



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Fiscal Year 2013
Statistical Test Reviews**

Management Advisory Report

March 7, 2014

Report Number FT-MA-14-007



BACKGROUND:

The Postal Accountability and Enhancement Act of 2006 requires the U.S. Postal Service to report its annual revenue and mail volume to the Postal Regulatory Commission. The Origin-Destination Information System-Revenue, Pieces, and Weight is the primary system for collecting revenue, volume, and weight data for most mail classes and extra services. The Postal Service uses system data to develop new postage rates, conduct studies, prepare its budget, and support decisions on mail operations.

As part of this process, data collection technicians conduct statistical mail tests to sample live mail and collect data to estimate stamp usage to calculate postage bought by the public but not used.

The Postal Service began a remediation plan in fiscal year (FY) 2013 to address a deficiency in data collection sampling procedures reported by management on September 30, 2012. As a result of the remediation plan, revision of data collection handbooks, and mandatory data collection training, the Postal Service reduced the severity of the deficiency as of September 30, 2013.

Our objective was to determine whether the Postal Service conducted statistical mail tests in accordance with established policies and procedures.

WHAT THE OIG FOUND:

Data collection technicians did not always conduct system tests in accordance with set procedures. We identified 16 test errors in 10 of 45 tests we observed. Specifically, the technicians did not always:

- Follow and apply the appropriate test mail sampling methodology.
- Correctly enter and verify all data entered into their laptop computers.
- Properly identify, isolate, and capture test mail.

In addition, we identified four instances where data collection technicians did not protect their laptop computers. These errors occurred during the first 3 quarters of FY 2013. No errors were identified in the last quarter, when remediation efforts were completed. Based on our observations and management's efforts to mitigate the potential risk of test errors, we think the reduction in the severity of the deficiency is appropriate.

WHAT THE OIG RECOMMENDED:

We recommended management continue training on sampling methodology policies and protecting data collection equipment and complete and issue revisions of all statistical programs handbooks.

[Link to review the entire report](#)



March 7, 2014

MEMORANDUM FOR: STEVEN R. PHELPS
MANAGER, REGULATORY REPORTING AND COST
ANALYSIS

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". A small yellow question mark icon is located in the top right corner of the box.

FROM: John E. Cihota
Deputy Assistant Inspector General
for Financial and Systems Accountability

SUBJECT: Management Advisory Report – Fiscal Year 2013 Statistical
Test Reviews (Report Number FT-MA-14-007)

This report presents the results of our review of Fiscal Year 2013 Statistical Test Reviews (Project Number 13WD005FI000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Denice M. Millett, director, Finance, or me at 703-248-2100.

Attachment

cc: Julie S. Moore
Corporate Audit and Response Management

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Introduction

This report presents the results of our review of Fiscal Year (FY) 2013 Statistical Test Reviews (Project Number 13WD005FI000). The objective of our review was to determine whether the U.S. Postal Service conducted statistical Origin-Destination Information System-Revenue, Pieces, and Weight (ODIS-RPW) tests to collect revenue and volume data in accordance with established policies and procedures. We reviewed tests of the ODIS-RPW and conducted this work in support of the audit of the Postal Service's financial statements.¹ See [Appendix A](#) for additional information about this review.

ODIS-RPW is the primary probability sampling system that estimates revenue, volume, and weight for most classes of mail and extra services. Management uses test data to develop new rates, prepare its budget, conduct studies, and support decisions concerning mail operations. Data collection technicians (data collectors) observe employee work activity, sample live mail, and collect data at randomly selected sites; record the information on laptop computers; and transmit it for review. The data collectors record various mailpiece characteristics, such as revenue, weight, shape, indicia, barcode, postmark date, origin, and mail class. As part of this process, the Postal Service also relies on statistical programs' sample data to protect revenue and estimate stamp usage when calculating Postage in the Hands of the Public (PIHOP).²

In addition, the independent public accountant (IPA) uses ODIS-RPW report information and field level test results to support the integrated audit of the financial statements and internal controls over financial reporting.

Conclusion

The Postal Service did not always follow established data collection policies and procedures. We identified 16 errors in 10 of 45 tests observed³ during the first 3 quarters⁴ of the fiscal year, and identified no test errors during the last nine tests we observed in the fourth quarter. The test errors we identified included technicians:

- Not following procedures or applying an inappropriate random start or mailpiece/container skip interval.

¹ This report does not present the results of audit work required under the Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006).

² The process of deferring the recognition of revenue for postage purchased, but where services have not yet been provided.

³ These errors occurred in six of 15 districts reviewed.

⁴ A Postal Service quarter is an accounting division of the fiscal year that consists of 3 monthly accounting periods that are based on calendar months. Postal Service Quarter (Q) 1 – October 1 through December 31, 2012, Postal Service Q2 – January 1 through March 31, 2013, Postal Service Q3 – April 1 through June 30, 2013, and Postal Service Q4, July 1 through September 30, 2013.

- Improperly entering and not verifying information keyed into the laptop computer.
- Improperly identifying, isolating, and capturing test mail.

In addition to the test errors identified, we found instances where data collectors did not protect their laptop computers.

In FY 2013, the Postal Service began a remediation plan to address the significant internal control deficiency⁵ related to data collection sampling procedures identified in FY 2012. The remediation efforts continued through May 2013. We believe these remediation efforts contributed to the U.S. Postal Service Office of Inspector General (OIG) identifying no test errors in our Q4 test observations. As a result of the remediation plan, the Postal Service reduced the severity of the ODIS-RPW control deficiency from a significant internal control deficiency to a control deficiency. Based on the decrease in test errors during our observations and management's continued efforts to mitigate the potential risk of testing errors, we believe the reduction in the severity of the internal control deficiency is appropriate.

Repeat Test Errors

In FY 2010 through FY 2012, we identified recurring test errors in our annual statistical programs capping reports.⁶ A review of FY 2010 through FY 2013 shows continuous improvement in ODIS-RPW testing procedures, with fewer overall errors and fewer districts with errors.

We believe the decrease in test errors is the result of the Postal Service's remediation plan, the revision of data collection handbooks that highlight sampling processes and procedures,⁷ and mandatory data collection training. The test errors we identified in FY 2013 occurred in Qs 1 through 3. We did not identify any errors in the last quarter of the fiscal year. The 16 test errors we identified in FY 2013 included data collectors who did not always:

- Follow procedures or apply the appropriate random start number for mailpiece/container skip intervals. We identified 12 test errors where the data collector did not apply and follow the approved sampling methodology⁸ to identify mailpieces and/or containers and did not apply the correct random start number

⁵ A significant deficiency, or a combination of deficiencies, in internal controls over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of Postal Service financial reporting.

⁶ *Statistical Tests for Fiscal Year 2012* (Report Number FT-MA-13-009, dated February 19, 2013); *Statistical Tests for Fiscal Year 2011* (Report Number FT-MA-11-168, dated September 29, 2011); and *Statistical Tests for Fiscal Year 2010* (Report Number FF-AR-10-222, dated September 14, 2010).

⁷ Management had not finalized data collection handbooks at the conclusion of our fieldwork.

⁸ Handbook F-75, *Data Collection User's Guide for Revenue, Volume, and Performance Measurement System-Draft*, Section 372.4, November 2013.

for testing. A data collector must select the required mailpieces by applying the mailpiece skip interval to all selected mailpieces and to containers using the container skip interval.⁹ Specifically, data collectors did not:

- Select the correct mailpiece for testing when performing the mailpiece skip interval count (six errors).
- Identify the appropriate containers (four errors).
- Include all trays of mail in the container counts (two errors).

In most cases, data collectors stated the errors were due to miscounting trays and mailpieces that were stuck together. In addition, two data collectors said our presence made them nervous, causing them to select the incorrect mailpiece.

- Enter correctly or verify the information keyed into the Computerized On-Site Data Entry System (CODES) Web Base Unit laptop computer (three errors). As data from a mailpiece is entered into the laptop computer system, a record of each entry appears on the screen. After all the data for the selected mailpiece has been entered, the data collector must verify that the keyed information is correct by answering the questions prompted by the ODIS-RPW CODES software system.¹⁰

Specifically, we identified errors related to data collectors incorrectly entering the value of two 2012 Forever stamps and the meter number of one mailpiece. One data collector stated she was aware of the recent stamp price increase, but believed that it only applied to the 2013 Forever stamps and not those sold prior to 2013. The second data collector could not provide a cause for incorrectly entering the meter number into the system.

- Properly identify, isolate, and capture mail to be sampled/tested (one error). Specifically, we observed one instance where the data collector did not include a bundle of mail in the test sample. The data collector is responsible for identifying, isolating, counting, sampling, and recording the necessary mailpieces.¹¹ The data collector stated that she did not see the bundled mail because a distribution clerk placed it between two mail tubs. When employees do not follow testing procedures for mailpiece inclusion, there is an increased risk of inaccurate revenue and mail volume reporting.

⁹ Handbook F-75, Section 372.4.

¹⁰ Handbook F-75, Section 39.

¹¹ Handbook F-75, Chapter 3.

Equipment Security and Data Integrity

We also observed data collectors in three districts who did not follow procedures for protecting data collection equipment. Specifically, in four of 45 tests observed, data collectors did not place their CODES laptops into hibernation mode or lock their keyboards when their laptops were unattended, thereby jeopardizing the integrity of test data.¹²

One data collector with 5 months of experience was not aware of the requirement to protect unattended CODES laptops (and was responsible for two of the four security data issues). The other two data collectors were aware of the requirement; however, one stated that, due to nervousness, he did not hibernate or lock the keyboard and the other could not provide a reason for not protecting the laptop computer. We also reported this issue in the prior 3 fiscal years. As a result of the Postal Service's remediation efforts and mandatory training for all data collectors during FY 2013, we did not identify any security data integrity issues during the last quarter of the fiscal year.

Recommendations

We recommend the manager, Regulatory Reporting and Cost Analysis, direct the manager, Statistical Programs, to:

1. Direct district managers, Financial Programs Compliance, to emphasize through individualized and quarterly training all sampling methodology policies and procedures and the necessity to protect data collection equipment to preserve data integrity.
2. Complete the revisions of all statistical programs handbooks and issue final copies to ensure data collectors use the updated policies and guidelines to conduct statistical tests.

Management's Comments

Postal Service management agreed with our findings and recommendations. For recommendation 1, management will provide quarterly and individualized training to district and area staff, including managers of Financial Programs Compliance and supervisors of Statistical Programs, on all the sampling methodology policies and procedures. Instructions on protecting laptops and the importance of preserving data integrity will be included in the training. The training is expected to be completed by April 30, 2014.

For recommendation 2, management will submit Handbook F-75 for the corporate approval process during FY 2014, Q3; submit Handbook F-95¹³ in FY 2014, Q4; and

¹² Handbook F-75, Appendix G, Section IV, Data Security and Integrity, Item F – CODES Equipment Security.

¹³ Handbook F-95, *Statistical Programs Management Guide*, dated November 2013.

submit or re-submit all other statistical program handbooks following the normal approval process during FY 2015. Completion of all the handbooks is expected by September 30, 2015.

See [Appendix C](#) for management's comments, in their entirety.

Evaluation of Management's Comments

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

Appendix A: Additional Information

Background

The Postal Act of 2006 requires the Postal Service to report annual costs, revenue, volume, and quality of service to the Postal Regulatory Commission. In an effort to meet this requirement, the Postal Service continually collects information about the revenue, volume, weight, and cost of the mail. The Postal Service's ODIS-RPW is the primary probability sampling system that estimates revenue, volume, and weight for most classes of mail and extra services. The Postal Service uses this data to develop new rates, prepare its budget, conduct management studies, and support management decisions concerning mail operations.

The ODIS-RPW test requires data collectors to select mailpieces systematically for testing using a random start for all mail available on the randomly selected day. Data collectors observe employee work activity, sample live mail, collect data at randomly selected sites, record the information on laptop computers, and transmit it for review. In addition, the data collectors record various mailpiece characteristics, such as revenue, weight, shape, indicia, barcode, postmark date, origin, and mail class. As part of this process, the Postal Service relies on statistical programs' sample information to protect revenue and to estimate stamp usage when calculating PIHOP.

Information collected from tests is uploaded to the CODES, which resides on the mainframe at the San Mateo, CA, Computer Operations Service Center. Finance uses ODIS-RPW sample data to prepare the *Revenue, Pieces, and Weight* report, which is the official summary of postal revenue, volume, and weight.

The managers, Financial Programs Compliance,¹⁴ handle the day-to-day operations of Statistical Programs,¹⁵ ensuring that employees are trained and assigned to collect the data and that they collect it properly. The supervisors of Statistical Programs help the managers coordinate and manage training requirements and administer unit data collection activities. In addition, management reviews the work of every person involved with collecting statistical programs data to ensure they are properly performing all processes they regularly execute. Management reviews data collectors with less than 1 year of experience in a program at least twice during their first year in that program. Management reviews data collectors with more than 1 year of experience in a program at least once during the fiscal year. Management is also responsible for initiating action for any improvement opportunities noted during the observations. Once a process review is completed, the reviewer must enter the results into the Process Support and Tracking System. This system provides reports that are used to identify training opportunities.

¹⁴ The role of the manager, Financial Programs Compliance, is to conduct statistical programs tests, analyze data and information, and conduct training and process review activities.

¹⁵ The Statistical Programs group provides statistically reliable, accurate, and timely estimates of revenue, volume, cost, and transit time for domestic and international mail.

In the IPA's report on internal controls,¹⁶ the auditor did not identify any deficiencies in internal controls over financial reporting considered to be material weaknesses or significant deficiencies as of September 30, 2013. However, in its FY 2012 report, the IPA identified a significant deficiency related to the revenue, pieces, and weight process. The Postal Service took sufficient corrective action to remediate this significant deficiency as of September 30, 2013. Specifically, the decrease in test errors and management's continued efforts to mitigate the potential risk of errors contributed to the overall severity of the significant control deficiency being reduced as of September 30, 2013.

Objective, Scope, and Methodology

The objective of our review was to determine whether the Postal Service conducted statistical ODIS-RPW tests to collect revenue and volume data in accordance with established policies and procedures.

To achieve our objective, we judgmentally selected and observed 41 data collectors select mail to be tested and record various mailpiece characteristics into the data collection laptop computer system. We observed these data collectors perform 45 ODIS-RPW tests in 15 districts. See [Table 1](#) for a summary of ODIS-RPW observations and testing errors by district, [Table 2](#) for details of test errors and data security issues by district, and [Table 3](#) for a summary of repeat test errors previously reported. We also interviewed the data collectors performing the selected tests and statistical programs management. In addition, we reviewed the reports for each test that management provided us.

We conducted this review from November 2012 through March 2014 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We did not assess the reliability of the ODIS-RPW data and did not rely on that data for the purposes of this report. The Postal Service's IPA performs independent testing to assess the Postal Service's financial statements and to validate testing results. The IPA requested we perform site visits to various mail facilities to observe data collectors perform statistical ODIS-RPW tests in accordance with policies and procedures. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives. We discussed our observations and conclusions with management on February 3, 2014, and included management's comments where appropriate.

¹⁶ *Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, dated November 15, 2013.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Statistical Tests for Fiscal Year 2012</i>	FT-MA-13-009	2/19/2013	None
<p>Report Results: Data collectors did not always properly identify, isolate, and capture test mail or follow and apply the appropriate test mail sampling methodology. In addition, the data collectors did not label test mail to ensure it was isolated from mail processing until the test was completed and did not correctly enter and verify all data entered into their the laptop computers. Further, data collectors did not protect their laptop computers during tests. Management agreed with the recommendations.</p>			
<i>Statistical Tests for Fiscal Year 2011</i>	FF-MA-11-168	9/29/2011	None
<p>Report Results: Data collectors did not always follow proper random start and mailpiece/container skip intervals; verify the information keyed into the laptop computer system; properly identify, isolate, and capture mail to be sampled/tested; or use marking labels to identify mail being tested. In addition, data collectors did not conduct the necessary interviews with facility personnel. Management agreed with the recommendations.</p>			

Appendix B: Detailed Analysis

Tables 1 and 2 present information on test errors identified in each district and Table 3 is a summary comparison of the conditions reported in our FYs 2010, 2011, and 2012 capping reports.

Table 1. Summary of FY 2013 ODIS-RPW Observations and Test Errors by District

District ¹⁷	Number of Data Collectors Observed	Number of Tests Observed	Total Number of Errors	Number of Tests With Errors
Albany	2	3	0	0
Baltimore	3	3	3	2
Bay-Valley	3	3	0	0
Central Pennsylvania	3	3	0	0
Colorado/Wyoming	3	3	4	2
Dallas	3	3	1	1
Greater South Carolina	2	3	3	2
Lakeland	2	3	0	0
Long Island	3	3	0	0
Northern New Jersey	3	3	0	0
Northern Ohio	3	3	4	2
Oklahoma ¹⁶	3	3	0	0
Philadelphia Metropolitan	3	3	0	0
Rio Grande	3	3	1	1
Western New York	2	3	0	0
Total	41	45	16	10

Source: OIG analysis.

¹⁷ The districts shaded in grey did not have any test errors. Three districts, including Oklahoma, had issues with security data integrity as shown in Table 2.

Table 2. Detail of FY 2013 ODIS-RPW Test Errors¹⁸ and Observations by District¹⁹

Test Errors and Other Observations	Albany	Baltimore	Bay-Valley	Central Pennsylvania	Colorado Wyoming	Dallas	Greater South Carolina	Lakeland	Long Island	Northern New Jersey	Northern Ohio	Oklahoma	Philadelphia Metropolitan	Rio Grande	Western New York	Total Test Errors
ODIS-RPW																
Data collectors did not follow procedures or apply the appropriate random start or mailpiece/container skip intervals.		X(3)			X(3)	X(1)					X(4)			X(1)		12
Data collectors did not enter correctly or verify the information keyed into the ODIS-RPW computer.					X(1)		X(2)									3
Data collectors did not properly identify, isolate, and capture mail to be sampled/tested.							X(1)									1
Total Test Errors																16
Equipment Security and Data Integrity																
Data collectors did not follow procedures to protect data integrity and data collection equipment.		X(1)					X(2)					X(1)				4

Source: OIG analysis.

¹⁸ The numbers of test errors are in parentheses.

¹⁹ Eight of 15 districts had no reported errors.

Table 3. Summary of Repeat Test Errors Previously Reported

Description of Test Errors	Number of Testing Errors			
	FY 2013	FY 2012*	FY 2011*	FY 2010*
ODIS-RPW - Number of Tests Observed	45	45	65	63
Data collectors did not follow procedures or apply the appropriate random start and mailpiece/container skip interval.	12	7	26	5
Data collectors did not enter correctly or verify the information keyed into the ODIS-RPW laptop computer.	3	9	19	5
Data collectors did not properly identify, isolate, and capture mail to be sampled/tested in ODIS-RPW tests.	1	3	11	0
Data collectors did not use marking labels for all trays, bins, and mail containers being tested.	0	3	13	0
Total Number of Testing Errors	16	22	69	10
Equipment Security and Data Integrity				
Data collectors did not follow procedures to protect data integrity and data collection equipment.	4	2	13	7

Source: OIG FY 2013 review results and prior statistical test capping reports.

*We are showing test errors and observations reported this fiscal year and the fiscal years we previously reported on in our annual fiscal year capping reports.

Appendix C: Management's Comments

STEVEN R. PHELPS
MANAGER, REGULATORY REPORTING AND COST ANALYSIS



February 27, 2014

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Fiscal Year 2013 Statistical Test Reviews (Report Number FT-MA-14-DRAFT)

Management responds to the recommendations as follows:

Recommendation #1

Direct district managers, Financial Programs Compliance, to emphasize through individualized and quarterly training all sampling methodology policies and procedures and the necessity to protect data collection equipment to preserve data integrity.

Response

At the quarterly training webinar in March, 2014 the findings will be discussed with district and area staff including the Managers, Financial Programs Compliance (MFPC) and Supervisors, Statistical Programs (SSP). The MFPCs and SSPs will be directed to emphasize through Process Activated Training (PATS) and data collection technician quarterly training all sampling methodology policies and procedures. One section of the webinar will be devoted to the protection of data collection equipment and the preservation of data integrity.

The above will also be discussed at an upcoming Statistical Programs Management Class in April, FY 2014.

Responsible Manager - Joseph G. Hurley, Manager, Statistical Programs

Recommendation #2

Complete the revisions of all statistical programs handbooks and issue final copies to ensure data collectors use the updated policies and guidelines to conduct statistical tests.

Response

Statistical Programs will submit Handbook F75: *Data Collection User's Guide for Revenue, Volume, and Performance Measurement Systems* to the corporate approval process during Quarter 3, FY 2014. Handbook F95: *Statistical Programs Management Guide* will be submitted to the corporate approval process during Quarter 4, FY 2014. The remaining handbooks will be submitted or resubmitted following a normal approval process during FY 2015.

Responsible Manager - Joseph G. Hurley, Manager, Statistical Programs

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This report and management's response do not contain information that may be exempt from disclosure under the Freedom of Information Act (FOIA).



Steven R. Phelps

cc: Sally Haring