



January 20, 2011

MICHAEL S. FUREY
DISTRICT MANAGER, NORTHERN VIRGINIA DISTRICT

SUBJECT: Audit Report – City Delivery Efficiency Review – Northern Virginia District
(Report Number DR-AR-11-003)

This report presents the results of our audit of City Delivery Efficiency Review – Northern Virginia District¹ (Project Number 10XG051DR000). Our objectives were to assess overall efficiency of city delivery operations and identify opportunities to reduce operating costs within the Northern Virginia District. This self-initiated audit addresses operational risk and is the sixth in a series 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 Northern Virginia District was not operating at peak efficiency and could reduce city delivery operating costs. Our benchmarking comparison determined the Northern Virginia District used approximately 16 minutes more per day than the national average for each carrier route, compared to the standard for that route. This equated to more than 103,000 workhours annually. The measurement for this factor, called percent to standard,² was 123.24 – about 17 percentage points above the national average of 105.95 percent.

Operation Efficiency

Although numerous factors were involved, our review of 20 randomly selected delivery units confirmed these inefficiencies and determined Northern Virginia District management did not always (1) provide sufficient review and oversight of unit offices' operating efficiencies and (2) coordinate with the mail processing facility to ensure mail was timely

¹ The Northern Virginia District is one of seven districts in the Capital Metro Area. It consists of 56 delivery units that deliver mail on 2,536 city routes with more than 669,002 delivery points.

² 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 that office performance is at the stated performance goal. A figure greater than 100 percent indicates performance is less than the desired standard.

received and in a condition that promoted operating efficiency. Eliminating time-wasting practices and increasing focus on efficiency could allow management to reduce workhours. Some examples include ensuring that:

- Management provides sufficient oversight of morning and afternoon office operations.
- Vehicle inspection process is efficient.
- Carriers are timely and correctly clocking into afternoon (p.m.) office time.
- Units receive the proper mix from the processing facility per the integrated operating plan (IOP).³
- Carriers spend less time waiting for mail.
- Clerks and carriers do not unnecessarily re-handle unshelved mail transport containers to identify and retrieve delivery point sequence⁴ (DPS) mail.

See [Appendix B](#) for additional information about these issues.

Consequently, the Northern Virginia District used more workhours than necessary to deliver the mail. Adjusting its operations would increase the Northern Virginia District's overall efficiency by reducing 103,160 workhours, resulting in savings of more than \$3.2 million annually or about \$32 million over 10 years. See [Appendix C](#) for additional information about this issue.

We recommend the district manager, Northern Virginia District:

1. Reduce the Northern Virginia District's workhours by 103,160 to achieve an associated economic impact of about \$32 million over 10 years.
2. 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.

³ A contract that 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.

⁴ 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.

Management's Comments

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

In response to recommendation one, management agreed to reduce city carrier office hours. Management's action plan includes reducing carrier inefficiencies in the office by implementing and monitoring standard operating procedures (SOPs); increasing operational audits for compliance with established best practices; providing additional training for supervisors on managing office time; flexing carrier start times for tours; and improving on-time mail arrival profiles. Management plans to implement action by February 2011.

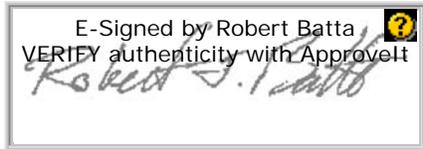
Management responded to our second recommendation stating they agreed to improve on time arrivals from mail processing to delivery units. Management also stated that while officials were not adhering to IOPs, the IOPs were current at the time of the audit. However, as a part of their action plan, they will adjust transportation schedules as well as review and update IOPs as a part of the process. Further, management's action plan includes improving inbound mail flows, implementing sort change plans, staggering transport schedules, and improving machine throughput. Management plans to implement action by February 5, 2011. 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 corrective 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.



Robert J. Batta
Deputy Assistant Inspector General
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Attachments

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Delivery operations are the Postal Service's largest operational function, accounting for approximately 45 percent of salary expenses and workhours. Despite an annual increase of approximately 1 million delivery points, delivery operations used 36.5 million fewer workhours in fiscal year (FY) 2009, because of effective growth management, increased use of automation, standardization of best practices, and improved productivity. Although delivery operations used fewer workhours, workhour reduction has not kept pace with declining mail volume. Nationally, city delivery mail volume declined by 3.9 percent in FY 2010. During this same period, mail volume declined in the Capital Metro Area by 2.4 percent, while workhours declined by 2.8 percent. The Northern Virginia District mail volume declined by 2.7 percent in FY 2010, while workhours declined by 3.2 percent.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

- Ranked the eight areas from highest to lowest in terms of percent to standard from July 1, 2009, through June 30, 2010. We used the national percent to standard of 105.95 percent for July 1, 2009, through June 30, 2010, as a baseline guide.
- Selected the Capital Metro Area and, within that area, judgmentally selected the Northern Virginia District for review because of its high percent to standard measurement of 123.24 percent.
- Randomly selected 20 of the 56 delivery units within the Northern Virginia 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 observations of office delivery operations.
- Reviewed documentation and applicable policies and procedures for city delivery and Postal Service Handbooks M-39⁵ and M-41.⁶

⁵ *Management of Delivery Services*, March 1998.

⁶ *City Delivery Carriers Duties and Responsibilities*, March 1998.

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 10, 2010, and included their comments where appropriate.

We relied on data obtained from Postal Service database systems, primarily from eFlash.⁷ 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's data by reviewing existing information about the data and the system 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.

⁷ A weekly operating report 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.

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. Although numerous factors were involved, our review of 22 randomly selected delivery units determined that district management did not always (1) provide sufficient review and oversight of unit offices' operating efficiencies and (2) coordinate with mail processing facilities to ensure mail was timely received and in a condition that promoted office operating efficiency. Elimination of time-wasting practices and an increased focus on efficiency could allow management to reduce workhours. Management agreed with 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 save workhours and reduce city delivery operating costs. Although numerous factors were involved, our review of 22 randomly selected delivery units determined that district management did not always (1) provide sufficient review and oversight of unit offices' operating efficiencies and (2) coordinate with mail processing facilities to ensure mail was timely received and in a condition that promoted office operating efficiency. Eliminating time-wasting practices and an increasing focus on efficiency could allow management to reduce workhours. Management agreed with 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	\$105,000,000	The Los Angeles District was not operating at peak efficiency and could save workhours and reduce city delivery operating costs. Although numerous factors were involved, our review of 25 randomly selected delivery units confirmed these inefficiencies and determined district management did not (1) provide sufficient review and oversight of unit offices' operating efficiencies and (2) coordinate with the mail processing facility to ensure mail was timely received and in a condition that promoted office operating efficiency. Eliminating time-wasting practices and increasing focus on efficiency could allow management to reduce workhours. Management agreed with 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

The Northern Virginia District used 103,160 more workhours than necessary. Our benchmarking comparison determined the Northern Virginia District’s percent to standard measurement was 17 percentage points above the national average (123.24 percent compared to the national average of 105.95 percent). In other words, the district used approximately 16 minutes⁸ more per day on each carrier route than the average carrier route in the nation. From July 1, 2009, through June 30, 2010, the Northern Virginia District ranked seventh in terms of percent to standard within the Capital Metro Area (see Table 1.)

**Table 1. Capital Metro Area Percent to Standard Comparison
July 1, 2009, through June 30, 2010**

	Percent to Standard	Ranking
National Average	105.95	N/A
Districts in Capital Metro Area		
Mid-Carolinas	98.17	1
Greensboro	100.10	2
Greater South Carolina	103.64	3
Richmond	108.71	4
Baltimore	113.94	5
Capital	114.88	6
Northern Virginia	123.24	7

Source: eFlash

This condition occurred, because management did not always (1) provide sufficient review and oversight of unit offices’ 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.

Managing Morning and Afternoon Office Operations

Supervisors did not provide sufficient oversight of morning operations. Specifically, the vehicle inspection process was not always efficient. Our observations disclosed that delivery units lost several minutes per day because of carriers searching for vehicles before inspection. Five of the 20 delivery units lost time because parking spaces were unassigned. In four other delivery units, carriers waited in line to get vehicle keys. Postal Service policy states employees should park vehicles near the dock in assigned spaces identified by individual route numbers. In addition, policy states employees should conduct vehicle

⁸ 6,189,600 minutes (103,160 hours above the national average percent to standard multiplied by 60 minutes per hour) divided by 1,263 routes in the Northern Virginia District divided by 302 annual delivery days per year equals approximately 16 minutes per route per day.

inspections promptly after clocking in for the morning. The policy also requires vehicle keys to be located adjacent to time-recording equipment (see Illustration 1).

Illustration 1: Carriers Waiting to Obtain Keys for Vehicle Inspection



Source: OIG

In addition, supervisors did not always effectively manage afternoon office time at 11 of the 20 delivery units observed. Some carriers spent 10 minutes or more in the office after returning from their routes. Postal Service policy allows a standard 5 minutes for carriers to perform afternoon office duties. We also observed some carriers not clocking directly to “office time” upon returning to the unit in the afternoon, resulting in much of this additional office time” being included in street operations time.

During the audit, we informed district officials of our finding regarding the management of morning and afternoon office operations. Northern Virginia District officials agreed with our finding and took immediate corrective action. In November 2010, Northern Virginia District officials issued two standard operating procedures reinforcing proper procedures for inspecting city carrier vehicles and managing city carrier p.m. office time. According to Northern Virginia District officials, delivery operations efficiency has improved since implementing these SOPs. The corrective actions implemented during the audit should resolve the issues identified; therefore, we are making no recommendation regarding this issue.

Mail Arrival

For 17⁹ of the 20 delivery units observed, mail arrived 45 minutes to 2 hours late from the processing plant. This occurred because of plant delays and the mail arriving from the plant not matching the agreed upon mail arrival times and mail mixtures as outlined in the IOP

⁹ Of the 17 delivery units, 15 were Flat Sequenced System delivery units. In these units, carriers have a smaller window of office time due to the limited number of flat mailpieces required to case.

agreed to by the plant and delivery unit. 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 Northern Virginia District has daily meetings and uses the IOP Discrepancy Reporting system and Customer Service Daily Reporting System to report issues to the plant, mail flow issues often remain unresolved. In addition, according to Northern Virginia District officials, the Merrifield Processing and Distribution Center removed three delivery barcode sorter machines at the discretion of the Capital Metro Area because of productivity concerns. Northern Virginia District officials stated the removal of the machines, fall mailings, and other productivity issues impacted the late mail arrivals (see Illustration 2).

Illustration 2: Carriers Waiting For Mail Arrival



Source: OIG

We found additional time was incurred in three of the 20 delivery units by some carriers waiting to obtain accountable items such as certified or Registered Mail™. Postal Service policy¹⁰ states that accountable items must be available for carriers in a timely manner so as not to cause delays. Because carrier time should be minimized in the accountable operations, use of mobile accountable cart operation¹¹ is highly encouraged (see Illustration 3).

¹⁰ *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook, Section 3 -1, 2007.*

¹¹ Clerks use accountable carts to transport items from the accountable cage to carriers.

Illustration 3: Carriers Waiting for Accountable Items



Source: OIG

Mail Condition

In five of the 20 delivery units observed, DPS letters processed by the plants arrived at delivery units in mail transport containers that were not staged for easy retrieval by the carriers. This required clerks and sometimes carriers to unload and sort through transport containers, which delayed carriers unnecessarily. Postal Service policy¹² states mail processing should stage DPS letters for transport in shelved or modified containers so individual trays do not have to be re-handled at the delivery unit (see Illustration 4).

Illustration 4: Carriers Re-handling DPS Mail



Source: OIG

¹² *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook, 2007, Section 2-6.*

Adjusting its operations would increase the Northern Virginia District's overall efficiency by reducing approximately 103,160 workhours, resulting in savings of more than \$3.2 million annually or about \$32 million over 10 years. See [Appendix C](#).

APPENDIX C: MONETARY IMPACT

Finding	Impact Category	Amount
Operating Efficiency	Funds Put to Better Use ¹³	\$32,171,718

We estimated the monetary impact of \$32,171,718 in funds put to better use by reducing 103,160 workhours at delivery units in the Northern Virginia District. This amount included an estimated cost savings of \$30,232,634 from reducing city letter carrier positions over 10 years and \$1,939,084 in reduction of delivery office overtime workhours over 2 years (see Table 2.)

Table 2. Northern Virginia District Station Workhour Savings

District	Delivery Units¹⁴	Total Routes	Estimated City Delivery Workhours Saved¹⁵	10-Year Projection of Savings from full FTE's Reduction	2-year Projection of Savings from Partial FTEs' Overtime Workhours	Estimated Total Savings
Northern Virginia	56	2,536	103,160	\$30,232,634	\$1,939,084	\$32,171,718

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 extent of the reduction of city carrier FTE positions, we used a cash flow analysis based on city carrier complement and attrition from the Web Enterprise Information System for FYs 2005 through 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.

¹³ Funds that could be used more efficiently by implementing recommended actions.

¹⁴ We identified cost savings at 28 of 56 delivery units in the Northern Virginia District.

¹⁵ The amount of estimated workhours the Northern Virginia District can save if they improve their percent to standard from 123.24 down to the national average of 105.95. The reduction of these hours results in a projected FTE reduction of 44 positions over 10 years and a reduction of 26,159.74 overtime hours over 2 years.

APPENDIX D: MANAGEMENT'S COMMENTS

DISTRICT MANAGER
CUSTOMER SERVICE AND SALES
NORTHERN VIRGINIA DISTRICT



January 18, 2011

LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: City Delivery Efficiency Review – Northern Virginia District (Report Number
DR-AR-11 DRAFT)

Northern Virginia District management agrees with the calculations in this report.

Recommendation 1

Reduce the Northern Virginia District's workhours by 103,160 to achieve an associated economic impact of about \$32 million over 10 years.

Management Response:

Management agrees with the draft report on the need to reduce city carrier office hours in order to closer align the district percent to standard with the national average and achieve the associated workhours.

Action Plan:

1. Reduce carrier inefficiencies in the office by implementing and monitoring standard operating procedures specific to the findings of the OIG audit.
 - a. Vehicle inspections
 - b. PM Office time
2. Increase operational audits for compliance with established best practices.
3. Provide additional training for front line supervisors on managing office time.
4. Flex carrier begin tours to match actual mail arrival profiles until mail flows stabilize.
5. Improve on-time mail arrival profiles from mail processing to delivery units to reduce carrier waiting or unproductive time (see recommendation 2).

Target Implementation Date:

February 2011

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Responsible Officials:

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Robert Gingell, Senior Manager Post Office Operations B Northern Virginia District
Greg Coutry, Manager Post Office Operations A, Northern Virginia District
Edward Brinckman, Manager Operations Programs Sprt, Northern Virginia District

Recommendation 2

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 efficiency.

Management Response:

Management agrees with the need to improve on time arrivals from mail processing to delivery units. For the record we wish to state that while not being adhered to, IOPs were current at the time of the audit. However, as it will be part of our action plan to adjust transportation schedules, IOPs will be reviewed and updated as part of the process.

Action Plan:

1. Improve inbound mail flows from delivery and collection to mail processing to assist in an earlier outgoing clearance time and thus earlier turnover to tour one operations
 - a. Improve collection profile
 - b. Increase mid-afternoon collection mail drops
 - c. Adjust transportation pre-closeout trips to late afternoon
 - d. Reduce late returning carriers
 - e. Improve AFCS through-put and operational efficiency of east dock 010 operation
2. Implement sort plan changes
 - a. Move large delivery unit schemes off outgoing DBCS machines
 - b. Move delivery units geographically closest to mail processing facilities to outgoing DBCS machines to mitigate travel time
3. Stagger final DOV transportation schedules in groups of 15 minute intervals
 - a. Mitigates lines at exit gates
 - b. Reduces waiting for ox cart drivers to bring mail to dock
 - c. Reduces west dock congestion
4. Improve DBCS through-put

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Target Implementation Date:

February 5, 2011

Responsible Officials:

Isaac Cronkhite, Acting Senior Plant Manager, Northern Virginia District
Jamie Congleton, Acting Manager In-Plant Support, Northern Virginia District
Marty Mittendorf, Manager Transportation, Northern Virginia District
Edward Brinckman, Manager Operations Programs Sprt, Northern Virginia District
Thomas O'Neill, Officer-in-Charge Alexandria VA Northern Virginia District
Robert Gingell, Senior Manager Post Office Operations B Northern Virginia District
Greg Coutry, Manager Post Office Operations A, Northern Virginia District

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



Michael S. Furey
District Manager