover as much of the estimated \$185,600 in lost revenue as possible. We have assisted management with the recovery of lost revenue.

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**Recommendation**

We recommend the manager, Los Angeles District:

1. Collect revenue losses due to transmission problems with Express Mail packages originating in the Los Angeles District.

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<sup>5</sup> Internet Protocol is a method by which data is sent from one computer to another on the Internet. Each computer on the Internet has at least one Internet Protocol address that uniquely identifies it from all other computers on the Internet.

<sup>6</sup> District accounting offices are being replaced by Shared Services Accounting.

<b>Management's Comments</b>	Postal Service management agreed with this recommendation and has taken actions to collect revenue losses. Although management agreed with the methodology we used to statistically estimate the revenue lost during the period, management did not agree with the amount we estimated. Management estimates the loss of revenue ranged from \$132,000 to \$160,000.
<b>Evaluation of Management's Comments</b>	Management's comments are generally responsive to the recommendation. Our estimate of \$185,600 was based on a statistically valid sample that accounted for labels that may have been incorrectly identified as corporate or federal government accounts. However, based on our finding the Postal Service actually recovered \$157,427 in previously unpaid Express Mail packages. Managements actions taken should correct the issues identified in the report.
<b>Recommendation</b>	<p>We recommend the acting vice president, Delivery and Retail:</p> <ol style="list-style-type: none"> <li>2. Ensure mandatory test transmissions are conducted with every Point-of-Service ONE installation.</li> </ol>
<b>Management's Comments</b>	Management generally agreed with this recommendation and stated that although test transmissions are standard procedure, actual test transmissions to the Retail Consolidation Unit are not practical at this time. However, a new Retail Consolidation Unit "Missing Files Report" is now available and will be utilized. This Retail Consolidation Unit "Missing Files Report" identifies all units for which complete data has not been received. Because of the availability of this new report, and the scheduled completion of Point of Service ONE installations within the next 12 months, Postal Service management does not believe it is necessary to devote resources to establish a Retail Consolidation Unit test environment at this time.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to the recommendation. Management's alternative actions taken and planned regarding the "Missing Files Report" should correct the issues identified in the report.

<b>Recommendation</b>	<p>We recommend the acting vice president, Delivery and Retail:</p> <p>3. Establish procedures to ensure finance number changes are coordinated with district finance, Shared Services Accounting, and Retail Consolidation Unit operations.</p>
<b>Management's Comments</b>	<p>Management agreed with the recommendation. The acting vice president, Delivery and Retail is working with the manager, Accounting, to develop procedures to ensure finance number changes are properly coordinated. The target date for finalizing these procedures is June 2004.</p>
<b>Evaluation of Management's Comments</b>	<p>Management's comments are responsive to this recommendation. Management's planned actions should correct the issues identified in the report.</p>
<b>Recommendation</b>	<p>4. Establish procedures to ensure proper coordination and usage of daily transmission error reports between the Retail Consolidation Unit operator and the Expedited Services specialists.</p>
<b>Management's Comments</b>	<p>Management agreed with the recommendation. The acting vice president, Delivery and Retail is working closely with Engineering/Retail Consolidation Unit Operations and Package Services/Expedited Service Specialists to establish procedures to ensure proper coordination and usage of daily transmission error reports. The target date for finalizing these procedures is June 2004.</p>
<b>Evaluation of Management's Comments</b>	<p>Management's comments are responsive to the recommendation. Management's planned actions should correct the issues identified in the report.</p>
<b>Acceptance Data for Some Express Mail Packages Not Recorded</b>	<p>The Postal Service provided evidence that some Express Mail originating in the Los Angeles District was received, sorted, and delivered without proper acceptance. This situation occurred when customers dropped Express Mail packages in collection boxes and employees were expected to, but did not, record acceptance data at subsequent stages of sorting and processing. The same situation can also</p>

occur when mail is accepted at contract stations<sup>7</sup> without the capability of initiating an acceptance scan. An acceptance scan is required to establish the start time that an Express Mail package entered the mailstream. The photograph below depicts a Postal Service employee completing an acceptance scan.



Acceptance scan on a Point-of-Service ONE terminal.

These conditions occurred because:

- Employees involved in accepting and processing Express Mail were not properly trained.
- Employees did not understand how to use the Unmatched Delivery Records report that showed improperly accepted Express Mail.

As a result of missing acceptance scans, the Postal Service cannot adequately respond to customer inquiries about the status of Express Mail packages or process requests for refunds when customers claim packages were delivered late. In addition, when Express Mail is generated by Express Mail corporate account or federal agency customers, the Postal Service can lose revenue because these accounts may not be charged due to the lack of acceptance data. Further, when acceptance data is not recorded, the Postal Service

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<sup>7</sup> Contract Station – A Postal Service unit that is a subordinate unit within the service area of a main post office. It is usually located in a store or place of business and is operated by a contractor who accepts mail from the public, sells postage and supplies, and provides selected special services, Glossary of Postal Terms, Postal Service Publication 32.



has incomplete data to report on-time delivery rates for Express Mail.

During our review, Postal Service management at the Los Angeles District established a task force to examine the problem with missing acceptance scans for Express Mail packages. The task force implemented an action plan to address this issue; however, it was too early to assess results during our review.

<b>Recommendation</b>	<p>We recommend the manager, Los Angeles District:</p> <p>5. Provide training on the importance of the acceptance scan to employees involved in accepting and processing Express Mail.</p>
<b>Management's Comments</b>	<p>Management agreed with the recommendation. Employees on all tours at the Worldway Express Mail Unit received instruction and communication on the acceptance and processing of Express Mail. This was also addressed in a February 2003 mandatory "Stand-Up Talk" in all delivery and retail units in the Los Angeles Cluster.</p>
<b>Evaluation of Management's Comments</b>	<p>Postal Service management's comments are responsive to the recommendation. Management's actions taken should correct the issues identified in the report.</p>
<b>Recommendation</b>	<p>6. Provide training on how to use and manage the Unmatched Delivery Records report.</p>
<b>Management's Comments</b>	<p>Management agreed with the recommendation. In September 2003, a Los Angeles District's Expedited Service specialist provided training to Express Mail clerks on the use and management of the Unmatched Delivery Records report.</p>
<b>Evaluation of Management's Comments</b>	<p>Management's comments are responsive to the recommendation. Management's actions taken should correct the issues identified in the report.</p>

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**Other Matters of Concern**

During our review, we identified additional matters of concern.

- Employees cannot visually determine whether an Express Mail package has had an acceptance scan because there is no readily identifiable indication on the mailpiece.
- Employees expressed concerns about the frequency and format for the Unmatched Delivery Records report. The current report, based on the destination of an Express Mail package, makes it difficult to resolve unmatched records. In addition, delays in notification of unmatched records increase the complexity of resolving these issues.
- Employees can enter a future business date into the Point-of-Service ONE system and the system will accept the data. However, the Retail Consolidation Unit will reject this data because of the invalid business date.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Robert J. Batta, director, Network Operations - Processing, at (703) 248-2100 or me at (703) 248-2300.

Mary W. Demory  
Deputy Assistant Inspector General  
for Operations and Human Capital

Attachment

cc: John A. Rapp  
Alfred Iniguez  
Julie F. Rios  
Susan M. Duchek

## APPENDIX A. ESTIMATED LOSS OF REVENUE

### STATISTICAL SAMPLING AND PROJECTIONS FOR REVIEW OF EXPRESS MAIL, LOS ANGELES DISTRICT

#### Purpose of the Sampling

One of the sub-objectives of this audit was to identify the value of Express Mail postage associated with corporate and federal agency accounts from the Worldway Express Mail Unit between January 1, 2002, and January 16, 2003. In support of this sub-objective, the audit team employed a stratified systematic sample of Express Mail labels. The sample design allows statistical projection of the total value of Express Mail postage associated with corporate and federal agency accounts from the Worldway Express Mail Unit.

#### Definition of the Audit Universe

The audit universe consisted of all corporate and federal agency account Express Mail labels from the Worldway Express Mail Unit between January 1, 2002, and January 16, 2003. The Express Mail labels were stored at the Los Angeles District office.

#### Sample Design and Modifications

Upon examination of the mailing labels on site, the team discovered mailing labels for January 2002 were not available for review. To adjust for this, we redefined the audit universe to consist of all corporate and federal agency Express Mail labels from the Worldway Express Mail Unit between February 1, 2002, and January 16, 2003. The universe consisted of 10,921 mailing labels. The team also discovered a small subset of the sample that contained incorrect account numbers. These labels were deemed to be out of scope.

The mailing labels were stratified into three strata and the sample was selected systematically within each strata. The strata boundaries skip intervals and random starts are given in the table below. A total of 353 labels were selected in the sample.

Stratum	Date Range	Universe	Sample	Random Start	Skip Interval
I	February 1, 2002 - June 30, 2002	8016	163	30	50
II	July 1, 2002 - December 31, 2003	2487	147	3	17
III	January 1, 2003 - January 16, 2003	418	43	3	10

The sample size was based on a stratified random sample design. We calculated the sample size for a two-sided confidence interval, at the 90 percent confidence level and 14 percent precision, based on a coefficient of variation of 150 percent. This sample size is equivalent to a one-sided confidence interval, at the 95 percent confidence level. We elected to use a one-sided confidence interval because of concern over possible missing labels. The allocation to the strata was based on our judgment.

### **Statistical Projections of the Sample Data**

For the projection of the total value of Express Mail postage associated with corporate and federal agency accounts from the Worldway Express Mail Unit, the sample data were analyzed using the formulas for estimation of a sub-population total (to account for out of scope labels) as generally described in Chapters 5 and 11 of Elementary Survey Sampling, Scheaffer, Mendenhall, and Ott, c.1990. Because the labels were stored by date, we made the assumption that the universe was in random order in relation to postage. This assumption was generally confirmed by examining scatter plots of sampled labels within each stratum. The plots did not reveal any trends in the data. As discussed in Chapter 7 of Scheaffer, Mendenhall, and Ott, this allowed for the variance of the sample mean to be estimated based on simple random sampling within each stratum.

### **Results**

Based on projection of the sample results, we are 95 percent confident that the total dollar amount of Express Mail postage associated with corporate and federal agency accounts from the Worldway Express Mail Unit between February 1, 2002, and January 16, 2003, was at least \$173,980; the point estimate is \$185,611. The achieved relative precision is 6 percent.

## APPENDIX B. MANAGEMENT'S COMMENTS

MANAGER MARKETING  
LOS ANGELES DISTRICT



November 10, 2003

Mary Demory  
Deputy Assistant Inspector General  
For Core Operations  
Office of the Inspector General

SUBJECT: Express Mail Processing in the Los Angeles District  
Report Number AC-MA-04-DRAFT

The Los Angeles District management team agrees that due to a transmission problem at the Worldway Postal Facility, Express Mail acceptance data, including corporate and federal agency accounts, was not properly transmitted. This occurred between December 2001 and January 2003. As a result, revenue owed the Postal Service was not collected at the time of mailing.

We agree with the factual circumstances as documented in the report. However, due to the length of the period in question and the number of Express Mail labels involved (in excess of 10,000), the auditors used a statistical sampling process to estimate the revenue loss. The estimate established a range of between \$173,980 and \$185,611, with the higher figure being the one used for the report purposes. While Los Angeles does not dispute the methodology used nor the fact that there was a significant revenue deficiency, local staff identified nearly 500 labels that were included in the total reviewed by the auditors (although not necessarily in the sampling) that were incorrectly identified as corporate or federal accounts. This, coupled with the fact that the sampling technique involved assumes only a 95% confidence level, leads us to believe, therefore, that the identified revenue deficiency is potentially inflated.

**RECOMMENDATION #1: Collect revenue losses from transmission problems with Express Mail packages originating in the Los Angeles District.**

RESPONSE: All available labels (10,126) were input into the Electronic Marketing and Reporting System by October 23, 2003, with an estimated recovered revenue of \$132,000 - \$160,000. Those estimates were derived by applying minimum postage for the lower figure and the average postage based on Retail transactions for the higher figure to the number of labels inputted. While a number of customers called to inquire about being charged after so much time, not a single customer disputed the charge or appealed payment. As identified in the report, labels for January, 2002 could not be located, and any revenue lost as a result could not be recovered.

**RECOMMENDATIONS 2, 3, & 4** are for the vice president, Delivery and Retail, at the Headquarters level.

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**RECOMMENDATION #5: Provide training on the importance of the acceptance scan to employees involved in accepting and processing Express Mail.**

RESPONSE: All employees on all three tours at the Worldway plant received instruction and communication on the acceptance and processing of Express Mail. In addition, the subject was addressed in a mandatory Stand-Up Talk in all delivery and retail units in the Los Angeles Cluster during the month of February, 2003. A copy of the talks is attached. Further, all instances of acceptance and scanning errors are addressed through identification by the Expedited Mail Unit and reviews with the specific units by the Manager, Operations Programs Support and/or Managers, Post Office Operations/Customer Service Operations.

**RECOMMENDATION #6: Provide training on how to use and manage the Unmatched Delivery Records report.**

RESPONSE: In September of 2003 the Expedited Service Specialist provided training to Express Mail clerks on the use and management of the Unmatched Delivery Records report. The ESS as well as the clerks access the report several times weekly to identify and reconcile any discrepancies.

**CONCLUSION:**

The Los Angeles Cluster agrees with the factual circumstances that led to the revenue deficiency. We have some disagreement with the calculation of the total possible deficiency, but agree that the amount was substantial. With the exception of the missing labels for January, 2002, all labels involved in the deficiency were input into the EMRS system and all revenue associated with the labels was collected. We estimate the amount to be between \$132,000 and \$160,000.

The recommendations involving communication and training relating to acceptance of Express Mail have been accomplished Cluster-wide. The Expedited Mail Unit is actively monitoring the Unmatched Delivery Records report.

In summary, the specific circumstance that led to the deficiency has been resolved, and processes are in place to prevent a reoccurrence.



William Almaraz  
District Manager

cc: Pamela Boxley, Mgr., Admin Services  
Vikki Noblitt, Mgr., Ops Programs Support  
Joe Wilson, Mgr., Marketing  
Martha Sternberg, Mgr., Finance

Attachments

Please Post

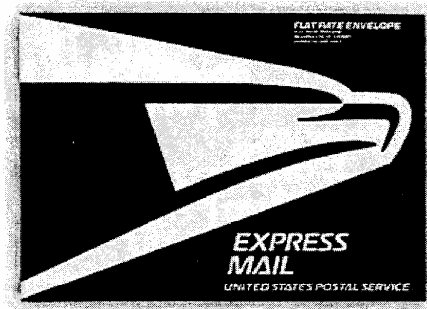
## EXPRESS MAIL STANDUP TALK

For Delivery Units

Express Mail is the Postal Service's premier product. Our customers expect us to deliver on our promises to them. We can increase our customers' confidence in our service by delivering on time, every time. If the customer has confidence in us, they will think of the Postal Service first for their expedited service needs.

Each Express Mail piece has a delivery commitment. Global Express Mail and International Express Mail is due by 12 p.m. on the day it arrives in the delivery unit. Domestic Express Mail is due either by noon. Or 3 p.m. The commitment is marked on the label.

Customers can and many do receive a full postage refund because the Express Mail piece was delivered just one minute past the commitment. Express Mail pieces that arrive on time in your delivery unit are within your control to meet the customers expectation of delivery.



Accurate scanning is a key issue with customer satisfaction. Our customers pay for tracking and a signature on their pieces. The tracking is only good if the scanning is completed properly from acceptance to delivery. Every domestic and international Express Mail piece must have a "stop-the-clock scan" prior to the commitment to be considered on time and prevent a postage refund. Some of the stop-the-clock scans include 'Arrival at Pickup Point', 'Attempted', 'Return to Sender', or 'Delivered'. Your supervisor can provide you with a complete list of the stop-the-clock scans if you need one.

Scanning an Express Mail piece is done at the time the event happens. If you "attempt a delivery" the piece should be scanned "attempted" right then. Don't wait until later! Of course you've left a notice for the customer. The same is true for delivery or any other scan you may use, ***scan as the event happens.***

Complete and accurate scanning along with the linking of a properly completed PS Form 3849 whenever prompted by the scanner gives the customer the delivery information they are looking for. If an item is not scanned properly, or not at all, we have no delivery information to give to the customer. If you were the customer, would you be satisfied with "sorry there's no delivery information"?

Our Express Mail service scores are a tool we use to see how well we are meeting our customers' needs. When our scores are up we tend to get more business. While the service scores don't tell the whole story, they can help us identify areas where we need improvement. Our goal is 96.5% on time. Are you doing everything you can to help us reach that goal?

Questions? District Express Mail Office (323) 586-1725

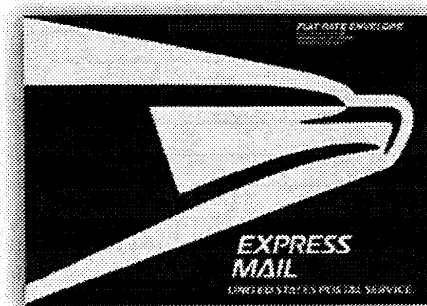
## Please Post

## EXPRESS MAIL STANDUP TALK

## For Retail Units

Express Mail is the Postal Service's premier product. Our customers expect us to deliver on our promises to them. We can increase our customers' confidence in our service by **delivering on time, every time**. If the customer has confidence in us, they will think of the Postal Service first for their expedited service needs.

Let's review what you as an acceptance clerk can do to help grow our business and increase customer confidence in our premier product.



Our Express Mail service is constantly being updated, whether it's commitments, special circumstances, new procedures or a new convenience for the customer, such as on line labels. This information comes to you in various ways. It could be through the Postal Bulletin, Standup Talks, messaging from the District Express Mail Office or on-line POS broadcast messages or training. Part of your job as a Sales and Service Associate (SSA) is to keep current with the new information on Express Mail. Your supervisor should be able to help with this. You need to familiarize yourself with the new materials to be able to serve your customers properly.

Our customers depend on you to tell them when they can expect their Express Mail piece to arrive at its destination. There are a lot of things that play a role in the delivery commitment. Some pieces take more than two days to be delivered. Here are some examples when you might see a delivery commitment greater than two days. The destination Zip Code is a two-day location from your office and it is accepted after your office's cutoff time. The piece is scheduled to arrive at the destination post office on Saturday but that office is closed on the weekends and holidays. You accept the piece on Saturday and we don't have transportation available for a next day commitment.

Any time the commitment is greater than 2 days, you are required to mark the label '2<sup>nd</sup> delivery day' and write the actual date it is guaranteed in the commitment area on the label. POS will tell you the date. Then explain to the customer when the guarantee is.

Many times an Express Mail piece will fail in the system because the SSA has improperly accepted it. The commitment can be different if the piece is going to a post office box or the customer requests no weekend/no holiday delivery. POS will adjust the commitment for these pieces **if you enter it when prompted**. If you don't enter the no weekend/no holiday request into POS, the piece will fail in the system when the piece is delivered on Monday or the day after the holiday. In addition, miskeying the Zip Code can cause the system to mistake the commitment. (I.e. The commitment for 92101 would be different if the Zip was really 93101!)

Our Express Mail service scores are a tool we use to see how well we are meeting our customers' needs. When our scores are up we tend to get more business. While the service scores don't tell the whole story, they can help us identify areas where we need improvement. **Our goal is 96.5% on time**. Are you doing everything you can to help us reach that goal?

Questions? District Express Mail (323) 586-1725







December 2, 2003

KIM H. STROUD  
DIRECTOR, AUDIT OPERATIONS AND FOLLOW-UP  
OFFICE OF INSPECTOR GENERAL

SUBJECT: Draft Management Advisory -- Express Mail Processing in the Los Angeles District  
(Report Number AC-MA-04-DRAFT)

We appreciate this opportunity to comment on the findings presented in the Draft Management Advisory on Express Mail Processing in the Los Angeles District (Report Number AC-MA-04-DRAFT). Since the Los Angeles District Manager has provided responses to Recommendations 1, 5, and 6 (attached), this response covers the Delivery and Retail recommendations.

As indicated in the interim report, Express Mail acceptance records from the Worldway facility failed to reach the Express Mail Reporting System (EMRS) as a result of a mismatch between the finance number and unit ID placed in the header record of the POS ONE data file and the site's identifying information in the Retail Consolidation Unit (RCU). Since the logon ID information was correct, the POS ONE transmissions reached the RCU before being deemed invalid, and there were no error messages visible at the unit level. Problems such as this would normally have been quickly recognized by the District Accounting Office (now Shared Services Accounting), but that did not occur in this case. It appears that Worldway's status as a non-retail facility (which would have had zero values in all AICs every day) was a major factor in the failure of district personnel to notice that no daily financial reports were being received.

**Recommendation #2:**

**Ensure mandatory test transmissions are conducted with every Point-of-Service ONE installation.**

**Response:**

It is already standard procedure for installers to verify that each new site is connected to the network, and this was done during the Worldway installation. However, actual test transmissions to the RCU are not practical at this time because there is no RCU test environment available. In effect, data transmission after close-out on the first day of POS ONE activity serves as a confirmation that the correct finance numbers and unit IDs have been provided by the district and built into the system by the vendor.

In addition, a new RCU "Missing Files Report" is now available, which identifies all units for which complete data has not been received. This report is generated daily at Eagan and emailed to Shared Services Accounting in St. Louis, where each district's report is routed to the appropriate technician for follow up. Given the availability of this new report and the scheduled completion of POS ONE installations within the next twelve months, we do not believe it is necessary to devote resources to the establishment of an RCU test environment at this time.

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**Recommendation #3:**

**Establish procedures to ensure finance number changes are coordinated with district finance, Shared Services Accounting, and Retail Consolidation Unit operations.**

**Response:**

We believe most of the responsibility for this recommendation should fall to the Finance organization; therefore, we have contacted Jayne Schwarz to inform her about this recommendation. We will work closely with Ms. Schwarz and her team to ensure appropriate coordination.

**Recommendation #4:**

**Establish procedures to ensure proper coordination and usage of daily transmission error reports between the Retail Consolidation Unit operator and the Expedited Services specialists.**

**Response:**

Although Delivery and Retail does not manage the RCU operations or District Expedited Service Specialists, we agree with the recommendation. Therefore, we have contacted both Jim Buie (Engineering/RCU Operations) and Julie Rios (Package Services/Expedited Service Specialists) to inform them of this recommendation. We will work closely with both of these individuals to ensure appropriate coordination.

As additional information, Express Mail is not "the Postal Service's only guaranteed on-time delivery service," as stated in the "Background" section of the interim report. Global Express Guaranteed also provides guaranteed time-specific delivery.

  
William P. Galligan  
Acting Vice President  
Delivery and Retail

**Attachment**

cc: John A. Rapp  
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William Almaraz  
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