118865

BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Postmaster General

Acceptance Procedures For Bulk Mailings: Postal Initiatives Show Promise

The Postal Service has been accepting a significant number of bulk mailings which have not been prepared as required to earn bulk rates.

Recently issued policies and procedures should, if properly implemented, preclude the recurrence of past permissive practices which allowed poorly prepared mailings to be accepted and increased postal operating costs.

118865

GAO/GGD-82-72
JUNE 28, 1982

022636

Request for copies of GAO reports should be sent to:

U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are $3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are $1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

B-202339

The Honorable William F. Bolger
Postmaster General
United States Postal Service

Dear Mr. Bolger:

The purpose of this report is to inform you of our determination that the Postal Service has been accepting a significant number of mailings which have not been prepared as required to earn bulk rates. However, a recently issued Management Instruction entitled "Bulk Rate Mail Verification Procedures" provides policies and procedures which should, if properly implemented, preclude the recurrence of past permissive practices which allowed poorly prepared mailings to be accepted and increased postal operating costs.

BULK RATE MAILINGS--WHAT ARE THEY AND WHO BENEFITS?

Bulk rate mailings are volume mailings which receive a lower postage rate because they are presorted and prepared in a manner which reduces Postal Service processing costs. By sorting, packaging, and sacking mail as required by postal regulations, mailers can receive substantially lower rates or discounts. For example, the single piece rate for first- and third-class mail is 20 cents. The rate for third-class mail sorted to the carrier route is 7.9 cents per piece. First-class mail sorted to the carrier route can be sent for 16 cents--a 4-cent discount.

Lower rates for bulk mail reflect reduced processing costs to the Postal Service and the level of service provided to mailers. Such savings are, however, lost when improperly prepared mailings are accepted because "down stream" post offices must rework the mail. Added processing costs resulting from poorly prepared mailings are ultimately reflected in higher bulk rates, unfairly penalizing mailers who properly prepare their bulk mailings.

In recent years, bulk rate mail volume has grown faster than mail volume as a whole, largely because of the available discounts. For fiscal year 1981, the Postal Service received revenues of $19 billion from handling 110 billion pieces of mail. About 49 percent of the total pieces were paid for at bulk or presorted rates which produced revenues of $5.5 billion.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine if the Postal Service was accepting bulk mailings not prepared as required to earn applicable rates. We made this review at 11 post offices in 3 of the 5 postal regions. At each post office we randomly selected a minimum of 30 mailings to determine if they were properly prepared. We also reviewed mailings accepted by postal employees at several large mailers' plants.

To determine the acceptability of a mailing, we used a 10 percent error rate for second-, third-, and fourth-class mail and a 5-percent rate for presorted first-class mail--rates generally used by postal employees to identify poorly prepared mailings. We weighed the mail examined to compute an error rate.

We could not statistically select facilities or mailings for review purposes. The Postal Service does not collect data on the number or size of bulk mailings accepted nationally or at specific facilities on a daily, weekly, or yearly basis. We therefore judgementally selected large and medium size post offices in each of the three regions visited. Individual mailings were generally selected on a "next available" basis. Because of our sampling limitations, the results of our review cannot be statistically projected and only represent the quality of mail makeup at the facilities we visited at the time of our review.

ACCEPTANCE OF POORLY PREPARED MAIL--A HISTORICAL PROBLEM

The Postal Service has been aware for years that some mailers are not preparing mail properly. At various times in the past, the Service has attempted to insure that only properly prepared mail received lower postage rates.

On January 14, 1929, the Third Assistant Postmaster General stated in the Postal Bulletin:

> "The attention of postmasters is again called to the * * * requirement * * * governing the acceptance of bulk mailings of third class matter * * *, in many instances, postmasters are not requiring mailers to make separation of this mail into states, cities etc, as required.

> In every instance mailers must be required to separate and tie out mailings of third class matter * * *. Whenever it appears that a mailer needs information as to how to make the required separations and tie outs the postmaster will see that such information is promptly given him."

Almost 50 years later in the Postal Bulletin of February 10, 1977, the Deputy Postmaster General restated the problem in a letter to all postmasters and other field managers.

He stated in part:

> "It is important that in fulfilling our obligation to cut costs and be responsive to customers, we not neglect revenue collection. Therefore, without diminishing our efforts in other areas, we must redouble our efforts to collect full payment for the services we provide. There have also been instances where managers, in unusual circumstances, have made decisions on acceptance of mail without having fully considered mailing requirements. Disregarding postage or mail preparation requirements inevitably runs counter to the overall interests of the Postal Service and the public."

RESULTS OF OUR REVIEW

Our review of mailings accepted at postal facilities and by postal employees at mailers' plants disclosed that

--65 percent (225 of 346) of the mailings accepted at postal facilities were not prepared correctly, and

--76 percent (67 of 88) of the mailings accepted at mailers' plants were improperly prepared.

As shown in appendix I, the number of poorly prepared mailings accepted at postal facilities varied greatly. The range was 30 percent of the mailings examined at the Management Sectional Center (MSC) in Springfield, MA, to 97 percent of the mailings examined at the Baltimore, MD, MSC. At mailers' plants, we examined 88 mailings and found that 67 had not been prepared properly. The range was four of nine (44 percent) in Springfield, MA, to all eight of the mailings examined in Madison and Milwaukee, WI. (See app. II.)

Improper sorting and mislabeling of sacks, packages of mail, and trays were the most frequent types of errors which made the mailings ineligible for reduced rates. Examples are provided in appendix III to illustrate the types of errors found.

OUR FINDINGS CONFIRMED BY POSTAL SERVICE EFFORTS

Our finding that a significant number of bulk mailings were not being prepared as required was confirmed by two separate Postal Service studies completed subsequent to our field work. The studies were made by the Service's Eastern Region and the Inspection Service.

The Eastern Region's study, made at 14 post offices, covered two 4-week accounting periods from March 21 to May 15, 1981. In-depth reviews of mail preparation disclosed, as shown below, that about 60 percent of the mailings had error rates of 10 percent or more.

	Number of Mailings			
	Accounting Period 7		Accounting Period 8	
Error rate	Number	Percent	Number	Percent
Less than 10 percent	164	39	134	37
10 to less than 20 percent	53	13	33	9
20 percent or more	201	48	192	54
Total	418	100	359	100

In September 1981 the Inspection Service issued a report on mail acceptance procedures and practices at Bulk Mail Centers. In-depth examinations of mail accepted by three centers disclosed that more than half of the mailings were not properly prepared.

Recent (May 1982) information disclosed that of 1,032 mailings verified by postal employees 810, or 78 percent, had error rates of 10 percent or more.

ACCEPTANCE PROCEDURES HAVE BEEN STRENGTHENED

In response to a recognized need to strengthen bulk mail acceptance procedures, the Service issued a Management Instruction on January 1, 1982, to provide uniform policies and procedures for verification of bulk mailings. The Management Instruction assigns implementation responsibilities and establishes policies and procedures for verifying mail make-up and having mailers correct identified problems.

The Postal Service has estimated that the verification procedures called for in the Management Instruction will produce annual savings of 4 million work hours, or about $44 million a year. The reduction in annual work hours of 4 million work

hours was an estimate used to secure internal approval of the Management Instruction. The Postal Service expects to have a better estimate of expected work-hour savings before the effective date (July 1, 1982) of the Management Instruction.

Primary responsibility for implementation is placed with managers of sectional center facilities and bulk mail centers who must

--implement the prescribed verification procedures;

--provide sufficient staffing and supervisory and management resources to insure that all bulk mailings are verified;

--provide needed equipment and adequate space; and

--enforce, without exception, the required "corrective action" procedures for the disposition of improperly prepared bulk rate mailings.

Verification procedures called for in the Management Instruction provide for:

--Detection sampling of all bulk rate mailings.

--In-depth verifications of all bulk rate mailings which do not pass the detection sampling.

--Scheduled in-depth verifications made (1) four times a year (one mailing each quarter) for major mailers, (2) on a mailing resubmitted to the acceptance unit after the mailing failed an in-depth verification, and (3) on the next mailing submitted by a customer whose last mailing failed an in-depth verification.

Starting March 1, 1982, the Service phased in actions to be taken against mailers who submit improperly prepared mail. All bulk mailers are to be told about the verification program, and all mailings with an error rate of 10 percent or more will be discussed with customers, who then will be asked to take corrective actions. The Service will provide assistance in correcting problems and explaining the regulations.

Starting on July 1, 1982, a mailing with an error rate of 10 percent or more will not be accepted at the bulk rate. Mailers will be allowed to (1) rework the mailing or (2) pay the appropriate single piece rate on that portion of the entire mailing estimated to be improperly prepared.

CONCLUSIONS

The actions called for in the Management Instruction are responsive to our findings and should greatly strengthen controls over the acceptance of bulk mail. However, as discussed above, previous attempts to tighten controls over the acceptance of such mail have not been very successful. A significant difference between the current and past efforts is the establishment of uniform policies and procedures for the verification and acceptance of bulk mail. Such policies and procedures combined with the assignment of mandatory reporting and monitoring responsibilities should preclude the recurrence of past permissive practices which allowed improperly prepared bulk mailings to be accepted at reduced rates.

AGENCY COMMENTS

The Postmaster General informed us that the report accurately reflects the difficulties the Postal Service has encountered over the years in ensuring that bulk mailings are properly prepared by the mailers as required to qualify for a bulk rate. The Postmaster General confirmed that recent initiatives to strengthen controls over the acceptance of bulk mail are significantly different from past control efforts and should effect sizeable savings by eliminating the working of improperly prepared mailings. (See app. IV.)

- - - -

We appreciate the cooperation and courtesies extended to our representatives during the course of their work. 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

MAILINGS EXAMINED AT POSTAL FACILITIES

Region/facility	Number of mailings examined	Number of mailings with excessive error rates	Percentage of mailings that should have been rejected (note a)
Northeast			
Boston	31	18	58 percent
Hartford	36	21	58 percent
Springfield	30	9	30 percent
Providence	30	14	47 percent
Eastern			
Baltimore	31	30	97 percent
Washington	31	27	87 percent
Prince Georges	31	29	94 percent
Central			
Chicago	30	27	90 percent
North Suburban	35	16	46 percent
South Suburban	31	12	39 percent
Madison	30	22	73 percent
Total	346	225	65 percent

a/Such percentages can not be translated into additional processing costs because of the varying nature of the errors and their impact on costs.

MAILINGS EXAMINED AT MAILERS PLANTS

Region/facility	Number of mailings examined	Number of mailings with excessive error rates	Percentage of mailings that should have been rejected (note a)
Northeast			
Boston	15	10	67 percent
Hartford	9	7	78 percent
Springfield	9	4	44 percent
Providence	2	1	50 percent
Eastern			
Baltimore	6	5	83 percent
Washington	10	9	90 percent
Prince Georges	11	10	91 percent
Central			
Chicago	9	7	78 percent
North Surburban	5	3	60 percent
South Surburban	4	3	75 percent
Madison	5	5	100 percent
Milwaukee	3	3	100 percent
Total	88	67	76 percent

a/Such percentages can not be translated into additional processing costs because of the varying nature of the errors and their impact on costs.

EXAMPLES OF MAILINGS NOT PROPERLY PREPARED

--Six sacks weighing 220 pounds from a 798 pound (2,192 pieces) second-class mailing were examined. All sacks selected were designated "mixed States." We found that the mailer should have made at least six additional individual State sacks. Other sortation errors found in this mailing were: packages that should have been in other sacks; additional 3-digit and 5-digit packages should have been made from existing packages; and pieces placed in the wrong package.

In total, 78 pounds, or 36 percent, of the pieces examined were improperly sorted and therefore would have required at least one additional handling.

--From a 21 sack third-class mailing containing about 20,800 pieces, we selected 6 sacks for review. We found about 2,000 pieces which should have been made-up into 5 separate State sacks, 1,430 pieces should have been made up into 3- or 5-digit packages, and 700 pieces should have been placed in other existing packages or sacks. In total, over 58 pounds, or 53 percent, of the pieces we examined were improperly sorted and over 4,100 pieces would have been individually handled one or more additional times.

--From a 45 sack third-class mailing consisting of 6,000 pieces we examined 8 sacks containing about 1,540 pieces and found 4 sacks were misdirected. Two sacks were addressed to Buffalo, NY, but should have been sent to Springfield, MA, and 2 sacks were directed to Oakland, CA, but should have been sent to Los Angeles. In total, 845 pieces, or 55 percent, of the mail we examined were directed to the wrong facility.

--We reviewed 10 sacks from an 18 sack third-class mailing and found that 4 sacks were directed to the wrong location. In total, 40 percent (777 pieces) of the mail reviewed was directed to the wrong location. Of the 10 sacks addressed to Boston, MA, 2 sacks contained mail only for Connecticut, and another 2 sacks contained mail only for Washington, D.C.

APPENDIX IV

THE POSTMASTER GENERAL
Washington, DC 20260-0010

May 28, 1982

Dear Mr. Anderson:

This refers to your draft report, "Acceptance Procedures for Bulk Mailings: Postal Initiatives Show Promise."

The report accurately reflects the difficulties the Postal Service has encountered over the years in ensuring that bulk mailings are properly prepared by the mailers as required to qualify for a bulk rate.

We are pleased you agree that the new verification procedures we are installing should greatly strengthen our controls over the acceptance of bulk mail. As the report notes, these new procedures, with their systematic sampling, in-depth verification, and the assignment of mandatory reporting and monitoring responsibilities are significantly different from past control efforts and should effect sizeable savings by eliminating the working of improperly prepared mailings.

We appreciate your affording us an opportunity to comment on this report.

Sincerely,

William F. Bolger

Mr. William J. Anderson
Director, General
Government Division
U. S. General Accounting Office
Washington, D. C. 20548

(220790)

22401

AN EQUAL OPPORTUNITY EMPLOYER

UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, $300

POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE

THIRD CLASS