



January 18, 2011

WILLIAM J. SCHNAARS  
DISTRICT MANAGER, NEW YORK DISTRICT

SUBJECT: Audit Report – City Delivery Efficiency Review – New York District  
(Report Number DR-AR-11-002)

This report presents the results of our City Delivery Efficiency Review – New York District<sup>1</sup> (Project Number 10XG049DR000). Our objectives were to assess overall efficiency of city delivery operations and identify opportunities to reduce operating costs within the New York District. This self-initiated audit addresses operational risk and is fifth in a series being conducted by the U.S. Postal Service Office of Inspector General (OIG). See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service is delivering fewer pieces of mail to a growing number of addresses as new households and businesses are added to the delivery network each year. The Postal Service must achieve unprecedented levels of efficiency to accommodate this new growth while facing financial losses from declining mail volumes and rising costs.

## [Conclusion](#)

The New York District has opportunities for enhanced delivery efficiency and reduced workhour costs. Our benchmarking comparison determined the New York District's percent to standard measurement<sup>2</sup> was 127.05 or 21.1 percentage points above the national average of 105.95 percent. In other words, the New York District used approximately 37 minutes more per carrier route than the average carrier route in the nation. However, because of unique delivery issues specific to the New York District, we concluded it could reduce at least 25 minutes<sup>3</sup> daily on each carrier route.

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<sup>1</sup> The New York District is one of 11 districts in the Northeast Area. It consists of 66 city delivery units that deliver mail on 2,224 city routes with more than 1,374,859 delivery points.

<sup>2</sup> The percent to standard measurement is a measure of carrier office workhour performance in relation to mail volume and delivery points. A figure of 100 percent indicates the office performed at the stated performance goal. A figure greater than 100 percent indicates performance is less than the desired standard.

<sup>3</sup> Because of the amount of walking routes, high-rise buildings and bundling of Delivery Point Sequence (DPS) for relay boxes in the New York District, the eFlash fixed office time used in our analysis was not fully representative. Therefore, we adjusted the minutes that could be saved to 25 minutes based on observations and discussions with New York District personnel.

## Operation Efficiency

Although numerous factors were involved, our review of 24 randomly selected delivery units determined that New York District management did not always (1) provide sufficient review and oversight of units' office operating efficiencies, and (2) coordinate with mail processing facilities to ensure mail was received timely and in a condition that promoted office operating efficiency. We also identified a local labor/management issue regarding time allowed for afternoon wash-up<sup>4</sup> that also impacts operating efficiency in the New York District.

Elimination of time-wasting practices and increased focus on efficiency could allow management to reduce workhours. Some examples include ensuring that:

Units receive the correct mail mix and in the proper condition from the processing facilities based on an effective integrated operating plan (IOP) to facilitate that:

- Mail is available so carriers do not have to wait for mail before departing for street operations.
- Delivery Point Sequence (DPS<sup>5</sup>) mail is in the condition to facilitate efficient operation.
- Carriers do not unnecessarily handle DPS mail.
- Management discusses office expectations with carriers.

Additionally, reducing the time allowed for afternoon wash-up for carriers presents a future opportunity for increased efficiency. See [Appendix B](#) for our detailed analysis of this topic.

Consequently, the New York District used more workhours than necessary to deliver the mail. Reducing 279,853 workhours would increase the New York District's overall efficiency, resulting in savings of approximately \$9.3 million annually, or more than \$93 million over 10 years. See [Appendix C](#) for additional information about the monetary impact.

We recommend the district manager, New York District:

1. Reduce the New York District's workhours by 279,853 to achieve an associated economic impact of more than \$9.3 million annually, or in excess of \$93 million over 10 years.

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<sup>4</sup> Wash up time is "time spent by employees changing clothes and/or washing up after their tour ends."

<sup>5</sup> A process for sorting bar-coded letter mail at the processing plants and delivery units into the carrier's line-of-travel. Mail is taken directly to the street, with no casing time in the office.

2. Require processing facility managers and delivery managers to regularly coordinate, review, and update all integrated operating plans to ensure mail arrives timely and in the condition necessary to promote office efficiency.
3. Reinforce Postal Service policy and procedures for supervising city delivery office operations in delivery units and eliminate inefficient practices as appropriate.

### **Management's Comments**

Management agreed with the findings, recommendations, and opportunities to capture monetary impact.

In response to recommendation one, management plans to achieve and maintain the savings by capturing the opportunity outlined in their fiscal year (FY) 2011 Business Plan. Management stated they were taking action in several areas to promote greater efficiency with the goal of achieving the FY 2011 Delivery Service budget. Initiatives include savings from the Joint Alternate Route Adjustment Process and Modified Interim Alternate Route Adjustment Process, consolidations/reductions, increases in the Delivery Point Sequence percentage and improvement of the office percent to standard. Management stated they will continue to monitor station performance and monitor productivity to work toward making incremental improvement to sustain these savings. Management stated that these initiatives will be fully implemented by September 2011.

Management responded to our second recommendation stating the New York District will review all IOPs. Further, management will continue the weekly IOP meetings with station and In Plant Support to identify and resolve mail issues and update IOPs to promote efficiency. Also, management plans to relocate and reconfigure mail processing equipment to increasing plant processing capacity. Management plans to implement action by January 2011.

Management responded to our third recommendation stating that supervisors should counsel employees on good performance and areas of improvement. Management stated during the course of the audit, the New York District instituted refresher training for all supervisors addressing standard operating procedures and service. On December 1, 2010, the New York District began the Morning (AM) Standard Operation Procedures II recertification process which addresses the findings in the report. Management indicated their actions were ongoing daily activities with no end date. See [Appendix D](#) 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 corrections actions should resolve the issues identified in the report.

The OIG considers recommendation 1 significant, and therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

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

E-Signed by Robert Batta   
VERIFY authenticity with ApproveIt  
*Robert J. Batta*

Robert J. Batta  
Deputy Assistant Inspector General  
For Mission Operations

#### Attachments

cc: Megan J. Brennan  
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## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

Delivery operations is the Postal Service's largest operational function, accounting for approximately 45 percent of salary expenses and workhours. Although delivery operations used fewer workhours in FY 2010, workhour reduction has not kept pace with declining mail volume. Nationally, mail volume declined by 10.7 percent in FY 2010. During this same period, mail volume declined in the Northeast Area by 8.6 percent while workhours declined by 3.1 percent. The New York District mail volume declined by 6.3 percent in FY 2010, while workhours declined by 3.1 percent. However, the New York District did lead the Northeast Area during FY 2010 with total workhour reductions from FY 2009 of 186,498 including 85,689 in delivery operations.

### OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to assess overall efficiency of city delivery operations and identify opportunities to reduce operating costs within the New York District. To accomplish our objectives, we:

- Ranked the eight Postal Service areas from highest to lowest in terms of percent to standard from July 1, 2009, through June 30, 2010. We used the eFlash<sup>6</sup> national percent to standard measurement of 105.95 percent for July 1, 2009, through June 30, 2010, as a baseline guide.
- Our benchmarking comparison of eFlash data determined the New York District's percent to standard measurement was 21.1 percent higher than the national average (127.05 percent compared with the national average of 105.95 percent). In other words, according to eFlash data, routes in the New York District used approximately 36<sup>7</sup> minutes more than the average route in the nation. However, because of unique delivery issues on many routes in the New York District,<sup>8</sup> the standard measurement of eFlash with a fixed office time<sup>9</sup> was not fully representative.
- Judgmentally selected the Northeast Area and, within that area, the New York District for review.

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<sup>6</sup> A weekly operating reporting management system that combines data from delivery, mail processing, employee relations, labor relations, and finance. The information is extracted from various host systems and loaded into eFlash.

<sup>7</sup> 24,569,100 minutes (408,485 hours above the national average percent to standard multiplied by 60 minutes per hour) divided by 2,224 routes in the New York District divided by 302 annual delivery days equals approximately 36.49 minutes per route per day.

<sup>8</sup> The New York District contains a significant number of walking routes and high-rise buildings, and as a result the DPS mail needs to be handled in the office and brought to the carrier's case to be bundled and sorted for relay boxes, incurring additional fixed office time.

<sup>9</sup> Fixed office time in eFlash is 38 minutes per route. The average fixed office time in the New York District is more than 60 minutes per route, which because of walking routes and high-rise buildings, includes additional time for handling and bundling DPS for relay boxes, not accounted for in eFlash.

- Randomly selected 24 delivery units within the New York District for review.

At the selected delivery units, we:

- Obtained, reviewed, and analyzed delivery unit data related to office operations.
- Conducted interviews on-site and obtained information on carrier operations, unit operations, processes, and procedures.
- Conducted physical observation of office delivery operations.
- Reviewed documentation and applicable policies and procedures for city delivery and Postal Service Handbooks M-39<sup>10</sup> and M-41.<sup>11</sup>

We conducted this performance audit from August 2010 through January 2011 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on December 16, 2010, and included their comments where appropriate.

We relied on data obtained from Postal Service database systems, such as Delivery Operations Information System (DOIS) and eFlash. We did not directly audit the systems but performed limited data integrity review to support our data reliance. We assessed the reliability of delivery point data by reviewing existing information about the data and the systems that produced them, as well as interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

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<sup>10</sup> *Management of Delivery Services*, March 1998.

<sup>11</sup> *City Delivery Carriers Duties and Responsibilities*, March 1998.

**PRIOR AUDIT COVERAGE**

The OIG identified four audits related to our objective that were issued over the past 3 years:

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>City Delivery Efficiency Review-Atlanta District</i>	DR-AR-10-009	9/24/2010	\$27,374,309	The Atlanta District was not operating at peak efficiency and could reduce city delivery operating costs. Our benchmarking comparison determined the Atlanta District used approximately 9 minutes more per day than the national average for each carrier route, compared to the standard for that route. The measurement for this factor, called percent to standard, was 111.18, about 5 percentage points above the national average of 106.49 percent. Management agreed with the findings, recommendations, and monetary impact.
<i>City Delivery Efficiency Review-Bay Valley District</i>	DR-AR-10-007	8/26/2010	\$79,016,988	The Bay-Valley District was not operating at peak efficiency and could reduce city delivery operating costs. Our benchmarking comparison determined the Bay-Valley District used approximately 13 minutes more per day than the national average for each carrier route, compared to the standard for that route. The measurement for this, called percent to standard, was 115.93, 9 percentage points above the national average of 106.49. Management agreed with the findings, recommendations, and monetary impact.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>City Delivery Efficiency Review-Los Angeles District</i>	DR-AR-10-006	7/1/2010	\$105,056,064	The Los Angeles District was not operating at peak efficiency and could save workhours and reduce city delivery operating costs. Our benchmarking comparison determined the Los Angeles District used approximately 26 minutes more per day than the national average for each carrier route, as compared to the standard for that route. The measurement for this, called “percent to standard” was 124.17 - about 17 percentage points above the national average of 107.19 percent. Management agreed with the findings, recommendations, and monetary impact.
<i>City Delivery Efficiency Review – San Francisco Napoleon Street Station</i>	DR-AR-10-002	12/18/2009	\$21,308,433	The audit concluded the Napoleon Street Station was not operating at peak efficiency, and management could reduce city delivery costs. Our benchmarking comparison of five similar delivery units showed this station used 54,975 more workhours than necessary. We also found management did not adjust workhours to the changes in workload. Management agreed with our findings and recommendations to correct the issues identified.

## APPENDIX B: DETAILED ANALYSIS

### Operation Efficiency

We determined the New York District could use 279,853 fewer workhours. Through analysis of performance data, observations, and discussions with unit and district personnel, we identified the New York District could use at least 25<sup>12</sup> minutes less per day on each carrier route. This condition existed, because management did not always (1) provide sufficient review and oversight of units' office operating efficiencies, and (2) coordinate with the mail processing facility to ensure mail was timely received and in the condition necessary to promote office operating efficiency.

### Mail Arrival and Condition

The arrival and condition of mail from the processing facilities for 20 of 24 delivery units reviewed did not facilitate an efficient morning operation. Specifically, mail was not always available for carriers, and DPS mail was not consistently staged for easy retrieval by the carriers. These issues existed primarily because of inadequate and/or outdated IOPs.<sup>13</sup> Most units had IOPs dated from 2005 that require updating to reflect current mail flows and provide a more detailed mail mix. When mail arrives at the delivery unit later than expected or not in the agreed upon mail mixture, carriers are delayed in the office. The IOP is designed to help stabilize mail flows and is critical in establishing appropriate staffing and reporting times to ensure carriers are not delayed. Although the district encourages delivery units to report issues to the plant, mail flow issues often remain unresolved. Issues observed include:

- Mail was not always available and distributed to carriers in a timely manner, causing carriers to wait sometimes in excess of 30 minutes. This occurred because mail did not always arrive from the plant in the proper mixture or condition, which impacted the clerk's availability to timely process and finalize "hot case" mail.<sup>14</sup> In some instances, carriers had to wait for accountable items before departing to the street because clerks were still working letter mail or small parcels. (See Illustration 1.)

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<sup>12</sup> Computation was based on 16,791,180 minutes (279,853 hours multiplied by 60 minutes per hour) divided by 2,224 routes in the New York District divided by 302 annual delivery days equals approximately 25 minutes per route per day.

<sup>13</sup> The IOP contract covers mail arrival from the plant and identifies the product of mail agreed for each individual trip. The primary purpose is to stabilize mail flow (for example, arrival time of DPS, auto letters, and auto flats), based on other requirements for mail arrival such as the mail mix/unit distribution percentage.

<sup>14</sup> Hot case mail is a special distribution case in a delivery unit for last-minute sorting of First-Class Mail®. The letter carrier collects this mail before leaving the office for street duties.

### Illustration 1: Carriers Waiting in Line to Retrieve Accountables



Source: OIG

In others instances, we observed carriers having to assist in the distribution of mail to speed their departure to the street. (See Illustration 2.)

### Illustration 2: Carrier Assisting in the Distribution of Mail



Source: OIG

Postal Service policy<sup>15</sup> states that accountable items must be available for carriers in a timely manner so as not to delay the carrier. Using a mobile accountable cart operation<sup>16</sup> could minimize carrier time related to accountable operations if facility space is available.

- DPS letters processed by the plants arrived in mail transport containers that are not staged for easy retrieval at 23 of the 24 delivery units. This requires clerks — and

<sup>15</sup> *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (SOP) II Guidebook, 2007, Section 3-1.*

<sup>16</sup> Clerks use accountable carts to transport items from the accountable cage to the carriers.

sometimes carriers — to unload and sort DPS mail by route, which delays carriers unnecessarily. Postal Service policy<sup>17</sup> states that mail processing should stage DPS letters for transport in shelved or modified containers so that individual trays do not have to be re-handled at the delivery unit. (See illustrations 3 and 4.)

**Illustration 3: DPS Mail not Staged by Route Illustration**



Source: OIG

**Illustration 4: Clerk Sorting DPS Mail by Route**



We are aware of space limitations<sup>18</sup> with both the facilities and the transportation that serve them which hinder the use of shelved containers; however, the New York District could still stage the mail by route order using the current equipment.

### Carriers Handling DPS Mail

Carriers often handled and verified 100 percent of DPS mail using at least 30 minutes or more daily per route. Although the New York District's policy allows carriers to verify each piece of DPS mail on all routes if the out of sequence rate from the plant is 50 percent or greater, carriers often performed 100-percent verification of each piece of DPS mail instead of riffing,<sup>19</sup> regardless of the out of sequence rate. This occurred because of the perception in delivery units that capturing missent errors from DPS mail for customer service was the number one priority in the morning. Carriers were instructed to identify DPS errors as the first task before casing any flats and letters. If this practice of verifying 100 percent DPS mail each morning was not done, the New York District could further reduce morning workhours. (See Illustrations 5 and 6.)

<sup>17</sup> *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (SOP) II Guidebook, 2007, Section 2-6.*

<sup>18</sup> Many units have limited floor plans that would inhibit the staging of shelved containers in all delivery units. In addition, many older and limited spaced delivery units served by smaller transport vehicles would be unable to accommodate the space requirements of additional containers.

<sup>19</sup> To flick through the front, middle, and back of DPS trays to glance for errors.

### Illustrations 5 and 6: Carriers Handling Each Piece of DPS Mail on Certified Routes



Source: OIG

#### Setting Office Expectations

Supervisors did not always set expectations for morning office operations nor review previous day performance with carriers. For example, supervisors often printed the DOIS *Route Carrier Daily Performance Report*, but did not always discuss the report with carriers in 23 of the 24 delivery units observed. If a carrier does not meet performance standards, a supervisor must investigate and discuss performance deficiencies with the carrier.

By reviewing workhour and workload utilization and improving oversight of office processes, management would increase the New York District efficiency, thereby saving approximately \$9.3 million annually, or more than \$93 million over 10 years. (See [Appendix C](#).)

During the audit, management began to reexamine procedures and institute training. For example, the New York District is starting the AM Standard Operation Procedures Recertification Process in delivery units and instituting refresher training for all supervisors regarding standard operating procedures and service.

[REDACTED]

[REDACTED]

**APPENDIX C: MONETARY IMPACT**

<b>Finding</b>	<b>Impact Category</b>	<b>Amount</b>
Operating Efficiency	Funds Put to Better Use <sup>20</sup>	\$93,143,986

We estimated the monetary impact of \$93,143,986 in funds put to better use by reducing 279,853 workhours at delivery units in the New York District. This amount included an estimated cost savings of \$88,614,716 from reducing city letter carrier positions over 10 years and \$4,529,269 in reduction of delivery office overtime workhours over 2 years (See Table 1.)

**Table 1. New York District Station Workhour Savings**

<b>District</b>	<b>Delivery Units</b>	<b>Estimated City Delivery Workhours Saved<sup>21</sup></b>	<b>10-Year Projection of Savings from Full FTEs Workhour Reduction</b>	<b>2-Year Projection of Savings from Partial FTEs Overtime Workhours</b>	<b>Estimated Total Savings</b>
New York	66	279,853	\$88,614,716	\$4,529,269	\$93,143,986

Source: OIG

- We calculated funds put to better use of full-time equivalents (FTEs) over 10 years using the FY 2011 city carrier level 2 fully loaded labor rate with an escalation factor of 1.7 percent.
- To determine the reduction of city carrier FTE positions, we used a cash flow analysis based on city carrier complement and attrition from Webcoins Information for July 1, 2005, through June 30, 2010. We used this to determine how many city letter carriers are estimated to leave in future years.
- We used the discount rate of 3.875 percent based on the Postal Service’s Decision Analysis Report Factors (cost of borrowing rate).
- We calculated funds put to better use for reducing city carrier workhours not equivalent to a FTE using the city carrier overtime rate for FY 2011 with an escalation factor of 1.7 percent for the 2-year projection.

<sup>20</sup> Funds that could be used more efficiently by implementing recommended actions.

<sup>21</sup> The reduction of these hours results in a projected FTE reduction of 125 positions over 10 years and a reduction of 61,103 overtime workhours over 2 years.

## APPENDIX D: MANAGEMENT'S COMMENTS

DISTRICT MANAGER  
NY DISTRICT



January 7, 2011

### **SUBJECT: FY 2010 INSTALLATION AUDIT, NY DISTRICT POST OFFICE**

The following is in response to the OIG Installation Audit conducted in November 2010. Listed below please find areas of opportunities cited in the audit and actions to capture savings.

- 1. Reduce the District's workhours by 279,853 in FY 2011 and achieve an associated economic impact of more than \$9.3 million annually or \$93 million over 10 years. The District will maintain the savings by capturing the opportunity outlined in our Fiscal Year 2011 Business Plan to achieve budgeted reductions.**

We agree with the findings and recommendation. The District is taking action in several areas to promote greater efficiency, with the goal of achieving the FY- 2011 Delivery Services budget. Initiatives include JARAP savings scheduled in FY-2011; combination wagon consolidation/reductions; MIARAP savings carryover from FY-2010 reviews; increase in DPS %; and improvement of office % to standard.

These initiatives have varying timelines with some already completed and the expectation is that most will be completed by the end of Fiscal Year 2011 - September 30, 2011. Additionally, some of the aforementioned initiatives (JARAP and combination wagon reductions) will have carryover savings into Fiscal Year 2012.

During the course of the audit, New York District instituted refresher training for all supervisors addressing standard operating procedures and service. On December 1st we began the AMSOP2 recertification process, and will continue to work with the stations on improving their performance. We will continue to monitor productivity and work towards making incremental improvement to sustain these savings.

These initiatives are partially completed and were fully implemented November 2010.

- 2. Reinforce Postal Service policy and procedures for supervising city delivery office operations in delivery units and eliminate time-wasting practices as appropriate.**

We agree with the finding and recommendation. The principles of sound supervision require that supervisor evaluate employee performance daily. Supervisor should counsel and instruct their employees as necessary, giving attention to evidence of good performance, as well as to areas where the employees need improvement.

As noted above, during the audit, the District instituted actions to begin to reinforce procedures. We instituted refresher training for all supervisors addressing standard operating procedures and

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service. The District also has made plans to begin the AMSOP2 recertification process, which addresses most of the findings listed in the OIG report.

These are daily ongoing activities with no end date.

- 3. Require processing facility managers and delivery managers to coordinate, review, and update all Integrated Operating Plans to ensure mail arrives timely and in the condition necessary to promote office efficiency.**

We agreed with the finding and recommendation to review all Integrated Operating Plans (IOP). The District will continue the weekly IOP meetings with station and In Plant Support to identify and resolve mail arrival issues and update IOPs to promote delivery unit efficiency. The District is taking action to relocate and reconfigure DBCS machines and the DPS sort plans. Once completed, this will increase our processing capacity giving Delivery Support Operations the opportunity to perform hi-rise coding upgrades on the sort plans. The Plant will continue to emphasize and ensure quality checks using MHTS, MPE Watch and DBCS unplanned reports.

The District plans to implement actions on this issue by January 2011.

**Freedom of Information Act (FOIA)**

The District has reviewed the report and believes the sections discussing the [REDACTED] based on a local memorandum of understanding with the NALC should be exempt under FOIA.

  
William J. Schnaars