



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

090072

GENERAL GOVERNMENT
DIVISION

Mr H. F. Faught
Senior Assistant Postmaster General
Mail Processing Group
United States Postal Service

MAR 13 1973

DUG 05496

Dear Mr. Faught

The General Accounting Office has completed a survey of selected aspects of the Postal Service's efforts to reduce parcel damage. The objective of our survey was to obtain a working knowledge of these activities for the purpose of deciding whether an indepth examination was warranted.

Most of our work was performed at the Denver, Colorado, Post Office and at the Washington, D C, headquarters of the Postal Service. Additional information was obtained at the Western Regional Office in San Francisco, California, and at the Omaha, Nebraska, and Seattle, Washington, Post Offices. Our survey included an examination of pertinent Postal Service documents, records, and reports, discussions with postal clerks, supervisors, and managers, and the performance of various tests on parcel mail in the Denver, Colorado, Post Office.

We found that the Postal Service is moving aggressively to correct the problems affecting the handling of parcels. We noted that the Western Regional Office was studying its parcel post operations with the objective of finding ways to reduce parcel damage. We were informed that all of the regions have instituted similar damage reduction programs. The Engineering Division at the Washington, D C., headquarters is responsible for coordinating these efforts. In addition, we noted that the Inspection Service has undertaken a nationwide study of parcel damage.

Because the Postal Service recognizes the problem and corrective actions are being taken, we do not plan to do any further work at this time.

We made certain observations during our survey that are presented below for your consideration. To our knowledge, these matters are not currently being acted on by the Postal Service.

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OPPORTUNITY TO REDUCE
PARCEL REWRAP COSTS

The Postal Service incurs significant costs for rewrapping damaged parcels. A postal official estimated the cost at \$6 million annually for labor alone. The Service attributes most parcel damage to either inadequate packaging or improper handling.

The Service is making a concentrated effort to improve parcel handling. A similar effort, however, is not being made to correct the problem of inadequate packaging. In fact, existing Postal Service procedures to accomplish this objective are not being effectively implemented.

The Postal Manual contains the requirement that a Packaging Improvement Notice (Form 3823) be prepared when a parcel must be re-wrapped because of damage attributable to inadequate packaging. We found that this notice was generally not prepared at the Denver Post Office. Postal Service studies indicated also that other post offices' rewrap sections seldom prepare this notice.

Postal officials informed us that the notice was not being prepared primarily because of the time and effort required to fill it out. The form requires over 20 items of information.

A Postal Service report indicated that at one parcel rewrap section, adherence to the Manual requirement would have necessitated preparing about 1,500 notices daily. This procedure would appear, therefore, to impose a formidable workload if strictly observed.

Because the existing procedures are not being followed, the objective of notifying problem mailers of the need for improvement in their packaging is not being accomplished. We believe that there is a need for the Postal Service to develop new procedures for the identification of problem mailers. In particular, the new procedures should provide for simplification of reporting--the major drawback to the existing method of notifying problem mailers.

POSSIBLE NEED TO ELIMINATE
INSURANCE ISSUED BY
SELF-SERVICE POSTAL UNITS

Since 1966, the total volume of insured mailing has decreased about 37 percent whereas the number of insurance claims paid for lost parcels has increased about 94 percent. The Postal Service has not been able to establish to what extent the increase in loss insurance claims has resulted from a deterioration in the quality of handling or from an increase in the number of fraudulent claims.

One contributing factor could be the self-service postal unit program where the issuance of insurance is not controlled. Although possibly coincidental, the growth of this program has been accompanied by an increase in the volume of loss insurance claims. In fiscal year 1972, the Postal Service paid 212,851 loss claims totaling \$11.6 million.

At self-service postal units, minimum insurance (up to \$15) can be obtained from a vending machine. The mailer receives a sticker to place on his parcel and a stub evidencing purchase of insurance. There is no requirement for delivery personnel to obtain a written receipt for delivery of a minimum insured parcel. Therefore, the Postal Service validates a claim for nondelivery of such a parcel by asking the addressee to certify that he did not receive the parcel. It is possible for a person to purchase insurance from a vending machine, not mail a parcel, and submit a claim up to \$15.

In addition, at self-service postal units there is no opportunity for postal employees to verify the insurability of the items being mailed. The Postal Manual provides that some items are not acceptable for insurance, i.e., very fragile items and articles not adequately prepared to withstand normal handling. This would appear to require an acceptance clerk to examine the parcel to determine if it is adequately packaged and to inquire as to the nature of the item being mailed. Where insurance is purchased by vending machines, an examination is not possible. Inadequate packaging is likely to be more susceptible to damage and more likely to result in a claim. In fiscal year 1972, the Postal Service paid 318,346 damage claims for a cost of \$6.6 million.

We believe that the Postal Service should determine the number of damage and loss claims paid for parcels mailed at self-service postal units in order to determine if any management action is needed. If a significant number of claims are made, it may be necessary to eliminate the sale of insurance through vending machines at self-service postal units, and require patrons wishing to insure a parcel to present it for inspection to a postal clerk. This action would not only help to eliminate the possibility of fraudulent loss claims being filed, but could also reduce the number of damage claims paid for poorly packaged and uninsurable items being mailed.

POSSIBLE NEED TO IMPROVE
LOSS VERIFICATION PROCEDURES

Upon the delivery of parcels insured for more than \$15, the carrier is required to obtain a written receipt of delivery and file this receipt at the post office of the addressee. According to a postal official, tests have shown that approximately 20 percent of the delivery receipts

are not collected by the carriers. Studies have also shown that the delivery receipts in some cases are improperly filed or filed several weeks late. These conditions could result in claims being paid for parcels which have been delivered.

During our survey we noted that the Postal Service was performing a nationwide test to determine if the requirement was necessary that delivery receipts be collected in verifying delivery. During this test, delivery receipts were collected and filed at the post offices of the addressees but they were not used as a means for verifying delivery. Instead, when a claim was filed the only means used during the test period to verify delivery was to ask the addressee. If the addressee certified that he did not receive the parcel, the claim was paid.

As a part of the test, paid claims were randomly selected at the St. Louis Postal Data Center and traced to the post offices of the addressees to determine if the delivery receipts were on file. Postal officials found that for 16 to 25 percent of the paid claims checked in post offices, the delivery receipts were on file indicating that the parcels had been delivered. According to a postal official, claims were being paid for parcels that were in fact delivered because either the addressees lied about receiving the parcels, or the parcels were delivered after the addressees certified they did not receive the parcels.

According to a postal official in the Inspection Service, a similar test was performed in the Western Region. This test showed that almost 29 percent of those parcels which had been claimed as lost were delivered to the recipient. As a result of these tests, the Postal Service decided that the delivery receipts were necessary as a measure of control in verifying that parcels were delivered.

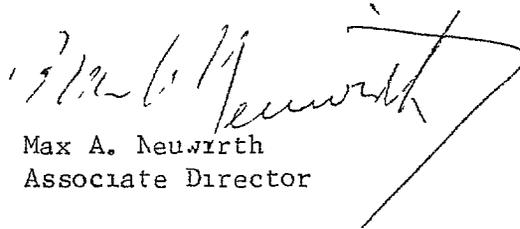
We recognize that elimination of the procedure of checking the delivery receipt during the test period undoubtedly increased the percentage of claims paid for lost parcels that were actually delivered. However, we believe that even though delivery receipts are checked during normal operations, a substantial loss to the Postal Service occurs since no check is made to determine if a parcel has been delivered subsequent to paying a claim or, in the cases of late deliveries, if a claim has been paid when a delivery receipt is filed. These findings, in conjunction with the fact that 20 percent of delivery receipts are not being collected while others are filed improperly or late, raise the possibility that a high percentage of claims are being paid for lost parcels that were delivered.

According to a postal official, the Postal Service has not performed a test--under normal operating conditions of paying claims--to determine the percentage of claims paid for lost parcels that were delivered and has no plans of performing such a study in the near future. We believe that the Postal Service should perform such a test to determine the percentage of claims being paid for lost parcels that have been delivered to the recipient. The test results could point up a need to improve loss verification procedures.

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We wish to acknowledge the cooperation extended to our representatives during the review. We shall appreciate being advised of any actions taken by the Postal Service or any comments you may have regarding the matters discussed in this report.

Sincerely yours,



Max A. Neuwirth
Associate Director