# USPS OIG: Management Operating Data System Errors and Adjustments

*April 5, 2019* —

**Objective**

The Management Operating Data System (MODS) is a web-enabled application that provides a systematic approach to gathering, storing, and reporting data on workload, workhours, and machine utilization by operation number and facility type. The Postal Service uses MODS data to plan workload, project workhours and mail volume, track mail processing activities, evaluate the efficiency of facilities, and estimate staffing requirements.

In addition to its operational uses, the Postal Service uses MODS mail volume and workhour data in costing and pricing activities. The Postal Service uses MODS workhour data to calculate totals for many of the cost pools within the Clerks and Mail Handlers Cost Segment. Cost pool totals are then attributed to competitive and market dominant mail products and services.

The objective of our audit was to assess the accuracy and reliability of MODS data for Postal Service costing.

**What the OIG Found**

Opportunities exist to improve the accuracy and reliability of MODS data for Postal Service costing. The Postal Service requires 226 (about 35 percent) of the total 652 MODS operation numbers to have workhours and mail volume recorded. However, we found that between fiscal year (FY) 2017, Quarter 1, and FY 2018, Quarter 3, those required operation numbers had workhour or volume reporting errors. Specifically, there were 10.3 million workhours recorded without associated mail volume (about 5 percent of total workhours recorded) and 24.4 billion total mailpieces recorded without associated workhours (about 2 percent of the total mailpieces processed).

During site visits to 19 mail processing facilities, we found MODS reporting errors occurred due to ineffective internal controls over the use and management of the system. Specifically, the Postal Service did not have sufficient:

* Clock ring discipline and technological capabilities to ensure employees clocked into the correct operations at the employee badge reader;
* Local level supervisory reviews of MODS data;
* Oversight of MODS and correction of errors by headquarters and area MODS coordinators; and
* Training on MODS and its requirements for all levels of personnel involved with MODS.

Having ineffective controls over MODS increases data integrity risk and results in workhour data that does not reflect actual operational activities. Further, persistent MODS errors, if significant, would cause the Postal Service to incorrectly under- or over-estimate staffing requirements, incur unnecessary labor and operational costs, and improperly allocate costs to cost pools and postal products.

Opportunities also exist for the Postal Service to improve its timekeeping practices to more precisely capture workhour data at the activity level. The Postal Service relies on employees correctly clocking into and out of operations to capture workhour data in the proper activities. This manual input is prone to human error and data inaccuracies. Other mailing industry companies use barcode scan technology to track employee work activities, minimizing manual movements. Postal Service personnel have researched barcode scan technologies for improved tracking of employee work activities. The Postal Service began exploring the use of radio frequency identification (RFID) to capture workhours in FY 2017. The RFID technologies currently being tested include sensor tags that could be used to autonomously capture workhours used in an operational work zone. The Postal Service plans to complete this effort in late FY 2019.

We also found that adjustments to MODS workhour data to fix employees incorrectly clocking into and out of operations were made after the end of the fiscal year, impacting Postal Service cost estimates. Specifically, between October 2016 and November 2018, the Postal Service adjusted over 40,000 workhours for FY 2016. In addition, between October 2017 and September 2018, it adjusted over 53,000 workhours for FY 2017. This occurred because there is no official closeout period for Postal Service personnel to make all necessary corrections and adjustments in MODS after the end of the fiscal year. In addition, MODS does not have controls that prevent adjustments to prior fiscal year workhour data after a specific date. We determined over $1.5 million in mail processing costs were misallocated among 72 cost categories, such as Manual Parcels and Mechanical Tray Sorter, in FYs 2016 and 2017, due to adjustments made after cost allocations were completed. This would have caused attributable costs within those cost categories to be distributed inaccurately to mail products and special services.

The misallocated amount was only about 0.003 percent and 0.016 percent of total mail processing costs for FYs 2016 and 2017, respectively. However, ineffective MODS controls pose an increased data integrity risk, including the risk of the Postal Service reporting inaccurate costs for products and services. Management and the Postal Regulatory Commission rely on accurate and precise product cost estimates to set postal prices and to reliably determine whether revenue for products and mail classes cover attributable costs.

**What the OIG Recommended**

We recommended management:

* Issue a memorandum to reiterate the importance of clocking into the correct operation numbers, providing proper oversight, reviewing electronic badge reader presets, and conducting MODS reviews.
* Establish controls in badge reader software to require entry of an operation number for each employee badge swipe and verify that all facilities have deactivated the base operation preset button on employee badge readers.
* Track and monitor completion of MODS reviews and update the policy to reflect management’s expectation on the frequency of the reviews.
* Develop a mechanism for improved communication among headquarters, area, and local personnel on MODS requirements and updates, to include a centralized approach to information sharing; a mandatory orientation program for new MODS coordinators; and annual MODS training.
* Establish an official closing period and develop controls in MODS to prevent workhour adjustments after the closeout period without required approvals.