

GAO

Report to the Postmaster General
United States Postal Service

May 1986

POSTAL SERVICE

Acceptance Procedures for Bulk Mailings: Further Improvement Needed



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General Government Division

B-222143

May 16, 1986

The Honorable Albert V. Casey
The Postmaster General

Dear Mr. Casey:

We have reviewed the implementation of the Postal Service's National Bulk Rate Mail Verification Program. This program determines whether mailers (business and non-profit organizations) are complying with the mandatory mail preparation requirements that qualify them for lower rates. This review follows up on our June 1982 report Acceptance Procedures For Bulk Mailings: Postal Initiatives Show Promise GAO/GGD-82-72, which identified major weaknesses in the way that the Service accepted bulk-rate mail. This follow-up review found that the National Bulk Rate Mail Verification Program has improved mail preparation, but the program still has operational shortcomings.

Specifically, we found that

- three of the five post offices visited have mail entering the mail stream without being formally accepted and inspected (bypass mail);
- program integrity is questionable since mail acceptance units may not be making all required verification tests and test statistics may not be accurate; and
- management oversight is lacking.

Background

Mailers qualify for bulk rates by sorting, packaging, or sacking mail as required by postal regulations before giving it to the post office. These rates are substantially less than single-piece rates. For instance, the single-piece rate for first- and third-class mail is 22 cents, but first-class mail sorted by mailers to the carrier route can be sent for 17 cents per piece—a 5-cent discount. The rate for third-class mail sorted to the carrier route is 8.3 cents per piece. (See appendix I for an explanation of qualification requirements by type of mail.) Lower rates are partly justified by reduced processing costs to the Postal Service and by the level of service provided to third-class mail. However, mail processing costs are not reduced when improperly prepared mail is accepted by post offices.

In June 1982, we reported that the Postal Service was accepting a large amount of improperly prepared mail. In response, the Postmaster General commented that uniform policies and procedures contained in a January 1982 Management Instruction combined with mandatory

reporting and monitoring should strengthen controls over bulk-mail acceptance. A 4-month phased implementation of these measures began March 1, 1982.

The Management Instruction states that postal employees must verify that bulk-mail is properly prepared by mailers. Each bulk-mail shipment is to be sampled for correct presort and mail make-up and is not to be accepted if the error rate (based on weight) is more than 10 percent. The different types of verification samples and tests are described in appendixes II and III, respectively.

Objectives, Scope, and Methodology

We initiated this review to determine how effectively the Postal Service has administered its bulk-mail verification program. Specifically, we sought to determine whether

- bulk-mail clerks comply with program guidelines set out in a Postal Service Management Instruction,
- internal controls are in place to ensure all bulk-rate mail has been verified, and
- management oversight is effective at each organizational level.

We reviewed program information and procedures at Postal Service Headquarters, 2 of 5 regional offices, 4 district offices, 2 bulk mail centers, 16 large volume mailers, and 5 management sectional centers/post offices. Staff orientation work was done at the Cincinnati and Dayton management sectional centers (MSCs). The implementation of bulk-mail acceptance procedures was more thoroughly tested at MSCs in Indianapolis and Louisville and at the Los Angeles Post Office.¹ Louisville and Los Angeles were selected to provide coverage of a large MSC in more than one postal region (Central and Western). We selected Indianapolis in order to review the acceptance of bulk mail at locations where the mail is prepared for shipment (i.e., plant-load operations). At such locations, mail is accepted for shipment to destinating post offices after postal employees verify that the mailer has complied with preparation requirements.

We interviewed program officials at each organizational level, reviewed pertinent program guidelines and management reports, and observed and documented verification procedures in effect at acceptance units.

¹The Los Angeles Post Office reports directly to the district. Technically, it is not an MSC because it serves no associate offices. To facilitate our discussion we refer to it as an MSC in this report.

At three (Indianapolis, Louisville, and Los Angeles) of the five MSCs visited, we checked 50 mailings for mail preparation (i.e., for correct presorting by the mailer and for mail make-up, which involves checking for minimum piece requirements, adequately secured packages, and properly labeled packages and containers). We checked the same mail (packages, trays, and sacks) after it had been checked by the postal clerk. We compared our results with the clerk's results to determine whether prescribed procedures were being followed. The GAO staff who attended a 3-day Postal Service training course on verification procedures trained other GAO staff members.

This review was made between March 1984 and April 1985, in accordance with generally accepted government auditing standards.

Not All Bulk-Rate Mail Is Subjected to Verification Tests

The Management Instruction states that bulk-rate mail shipments must be tested and verified for correct presort and mail make-up to qualify for a discount rate. Our review showed that some mail was not being checked. Bypass mail (mail entering the mail stream without being formally accepted and inspected) was a problem at three MSCs visited. Also, the manner in which records were kept made it impossible to determine if, after acceptance, all required verification tests were being made.

Bulk-rate mail received by stations or branches is very susceptible to bypassing. Station and branch offices are authorized to receive bulk mail to relieve mailers of having to bring it to a main post office. These outlying offices are not required to perform acceptance processing or verification tests; the bulk mail is sent to a main post office for acceptance and processing. Between June 1983 and November 1984, 322 mailings that originated at station or branch offices were known to have bypassed acceptance processing at two MSCs (Cincinnati and Louisville). After reconstructing the paperwork, a clerk at each location stated that postage was collected for this mail; however, the clerks had no assurance that the mail was properly prepared to warrant the lower postage rate paid.

The Louisville MSC had a problem with bypass mail because some bulk-rate mail, especially second-class, entered the post office after the acceptance unit had been closed for the day. MSC officials believe that bypassing—involving three major mailers—has existed since the program began in June 1982. In October 1984, verification responsibility was assigned to clerks working during off-hours, but these clerks were not adequately trained and mail continued to bypass the verification

process. During the first 20 weeks of fiscal year 1985, 238 shipments ranging in size from 212 to 18,922 pieces bypassed the verification process according to Service records.

The Indianapolis MSC reported that 393 bulk-rate shipments bypassed the acceptance and inspection process during fiscal year 1984. During our review, record-keeping procedures were changed to provide greater assurance that bulk-rate shipments are properly accepted and verified. Postal records covering a 2-week period after implementation of the change showed that no verifications were missed.

Our efforts to determine how much mail evaded the verification process after acceptance were inconclusive because verification forms were not always completely filled out (see p. 7) and because of the manner in which records were kept. The verification form and the related mailing statement were not kept together after the mail had been accepted for delivery. In addition, the information shown on the verification form (customer name, date, and test data) was not sufficient for matching the form against the related mailing statement when a customer mailed more than one shipment a day (a common practice). Thus, it was not always possible to determine if all shipments had been verified.

Conclusions

Although the Management Instruction states that all bulk-rate mail must be verified for correct presort and mail make-up to qualify for a discount rate, the Postal Service continues to accept an unknown amount of unverified mail at discount rates. Bypass mail was a continuing problem at two MSCs. Furthermore, the manner in which records were kept made it impossible to determine whether postal clerks were making all required verification tests after acceptance.

Recommendations to the Postmaster General

To ensure that bulk-rate mail does not evade the verification process, we recommend that the Postmaster General

- revise bulk-mail verification forms to include overall shipment size so that matching them with mailing statements ensures that clerks are verifying all bulk-rate mail and
- instruct MSC managers to identify mail that is continuously bypassing verification and to take steps to verify the make-up of this mail.

Work Practices Need Improvements

We found that program integrity, which basically rests on the work habits of individual clerks, is questionable. Clerks

- work independently, with little or no direct supervision;
- find more errors when their performance is being observed; and
- do not follow program instructions.

Little or No Direct Supervision Provided

At the MSCs visited, clerks worked independently, with little or no direct supervision. Furthermore, unit supervisors at all of the MSCs except Los Angeles did not make quality control checks to ensure that clerks followed prescribed sampling procedures and did not routinely review completed verification forms for accuracy or completeness. The supervisors of verification clerks have other responsibilities; the supervisors that we observed at the four MSCs spent most of their time on those other responsibilities—specifically, weighing and collection functions and customer relations.

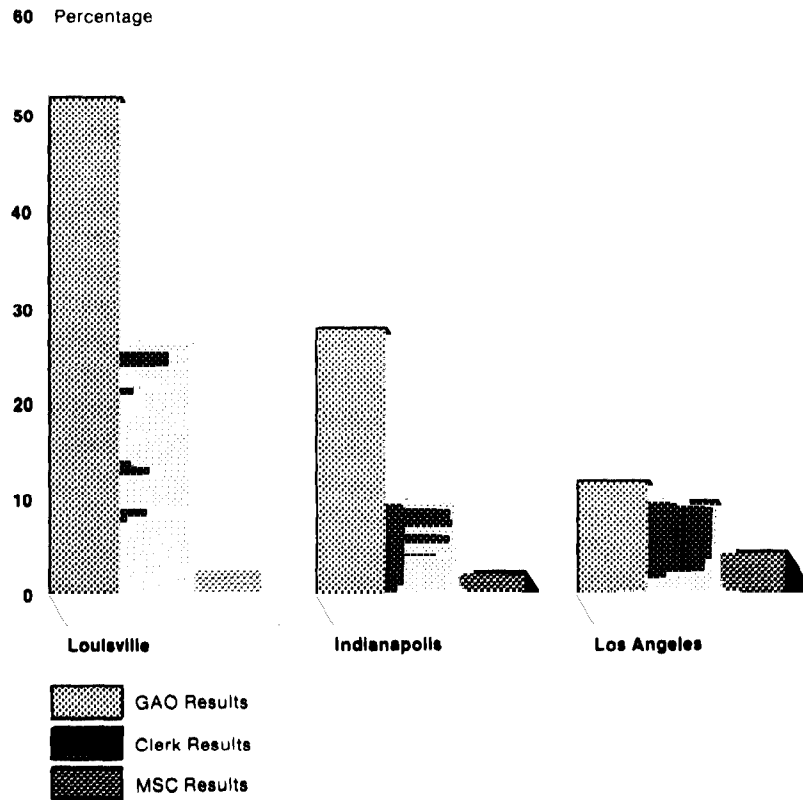
Error Rates Are Higher When Performance Is Checked

Test statistics reported by field units serve as the primary indicator of how well mailers prepare the mail. Headquarters and regional officials do not believe the test data are accurate, while acceptance unit officials perceive low error rates to be a positive indication of their units' verification efforts or customer education programs. All five MSCs that we reviewed reported moderate error rates for fiscal years 1983 and 1984 and through February 15 of fiscal year 1985. (See appendix IV.)

We believe that the reliability of reported test data is questionable because clerks often reported a higher error rate when their work was observed by us and by postal employees.

On selected days between November 1, 1984, and March 5, 1985, we tested a total of 150 shipments that had already been verified to determine whether clerks followed prescribed test procedures and recorded the results accurately. We checked the same mail (i.e., packages, trays and/or sacks) after it was verified by the acceptance clerk. As illustrated in figure 1, our results differed significantly from those of the clerks at two of three locations. When clerks knew that we were observing their work, they found more errors than they normally did. For example, the Louisville MSC reported a significantly higher error rate (10 percent or greater) when we observed the clerks, compared to an overall error rate of 3 percent from September 29, 1984, to February 15, 1985. (See appendix IV.)

Figure 1: Percent of Samples Containing 10 Percent or Greater Errors



In Indianapolis, the percent of failed shipments would have been 16 had we adjusted for local practice. For example, local practice allowed mailers to forego using tray labels if they segmented 5-digit and carrier route mail with sheets of paper showing the specific zip code or carrier route designation. Also, mailers were not required to complete the destination line of sack or tray labels if the mail was destined for post offices within the MSC's jurisdiction.

The Postal Inspection Service Also Found Test Problems

The Postal Inspection Service, at the request of the deputy postmaster general, reviewed bulk-mail verification procedures in effect at 38 locations service-wide. Postal inspectors reported that they found many of the same deficiencies we identified. For example, clerks worked independently, with little or no direct supervision, and did not follow required verification procedures. Of 1,507 detection samples taken, postal inspectors failed 17 percent (with a 10-percent-or-greater error rate), as compared to the clerks' 7 percent.

Training Teams Find Significant Errors

Postal Headquarters requires independent training teams, appointed by the regions and/or district offices, to test 100 samples per year at selected locations. These samples are from the same mail tested by the acceptance unit clerks. The independent teams usually find significant mail make-up errors, as illustrated in table 1.

Table 1: Detection Sample Error Rates
(10 Percent or Greater)

Results shown in percent

Date ^a	Acceptance unit results	Training team results
September 23, 1982	20.0	35
August 8, 1983	16.0	27
January 30, 1984	14.0	27
August 7, 1984	12.0	17
May 30, 1985 ^b	6.5	17

^aIssue date for the National Mail Quality Estimate Report.

^bCombination of detection and in-depth samples. The difference between detection and in-depth samples is explained in appendix II.

Clerks Do Not Follow Program Instructions

Clerks were remiss in doing their verification work and recording the results. Specifically,

- Clerks did not always complete the required tests. For example, at Louisville, first-class presorted mail was not routinely checked for proper make-up. Instead, the clerk superficially checked the mail by looking at tray labels only and spent the majority of verification time sorting the mail to expedite dispatches for mail processing. The unit supervisor could not explain why this practice was followed.
- Clerks did not always select the required samples. We could not determine how often this happened because program paperwork did not provide enough information.
- Verification forms were not always completely filled out. About 25 percent of the verification forms that we reviewed at Indianapolis, Louisville, and Los Angeles lacked some required data. For example, to speed up work, clerks at the three locations stopped weighing the mail sample. Instead, they estimated the weight or did not record it at all. Error rate computations are based on sample weights, and these rates should be exact to properly accept or reject the mail.
- Verification statistics were understated at Louisville because detection/in-depth verification forms were voided when a mailer elected to take the mail back to his premises to correct the errors. During the first 5

months of fiscal year 1985, 34 shipments that failed either detection or in-depth tests were withdrawn by the mailer.

- Daily logs showing mailers scheduled for an in-depth verification were kept by only one of the five MSCs visited (Cincinnati); quarterly logs were maintained by each MSC but were not always complete. We could not determine the extent of omissions on quarterly logs because the records were sometimes not available after the quarter ended. In addition, we could not determine whether required in-depth samples were taken from all re-entered (reprepared) mail or from the shipment following a failed in-depth verification, since clerks did not always record the reason (e.g., "follow-up") that triggered the in-depth test.
- Logs covering the In-plant Verification Test Program were not always maintained. Under this program the entry (receiving) post office is required to test the quality of mail verification work done at the shipping point and provide feedback to the postal region where the mailer's plant is located. Four of the five MSCs we reviewed were participating in the program as entry points for selected large volume mailers (Cincinnati, Dayton, Indianapolis, and Louisville), but daily verification logs were not always completed. For example, at Louisville, tests were not routinely made because the mail entered the post office after the acceptance unit was closed for the day. During the period from January 5 through October 23, 1984, test results were not recorded in the logs about 70 percent of the time. At Indianapolis, logs were not kept at all. Our review of other records showed that 14 shipments were received between June 9 and November 21, 1984, but only 3 were verified.

Conclusions

The integrity of the bulk mail verification program is questionable because clerks work independently, with little or no direct supervision; do not follow program instructions; and find more errors when their work is being observed. Higher error rates found by independent postal training teams, postal inspectors, and us indicate that statistical data reported by mail acceptance units do not accurately reflect the condition of bulk mail accepted by the Postal Service.

Recommendation to the Postmaster General

To improve the integrity of the bulk mail verification program, and thus avoid unnecessary mail processing costs, we recommend that the Postmaster General have bulk mail acceptance units increase the level of supervision provided to verification clerks. Supervisors should at least (1) ensure that clerks follow prescribed sampling and testing procedures, including the maintenance of logs, and (2) routinely review verification forms for accuracy and completeness.

Management Oversight Is Limited at All Levels

The bulk mail verification program, a nationwide program with over 900 reporting offices, operates without dedicated program management. The Domestic Mail Classification Division of Postal Headquarters has overall program management responsibility, but division officials cite a shortage of personnel as the reason for not providing greater oversight. Since the program's inception, the classification division has collected large amounts of program data but has produced few management reports and provided little feedback to field units. Currently, the division generates two management reports:

- "National Average of Detection Samples With 10 Percent or More Errors." (Division officials believe that the data reported are not accurate.)
- "National Mail Quality Estimate." This report includes training team test results compared to acceptance unit results. (Division officials believe that this report is more accurate than the previously mentioned report. Although data are provided quarterly, this report has been published only five times since September 1982.)

These reports are not regularly distributed to field units or used for problem identification and correction purposes at any management level.

At the two regions we visited (Central and Western), little or no oversight was provided. For example, in fiscal year 1984 the Central Region delegated responsibility for monitoring the program to the district level. Both regions primarily compiled test statistics reported by the field units and postal training teams and provided summary data to Headquarters. Top regional officials believe that data reported by field units are inaccurate, yet neither region has attempted to determine the reasons for the questionable test results.

The district offices that we visited have delegated oversight responsibility to mail classification centers (MCCs). The Postal Service has 37 large MSCs that are designated MCCs. The primary function of an MCC is to provide technical advice and guidance to post offices and customers on mail classification (e.g., what can be mailed in a given classification and at what postage rate) on a districtwide basis.

The Management Instruction does not address the MCC manager's responsibilities for bulk mail acceptance; however, at the locations that we visited, managers had been assigned varying program responsibilities. For example, MCC managers in Indianapolis, Louisville, and Los

Angeles exercised day-to-day oversight of the acceptance units located within their MSCs, yet they provided no direct oversight to other MSC acceptance units (up to six) located throughout the district.

Conclusions

The Management Instruction assigns, in general terms, some management oversight responsibilities to Headquarters departments, regional offices, and local supervisors; nevertheless, limited program review and evaluation has been carried out. The program operates without dedicated management, and at the district office level and above, program officials primarily compile statistical data generated by field units and training teams. We found no evidence that management at the district level or above used available statistical data to identify and correct program deficiencies or took action to correct statistical data that they believed to be incorrect.

Recommendations to the Postmaster General

To strengthen management oversight, we recommend that the Postmaster General make one organizational level responsible for

- organizing training teams and managing their activities;
- compiling and reporting test statistics generated by field units and training teams; and
- identifying program deficiencies, recommending and following up on corrective actions, and providing feedback to postmasters.

Agency Comments

In commenting on our draft report, the Postal Service agreed that the national bulk rate mail program has operational shortcomings and stated that steps are being taken to correct them. The Service believes that the totality of actions, when completed, will be fully responsive to our recommendations. Specific actions being taken and planned by the Service are in Appendix V.

Copies of this report are being sent to the Director, Office of Management and Budget, and cognizant congressional committees. Copies will be made available to other interested parties upon request.

Sincerely yours,



William J. Anderson
Director

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Abbreviations

GAO	General Accounting Office
MCC	Mail Classification Center
MSC	Management Sectional Center

Mail Classes Subject to Bulk Rates

Mailers sort, package, and sack first-, second-, third-, or fourth-class mail to qualify for bulk rates.

First-Class Mail

First-class mail includes handwritten or typewritten letters, notices, certificates, or checks sorted to 3- or 5-digit zip code sequence. The presort bulk rate applies to 10 or more pieces sorted to the same 5-digit zip code or 50 or more pieces sorted to the same 3-digit zip code when the shipment contains at least 500 pieces that each weigh 12 ounces or less. The presort discount rate is 18 cents per piece. In addition, a discount rate of 17 cents per piece applies to 10 or more pieces sorted to the same carrier route or rural route, provided that at least 500 pieces weighing 12 ounces or less are mailed.

Second-Class Mail

Second-class mail includes newspapers and other periodical publications charged either regular postage rates (subdivided by volume—i.e., per-pound or per-piece) or preferred rates (subdivided according to volume and classification—e.g., in-county, special nonprofit, classroom, science-of-agriculture, and limited circulation). Numerous postage rates are involved.

Third-Class Mail

Third-class mail includes pamphlets, printed circulars, and merchandise weighing less than 16 ounces. All third-class mail prepared in one of the following presort levels qualifies for either bulk or nonprofit bulk rates. The basic presort level requires at least 200 pieces or 50 pounds presorted to the maximum extent. The regular basic rate is 12.5 cents per piece, and the nonprofit rate is 6.0 cents per piece. The 5-digit presort level requires at least 200 pieces or 50 pounds presorted to 5-digit designations. Twelve packages containing 10 or more pieces to the same 5-digit zip code must be sacked accordingly. A minimum of 50 pieces or 10 pounds presorted to the same 5-digit code costs 10.1 cents per piece. Nonprofit mail costs 4.9 cents per piece. The carrier route presort level requires at least 200 pieces or 50 pounds. Ten or more pieces sorted to the same carrier route, rural route, highway contract route, post office box section, or general delivery unit costs 8.3 cents per piece. The carrier route nonprofit presort rate is 3.4 cents per piece.

Fourth-Class Mail

Fourth-class mail includes books, sound recordings, and library materials. Postage rates are determined by zone, piece, pound, and type of mail.

Types of Verification Samples

Detection	Detection - A maximum sample of one sack or tray taken on all bulk-mail shipments unless scheduled for an in-depth verification to detect mail containing serious make-up errors. Mail is accepted if the error rate is less than 10 percent.
In-Depth	In-depth - An extension of the detection sample providing an estimate of mail make-up errors in a given shipment. In-depth verifications are automatically triggered if bulk mail fails a detection sample. The mailer may, however, choose to rework the mail prior to the in-depth verification. In this case, a second detection sample is taken, and the in-depth verification is not required. When mail fails an in-depth verification, it is not accepted at the bulk rate unless waived by the regional director of finance. Mailers have only two options: (1) pay the single-piece rate on the portion of the mail estimated to be improperly prepared or (2) rework the mail to correct the errors. If the mailer reworks the mail, a second in-depth sample must be taken to ensure that the original errors were corrected. If the mail fails the second in-depth sample, the process is repeated until the mailer either corrects the errors or pays the additional postage.
Scheduled In-Depth	Scheduled in-depth - Identical in process and purpose to an in-depth verification, but scheduling is predetermined: Mail entered by each major mailer is scheduled for an in-depth verification each postal quarter. The
Management Instruction	Management Instruction requires that a major mailer listing be established identifying the largest mailers whose combined postage usage equals at least 50 percent of a post office's total bulk-rate revenues. If a major mailer receives an in-depth verification due to a failed detection sample during the quarter, the scheduled quarterly in-depth verification may be waived. An in-depth verification is also scheduled on (1) mail resubmitted to the post office after it is returned to the mailer for failing an in-depth verification and (2) the next shipment submitted by a mailer after failure of an in-depth verification.

Types of Bulk Mail Verification Tests

The bulk mail verification process involves numerous checks for each mail type. For example, all bulk-rate mail is checked to determine whether

- each piece in the package (e.g., direct 5-digit) is addressed to the same delivery post office as the top piece,
- the correct pressure-sensitive label is on each package,
- each package is adequately secured,
- each sack or tray is properly labeled and the location where the contents should be distributed or further sorted is shown, and
- the proper postal container is used (i.e., the proper size and color of mail sack or tray, depending on the mail's classification). This does not apply to small-volume shipments, which the postmaster may authorize in nonpostal containers.

Mail requiring a minimum number of pieces to a destination is checked to determine whether each package contains the minimum number of pieces required for a specific zip code or carrier route and whether each sack (container) has the required minimum number of pieces, packages, pounds, or cubic inches. In addition, mail requiring maximum sorting is checked to determine whether pieces are properly sorted into packages and packages are sorted and sacked to the extent possible.

Percentage of Detection Samples Containing 10 Percent or Greater Errors (By Fiscal Year)

Table IV

Fiscal Years in percent			
Location	1983	1984	1985 ^a
Cincinnati	4.8	4.7 ^b	4.2
Dayton	6.2 ^b	6.5 ^b	6.5
Indianapolis	4.9	2.4	2.4
Louisville	^c	3.1	3.0
Los Angeles	^c	4.9	4.7

^aPercentages cover the first five accounting periods (September 29, 1984, to February 15, 1985) of fiscal year 1985.

^bData covering a 1-week period were missing.

^cData were not available.

Letter From the Postmaster General, Dated February 21, 1986



THE POSTMASTER GENERAL
Washington, DC 20260-0010

February 21, 1986

Dear Mr. Anderson:

This refers to your draft report on the National Bulk Rate Mail Program.

We agree the program has operational shortcomings and are taking steps to correct them.

New forms and procedures have been developed and are being installed nationwide. They address the changes your report recommends.

The Headquarters organization responsible for the program has been realigned to focus more on field management and field training.

Meetings have been held with field management about realigning organizational responsibilities in mail classification and revenue protection. Decisions on organizational realignment will be made in the near future, after certain broader organizational studies now underway are completed.

We appreciate your recommendations and believe the totality of our actions, when completed, will be fully responsive to them.

Thank you for the opportunity to comment on your report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Albert V. Cray".

Albert V. Cray

Mr. William J. Anderson
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