



Office of Inspector General | United States Postal Service

## Audit Report

# National Operational Assessment – Customer Service and Delivery Operations

Report Number 19RG002DR000-R20 | December 12, 2019



# Table of Contents

Cover	
Highlights	1
Objective	1
What the OIG Found	1
Tracking and Alerting of Late Mail Arrivals	2
Customer Service and City Delivery Staffing Challenges	2
Inaccurate Mobile Delivery Device Inventory	3
What the OIG Recommended	3
Transmittal Letter	4
Results	5
Introduction/Objective	5
Background	5
Finding #1: Tracking and Alerting of Late Mail Arrivals	6
Recommendation #1	8
Recommendation #2	8
Finding #2: Customer Service and Delivery Operations Staffing Challenges	8
Complement Credit Given for Career Clerk Positions	12
Competitive Compensation and Benefits for Non-Career Employees	12
Lengthy Hiring Process for Non-Career Employees	12
Retention Challenges with Non-Career Employees	12
Recommendation #3	13
Finding #3: Mobile Delivery Device Inventory	13
Recommendation #4	14
Management's Comments	14
Evaluation of Management's Comments	15
Appendices	17
Appendix A: Additional Information	18
Scope and Methodology	18
Prior Audit	19
Appendix B: Customer Service and Delivery Operations Flowchart	20
Appendix C: Clerk and Carrier Variance at Selected Delivery Units	21
Appendix D: Bid Process to Fill Clerk Vacancies	23
Appendix E: Bid Process to Fill Carrier Vacancies	24
Appendix F: Management's Comments	25
Contact Information	29

# Highlights

## Objective

Our objective was to assess the U.S. Postal Service's Customer Service and Delivery Operations to identify opportunities for savings and streamlining operations.

Reliable, affordable, universal mail delivery is the Postal Service's mission. In fiscal year (FY) 2018, the Postal Service delivered more than 140 billion letters and flats and 6.4 billion packages to over 158 million delivery points on more than 231,000 routes. The Postal Service carries out these operations each day in over 29,000 delivery units across the country.

To accomplish this mission, the Postal Service budgeted 1.1 billion workhours and \$47.9 billion in salaries and benefits in FY 2018. The Postal Service budgeted over 788 million workhours (69 percent) and about \$32 billion in salaries and benefits (66 percent) in Delivery and Customer Service Operations combined. Delivery Operations is the Postal Service's largest cost center, with budgeted workhours totaling over 625 million (55 percent) and salaries and benefits totaling over \$25 billion (52 percent). Customer Service is the third largest cost center, with budgeted workhours totaling over 163 million (14 percent) and salaries and benefits totaling over \$6.5 billion (13 percent).

Clerk and carrier staff are paid at various workhour rates and categories, which include straight-time, overtime (OT), and penalty overtime (POT). However, the use of any workhour outside straight-time can increase the Postal Service's operating costs, as OT is paid at the rate of one and one-half times the base hourly straight-time rate and POT is paid at twice the straight-time rate for each employee.

Customer Service Operations uses more than 50,000 clerks and about 13,000 non-career postal support employees to support Delivery Operations by sorting and distributing non-route sequenced letter and flat mail to the carriers. These employees also receive, sort, and distribute packages received from mail

processing facilities as well as packages that are taken directly to delivery units by mailers for delivery to their customers.

Delivery Operations uses over 168,000 city letter carriers and over 70,000 rural carriers to deliver mail. These carriers are assisted by more than 42,000 city carrier assistants and over 59,000 rural carrier assistants.

Technology plays an important role in Customer Service and Delivery Operations each day. Clerks use technology to scan, sort, and distribute mail to carriers. Carriers use hand-held scanners, known as Mobile Delivery Devices, to facilitate the tracking and delivery of mail to their customers.

The changing mail mix, from letters and flats to packages along with growth in delivery points each year, has impacted the Postal Service's Customer Service and Delivery Operations. More commercial mailers are taking advantage of worksharing, which allows for mail and packages to be taken directly to delivery units for sorting and delivery. In FY 2018, commercial mailers dropped off 45 percent of the total package volume directly to delivery units.

## What the OIG Found

Customer Service Operations generally had the capacity at their facilities to sort and distribute mail. Although service targets have been challenging for the Postal Service, Delivery Operations generally had the capability to deliver mail to residential and business delivery points using available technology and vehicles. However, the Postal Service has operational challenges that hinder its capability to operate efficiently and effectively.

Based on our analysis of relevant data sources used to monitor operations and observations and interviews conducted at 17 delivery units across all seven Postal Service areas, we determined delivery units did not track and receive alerts of late incoming mail. We also noted Customer Service and Delivery Operations experienced staffing and position challenges which impacted their ability to efficiently sort, distribute, and deliver mail. We also noted inaccurate Mobile Delivery Device inventory.

## Tracking and Alerting of Late Mail Arrivals

Customer Service Operations did not always track or receive alerts of late mail arrivals from mail processing facilities.

While late dispatched mail from processing facilities is recorded in the Surface Visibility system, this data is not linked to the late-arriving mail in delivery units. Instead, late-arriving mail at delivery units is manually recorded by delivery unit personnel in the Customer Service Daily Reporting System or other systems including the Mail Arrival Quality/Plant Arrival Quality and Staffing and Scheduling Tool, or via teleconferences or email. Although data for 30 days showed 16 of 17 delivery units (94 percent) had 503 trips averaging from 13 to 80 minutes late from mail processing facilities, no late mail was recorded at 15 of the 16 units. Because the Postal Service does not have a streamlined, automated process to record late mail arrival at delivery units, the national impact of the 1.7 million late dispatched trips to delivery units across the country, as recorded in Surface Visibility in FY 2018, cannot be directly visible.

Further, delivery units do not currently receive consistent alerts that mail will be arriving late from mail processing facilities. This occurred because the Postal Service does not have a standardized, automated process to alert delivery units of late arriving mail. Our analysis of Customer Service Operations at 12 of 17 delivery units (71 percent) showed that units received inconsistent notification of late mail arrivals from mail processing facilities.

As a result, delivery unit managers or anyone temporarily acting as a manager may not have readily available data on late mail arrivals to make staffing decisions and efficiently manage workhours and unit operations. In a subsequent discussion, Postal Service Headquarters Delivery Operations indicated the Volume Arrival Profile, currently being piloted, would provide delivery units alerts for all late mail arrivals.

## Customer Service and City Delivery Staffing Challenges

Customer Service and Delivery Operations experienced staffing and position challenges which impacted their ability to efficiently sort, distribute, and deliver mail. Our analysis of the FY 2018 national complement data from the Postal Service Field Staffing and Support Workforce Dashboard showed:

- The number of career clerk and carrier staff on the rolls was less than the earned/authorized complement.
- The number of non-career city carrier staff on the rolls was less than the number of staff that districts could hire based on the percentage outlined in the labor agreement.
- Vacant clerk and city carrier positions (unfilled positions).
- Overages – representing unassigned employees pending job placement -- in clerk and city carrier positions.

Our detailed review of 17 delivery units identified similar challenges, but determined that while actual staffing at some units was under the earned/authorized complement, staffing at other units was over the earned/authorized complement. Further, while we noted vacancies, we also noted position overages at some locations, which could be used to optimize staffing at facilities where needed.

Overall, career and non-career staffing challenges increased labor costs, as delivery management reassigned workload to other employees, which contributed to an increased use of overtime hours. In FYs 2017 and 2018, the Postal Service paid straight-time of \$28.5 billion, of which \$12.1 billion was paid to clerks and \$16.4 billion to city carriers. In addition, the Postal Service paid \$7.7 billion in overtime (OT) and penalty overtime (POT), including \$3 billion to clerks and \$4.7 billion to city carriers. OIG analysis showed the Postal Service exceeded its workhour plan (budget) for overtime and penalty overtime by 10 percent in FY 2017 and 28 percent in FY 2018, respectively for both functional areas.

These staffing challenges were caused by multiple factors, including:

- Restrictions for filling residual vacancies for clerks and carriers in the National Labor Agreements.
- Complement credit for career clerk positions, which is not given if an employee is off work for an extended period of time.

- Hiring and retaining non-career carriers in some districts that are considered to have a high cost of living or competitive labor market.
- A lengthy hiring process for non-career staff.
- Retention challenges with non-career employees.

Cost effective alternatives to manage staff and associated labor cost to achieve planned budgets can include right-sizing the clerk and carrier staffing complements, where appropriate, and can include:

- staff reallocations using unassigned regular career employees.
- staff reallocations using non-career employees.
- maximizing non-career hiring.
- non-career employee conversions.

Managing daily mail operations and the associated labor costs to perform them in a declining mail environment is critical to ensuring appropriate management of labor costs. We estimated the increased overtime usage resulted in \$482 million annually in questioned costs for FYs 2017 and 2018.

### **Inaccurate Mobile Delivery Device Inventory**

Our review of Ethos, the Postal Service system used to track mobile delivery devices, identified there were 243,519 operable devices to cover over 231,000 delivery routes as of April 2019. However, we noted Ethos did not always accurately reflect the correct number of operable devices in inventory at delivery units.

This condition occurred because there is no requirement to conduct an annual physical inventory of devices and record inventory results. According

to Postal Service Headquarters Delivery Operations, they relied on a report of transmitted data from mobile delivery devices to validate the number in inventory. They also stated they relied on local management to ensure Ethos data correctly reflects the operable mobile delivery devices. In our review at the selected 17 units, we identified discrepancies between Ethos and our physical observations of operable devices at 15 of the 17 delivery units (88 percent).

Although the Postal Service does not designate these devices as sensitive items, these devices can be expensive to replace. In April 2019, the Ethos system, which only provides a data snapshot as of a point in time, reported 1,586 (less than one percent) lost devices. Each device costs an estimated [REDACTED] to replace, a total of about [REDACTED] million. The Postal Service is considering the purchase of new data devices to replace the current units, therefore tracking of these items is critical.

### **What the OIG Recommended**

We recommended management:

- Modernize the various mail condition reporting methods into one system to capture all mail delays from mail processing facilities.
- Enable management to track and receive alerts for all late arriving mail in delivery units by expanding Informed Facility and Informed Mobility or identify another solution.
- Coordinate with Labor Relations to identify cost effective alternatives and opportunities to address career clerk and carrier staffing issues.
- Implement a policy to conduct a physical inventory of Mobile Data Devices and maintain inventory results.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

December 12, 2019

**MEMORANDUM FOR:** KEVIN L. MCADAMS  
VICE PRESIDENT, DELIVERY OPERATIONS

A digital signature of Janet M. Sorensen, with her name "Janet Sorensen" printed above the signature and a small yellow icon in the top right corner of the signature box.

**FROM:** Janet M. Sorensen  
Deputy Assistant Inspector General  
for Retail, Delivery & Marketing

**SUBJECT:** Audit Report – National Operational Assessment –  
Customer Service and Delivery Operations  
(Report Number 19RG002DR000-R20)

This report presents the results of our audit of the National Operational Assessment of Customer Service and Delivery Operations.

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

Attachment

cc: Corporate Audit Response Management

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of Customer Service and Delivery Operations (Project Number 19RG002DR000). Our objective was to assess these functions to identify opportunities for savings and streamline operations. See [Appendix A](#) for additional information about this audit.

## Background

Reliable, affordable, universal mail delivery is the Postal Service's mission. In fiscal year (FY) 2018, the Postal Service delivered more than 140 billion letters and flats and 6.4 billion packages to over 158 million delivery points on more than 231,000 routes. The Postal Service carries out these operations each day in over 29,000 delivery units across the country.

To accomplish this mission, the Postal Service budgeted 1.1 billion workhours and \$47.9 billion in salaries and benefits in FY 2018. The Postal Service budgeted over 788 million workhours (69 percent) and about \$32 billion in salaries<sup>1</sup> and benefits (66 percent) in Delivery and Customer Service Operations combined. Delivery Operations is the Postal Service's largest cost center, with budgeted workhours totaling over 625 million (55 percent) and salaries and benefits totaling over \$25 billion (52 percent). Customer Service is the third largest cost center, with budgeted workhours totaling over 163 million (14 percent) and salaries and benefits totaling over \$6.5 billion (13 percent).

Clerk and carrier staff are paid at various workhour rates and categories, which include straight-time, overtime (OT), and penalty overtime (POT). However, the use of any workhour outside straight-time can increase the Postal Service's operating costs, as OT is paid at the rate of one and one-half times the base hourly straight-time rate and POT is paid at twice the straight-time rate for each employee.

Customer Service Operations uses more than 50,000<sup>2</sup> clerks and about 13,000 non-career postal support employees to support Delivery Operations by sorting and distributing non-route sequenced letter and flat mail to the carriers. These employees also receive, sort, and distribute packages received from mail processing facilities as well as packages that are taken directly to delivery units by mailers for delivery to their customers.

Delivery Operations uses over 168,000 city letter carriers and over 70,000 rural carriers to deliver mail. These carriers are assisted by more than 42,000 city carrier assistants (CCA) and over 59,000 rural carrier assistants.

Technology plays an important role in Customer Service and Delivery Operations each day. Clerks use technology to scan, sort, and distribute mail to carriers. Carriers use hand-held scanners, known as Mobile Delivery Devices, to facilitate the tracking and delivery of mail to their customers.

Vehicle Operations provides delivery units with 208,133 vehicles for city routes and some rural routes to deliver and collect the mail.<sup>3</sup>

Given the rapid growth of ecommerce and the trend toward digital communication, the Postal Service is delivering fewer letters and more packages to more addresses each year. Between FYs 2014 and 2018:

- Letters and flat mail volume decreased by 8 percent, from 151.6 billion to 140.3 billion.
- Package volume increased 55 percent from 3.9 billion to 6.1 billion.
- Delivery points increased from 153 million to 158 million.
- Delivery routes increased from over 224,000 to more than 231,000.

<sup>1</sup> Salaries include wages paid for straight-time, overtime and penalty overtime workhours. Straight-time is paid at a basic rate to full-time and part time regular employees working their regular schedule not to exceed eight hours a day. Overtime is paid when work hours exceed eight hours a day and is paid at the rate of one and on half times the straight-time rate. Penalty overtime is paid when work hours exceeds 10 hours a day and is paid at twice the straight-time rate.

<sup>2</sup> This number is the sum of the occupational codes that included distribution in the job title from the Postal Service's New On Rolls and Paid Employees Statistics Report (NORPES).

<sup>3</sup> The Postal Service is in the process of purchasing commercial off-the-shelf vehicles and developing next generation delivery vehicles, which will address its capacity shortfalls in Delivery Operations. We will evaluate delivery vehicle fleet issues and other related issues in a future audit of delivery vehicles.

The changing mail mix, from letters and flats to packages along with growth in delivery points each year, has impacted the Postal Service's Customer Service and Delivery Operations. More commercial mailers are taking advantage of worksharing, which allows for mail and packages to be taken directly to delivery units for sorting and delivery. In FY 2018, commercial mailers dropped off 45 percent of the total package volume directly to delivery units.

### **Finding #1: Tracking and Alerting of Late Mail Arrivals**

Customer Service Operations did not always track or receive alerts of late mail arrivals from mail processing facilities. We reviewed Surface Visibility (SV) data to identify late mail arriving from mail processing facilities. SV is the system used to track the movement of mail from end-to-end in the dispatch and transportation process from mail processing facilities to delivery units and other processing facilities. We compared the SV data to Customer Service Daily Reporting System (CSDRS)<sup>4</sup> data and other local information for selected delivery units to determine if late arrivals were recorded consistently.

In FY 2018, there were 1.7 million late trips to delivery units recorded in SV. During our 30-day review of SV and CSDRS data,<sup>5</sup> we identified 16 of the 17 delivery units we visited (94 percent) received late mail from mail processing facilities. These 16 delivery units had a total of 503 trips<sup>6</sup> averaging from 13 minutes to 80 minutes late from mail processing facilities. However, even though the data showed late arriving mail, we found that 15 of the 16 units did not record these late mail arrivals in CSDRS.

*The FY 2018 Postal Regulatory Commission Annual Compliance Determination Report noted that transportation was a major factor in not meeting service standards. Furthermore, because of the criticality of transportation, the Postal Service indicated in this report that "If a mailpiece misses its scheduled transportation (air or ground) then generally that mailpiece will not be delivered within the expected timeframe absent "extraordinary measures" at substantial cost, such as extra transportation along with clerk and carrier overtime at the delivery point."*

Annual Compliance Determination, April 12, 2019.

Management did not consistently record late mail arrivals because the Postal Service does not have a consistent, streamlined process to record late mail arrivals. Our review identified the units used multiple systems and methods such as CSDRS, Mail Arrival Quality/Plant Arrival Quality (MAQ/PAQ)<sup>7</sup> system, teleconferences, email or no system or method was used to record late mail arrivals.

Table 1 outlines the different systems and methods Customer Service Operations used to record late mail from Postal Service mail processing facilities. We interviewed management at the 17 selected delivery units and noted, eight used CSDRS, two reported by teleconference or email, one used CSDRS and MAQ/PAQ system, and six did not use any system or method to record or report late mail.

4 CSDRS is the national formal system that provides timely information to management on mail and operational exception situations on a near real time basis for review and action.

5 Monday through Saturday trips, excluding holidays.

6 Mail trips departing more than 10 minutes late from the servicing plant.

7 MAQ/PAQ is a computer application for delivery units and mail processing facilities to report mail quality.



**Table 1. OIG Analysis of Delivery Units' Reporting Methods**

Area/District	Unit Name	Systems/Methods Used to Report Late Mail Arrival or Unworked Mail
Capital Metro/Atlanta	Atlanta – Industrial Branch	CSDRS
Capital Metro/Capital	Washington, DC – Carrier Section 2 Station	None
Capital Metro/Northern Virginia	Centreville – Sully Station	CSDRS
Eastern/Philadelphia Metropolitan	Philadelphia – Paschall Station	Teleconference, email
Eastern/South Jersey	New Castle Post Office <sup>8</sup>	Email
Great Lakes/Gateway	St. Louis – University City Branch	CSDRS, MAQ/PAQ
Great Lakes/Greater Indiana	Indianapolis – Park Fletcher Branch	CSDRS
Northeast/New York	Bronx – Hunts Point <sup>9</sup>	CSDRS
Northeast/New York	New York City – Franklin D. Roosevelt Station	CSDRS
Pacific/San Francisco	San Francisco – Golden Gate Station	None
Pacific/San Francisco	San Francisco – Steiner Street Station	None
Pacific/San Francisco	San Mateo Post Office	None
Southern/Alabama	Pelham Post Office	CSDRS
Southern/Dallas	Dallas – Brookhollow Station	CSDRS
Southern/Suncoast	Estero Post Office	None
Western/Mid-America	Kansas City Missouri – Gladstone Station	CSDRS
Western/Seattle	Olympia – Lacey Branch	None

Source: OIG Interviews

Currently, delivery units do not receive consistent alerts ahead of time that late mail will be arriving from mail processing facilities. This occurred because the Postal Service did not have a process to alert delivery units of late arriving mail from mail processing facilities. Our analysis of Customer Service Operations

at 12 of 17 delivery units (71 percent) showed that units received inconsistent notification of late mail arrivals from mail processing facilities. Specifically, nine did not receive late arrival alerts from mail processing facilities.

<sup>8</sup> Trips for the New Castle Center Point (carrier annex) and satellite (parcel) annex.  
<sup>9</sup> Carriers and Delivery Operations were relocated from the Hunts Point Station to Boulevard Station.

In a subsequent discussion with Postal Service Headquarters Delivery Operations officials, they indicated the Volume Arrival Profile, which is being piloted in real-time, would provide delivery units alerts for all late mail arrivals. In addition, the Informed Facility platform could be a potential solution to develop a dashboard that would allow management to track and receive alerts for all late arriving mail received by delivery units in real-time from mail processing facilities. This would allow management to make more informed decisions to improve mail arrival.

The Postal Service is also piloting Informed Mobility at 21 delivery units and seven mail processing facilities for a group of about 200 Smart User supervisors. Informed Mobility is designed to give supervisors mobile access to the data<sup>10</sup> they need to make timely informed decisions, enhance productivity, and leverage near real-time operational views for decision making. Informed Mobility could also be a potential solution for supervisors to receive alerts for late arriving mail in near real-time.

Without this information readily available, delivery unit managers or anyone temporarily acting as a manager may not have data on mail arrivals and delays which impact their workload decisions and hinders the efficient management of unit operations and workhours.

### Recommendation #1

We recommend the **Vice President, Delivery Operations**, modernize the various mail condition reporting methods into one system to capture all mail delays from mail processing facilities.

### Recommendation #2

We recommend the **Vice President, Delivery Operations**, enable management to track and receive alerts for all late arriving mail in delivery units by expanding Informed Facility and Informed Mobility or identify another solution.

<sup>10</sup> Data could include near real-time data for metrics, workforce monitoring, start of day and end of day.

<sup>11</sup> Total career craft on rolls was less than earned.

<sup>12</sup> These totals include career and non-career staff.

## Finding #2: Customer Service and Delivery Operations Staffing Challenges

Customer Service and Delivery Operations experienced staffing and position challenges, which impacted their ability to efficiently sort, distribute, and deliver mail. Staff availability is vital to daily customer service and city delivery operations.

Our analysis of the FY 2018 national complement data from the Postal Service Field Staffing and Support Workforce Dashboard showed fewer career and non-career employees on the rolls than earned/authorized, vacancies, as well as overages, which represent unassigned clerks and carriers pending job placement. Specifically, we found:

- The number of career clerk and carrier staff on the rolls was less than the earned/authorized complement (see Table 2).

**Table 2: FY 2018 National Career Complement**

Employee Category	Total Career Employees Earned (Authorized)	Total Career Employees on Rolls	Career Employee Variance <sup>11</sup>
<b>Career Employees</b>			
Clerks <sup>12</sup>	86,390	83,845	(2,545)
City Carriers	168,326	164,350	(3,976)

Source: Postal Service Field Staffing and Support Workforce Dashboard as of September 28, 2018.

- The number of non-career city carrier staff on the rolls was less than the number of staff that districts could hire based on the percentage outlined in the labor agreement. For FY 2018, the national dashboard showed there were 42,770 non-career CCAs on the employee rolls when 50,503 CCAs were allowed to be on board, a difference of 7,733. The number of non-career

staff is based on an agreed upon percentage of the full-time carrier craft staff, known as a cap. The cap for non-career carriers is 15 percent of the total number of full-time career city carriers in the district.

- Vacant clerk and city carrier positions (unfilled positions) as well as overages<sup>13</sup> (see Table 3).

**Table 3: FY 2018 National Career Position Status**

Employee Category	Number of Vacant Positions <sup>14</sup>	Number of Overage Positions
Clerks	5,605	3,060
City Carriers	9,767	5,791

Source: Postal Service Field Staffing and Support Workforce Dashboard as of September 28, 2018.

Career and non-career staffing challenges increased labor costs, as delivery management reassigned workload to other employees, which contributed to the increased use of OT hours. In FYs 2017 and 2018, the Postal Service paid \$28.5 billion in straight-time paid work hours, including \$12.1 billion to clerks and \$16.4 billion to city carriers. In addition, the Postal Service paid \$7.7 billion in OT and POT, including \$3 billion to clerks and \$4.7 billion to city carriers. OIG analysis showed the Postal Service exceeded its workhour plan (budget) for OT and POT by 10 percent in FY 2017 and 28 percent in FY 2018, respectively for both functional areas.

## Staffing Challenges at Sampled Units

Our detailed review of the units visited, identified staffing challenges, but determined that while actual staffing at some units was under the number of positions earned/authorized, actual staffing at other units was over the earned/authorized levels. Further, while we noted vacancies, we also noted position overages at some locations, which could be used to optimize staffing at facilities with staffing challenges. Specifically, we found:

- Staffing at 13 of the 17 locations was below the earned/authorized complement for career clerks and carriers because of the requirements in the national labor agreements, while staffing at 7 of 17 delivery units was above the earned/authorized complement for either career clerks or carrier staff (see [Appendix C](#)).
- Vacancies in career clerk and carrier positions (unfilled positions) were identified at 14 of the 17 deliver units (see [Table 4](#)). These delivery units had 87 vacancies, which impacted operations. Specifically, at 7 of 14 delivery units, supervisors and managers assisted with craft duties such as sorting and distributing packages or delivering mail. A previous OIG report<sup>15</sup> recommended the Postal Service monitor postmasters and supervisors performing bargaining unit work due to the costs incurred to settle grievances with the unions.
- Overages in career clerk and carrier positions were identified at 11 of the 17 locations (see [Table 5](#)). These employees could be used to optimize staffing at locations with staffing challenges.

<sup>13</sup> According to Postal Service officials, the overage in positions occur when unassigned regular (UAR) employees are pending job placement or where local management did not remove the UAR positions after placement.

<sup>14</sup> A position that is currently unoccupied. These positions include vacant regular routes, vacant jobs (placeholder jobs) and employees on rolls not available (ORNA).

<sup>15</sup> *Postmasters and Supervisors Performing Bargaining Unit Work* (Report Number HR-MA-16-004, dated May 10, 2016).

**Table 4. Vacant Clerk and City Carrier Positions at Selected Delivery Units**

Area/District	Unit Name	Clerk Vacant Positions	City Carrier Vacant Positions	Total Vacant Positions
Capital Metro/Atlanta	Atlanta - Industrial Branch	2	4	6
Capital Metro/Capital	Washington, DC - Carrier Section 2 Station	0	8	8
Capital Metro/Northern Virginia	Centreville - Sully Station Branch <sup>16</sup>	3	0	3
Eastern/Philadelphia Metropolitan	Philadelphia - Paschall Station <sup>17</sup>	2	16	18
Eastern/South Jersey	New Castle Post Office	1	3	4
Great Lakes/Gateway	St. Louis - University City Branch	1	4	5
Great Lakes/Greater Indiana	Indiana - Park Fletcher Branch	4	1	5
Northeast/New York	New York - Franklin D. Roosevelt Station	5	8	13
Pacific/San Francisco	San Francisco City - Golden Gate Station	1	1	2
Pacific/San Francisco	San Francisco City - Steiner Street Station	0	4	4
Pacific/San Francisco	San Mateo Post Office	3	6	9
Southern/Dallas	Dallas - Brookhollow Station	1	5	6
Western/ Mid-America	Kansas City Missouri - Gladstone Station	1	1	2
Western/ Seattle	Olympia - Lacey Branch	1	1	2
<b>Total</b>		<b>25</b>	<b>62</b>	<b>87</b>

Source: Postal Service Field Staffing and Support Workforce Dashboard.

<sup>16</sup> This station had rural carriers.

<sup>17</sup> Vacancies include Delivery Operations at Paschall Station, Schuylkill Station, and William Penn Station.

**Table 5. Career Position Status**

Area/District	Unit Name	Clerk Coverage Positions	Carrier Coverage Positions
Capital Metro/Atlanta	Atlanta - Industrial Branch	2	0
Capital Metro/Capital	Washington, DC - Carrier Section 2 Station	0	5
Eastern/Philadelphia Metropolitan	Philadelphia - Paschall Station	23	7
Eastern/South Jersey	New Castle Post Office	0	1
Northeast/New York	Bronx - Hunts Point Station	0	2
Northeast/New York	New York - Franklin D. Roosevelt Station	18	6
Pacific/San Francisco	San Francisco City - Golden Gate Station	2	0
Pacific/San Francisco	San Francisco City - Steiner Street Station	0	1
Southern/Dallas	Dallas - Brookhollow Station	2	9
Southern/Suncoast	Estero Post Office	2	0
Western/Mid-America	Kansas City Missouri - Gladstone Station	3	1
<b>Total</b>		<b>52</b>	<b>32</b>

Source: Postal Service Field Staffing and Support Workforce Dashboard.

The staffing challenges were caused by multiple factors:

- Restrictions for filling residual vacancies for clerks and carriers in the National Labor Agreements.
- Complement credit<sup>18</sup> for career clerk positions, which is not given if an employee is off work for an extended period of time, which can give the appearance that delivery units are overstaffed.
- Hiring and retaining non-career carriers in some districts that are considered to have a high cost of living or competitive labor market.
- A lengthy hiring process for non-career employees.
- Retention challenges with non-career employees.
- Restrictions in National Labor Agreements for Clerks and Carriers

The National Labor Agreements with each union outline the process management must follow to fill career vacancies. The process to fill vacancies is different in each labor agreement. For clerks, management has up to 28 days to post the vacant career clerk position (see [Appendix D](#)) and 14 days for career city carriers on the eJob Bidding site (see [Appendix E](#)). It takes a minimum of 30 days or longer to fill a residual vacancy. As an employee wins a bid for a vacancy, their old position becomes vacant and the entire process must be repeated for that position, resulting in a continuous cycle of multiple vacancies. During this time, management is using available staffing and OT and POT hours in distribution and mail delivery to maintain operations. In addition, local memorandums of understanding can modify the process by shortening or extending the number of days to fill a residual vacancy. District and area personnel stated they must follow the bid process to fill residual vacancies<sup>19</sup> as outlined in the National Labor Agreements and this process is lengthy and could be shorter.

<sup>18</sup> A complement credit occurs when a position is held by an employee that is on rolls, but not available to work is temporarily filled by a career employee and is not counted as part of their complement.

<sup>19</sup> A position which remains vacant after the completion of the voluntary bidding cycle.

## Complement Credit Given for Career Clerk Positions

Customer Service Operations does not have the flexibility to give a complement credit for a career clerk position that is in the status as ORNA,<sup>20</sup> an employee off work for an extended period of time. As of FY 2018, Customer Service Operations had 711 employees<sup>21</sup> in ORNA status nationwide. When a career clerk is on the rolls, but not available, Customer Service Operations is not given a complement credit when filling the position. Instead the filled position is counted as part of their complement. While they can fill the position until the person who is in that position returns to work, filling the position gives the appearance that locations may be overstaffed, because the ORNA employee and the temporary employee are both counted as employed at the unit.

Conversely, when a career carrier is on the rolls and not available, Delivery Operations is given a complement credit to fill the position using an unassigned regular<sup>22</sup> per a subsequent memorandum of understanding in the National Association of Letter Carriers Labor Agreement.

District and area management agreed that being able to receive a complement credit for career clerks would be beneficial in their efforts to maintain consistent staffing levels.

## Competitive Compensation and Benefits for Non-Career Employees

In some districts that are considered high cost living areas or where the labor market is very competitive, districts face additional challenges hiring and retaining non-career carriers. When challenges occur in filling vacancies for non-career employees due to local labor restrictions, district management must follow a lengthy process, that requires multiple levels of approval and can take up to two years to enable district managers to offer compensation and benefits comparable with local employers. The OIG initiated the Effectiveness of Postal Service Efforts to Reduce Non-Career Turnover review that will address the retention challenges.

Therefore, we will not make a recommendation for hiring and retention challenges.

## Lengthy Hiring Process for Non-Career Employees

The hiring process for non-career employees generally takes an average of 60 days. Our review of 17 delivery units identified four units that stated the lengthy hiring process for non-career employees impacted their ability to staff their operations timely. During our audit, we discussed the hiring process with Postal Service officials and were informed they were in the process of starting a hiring pilot, FAST Track. This pilot was initiated in three districts beginning April 1, 2019. The pilot proposes to reduce average hiring time from 60 to 30 days. Because of this ongoing effort, we will not make a recommendation on the hiring process. However, we may conduct future audit work in this area.

## Retention Challenges with Non-Career Employees

Some Customer Service and Delivery Operations consistently experience a higher turnover rate than the Postal Service's monthly average turnover rate goals,<sup>23</sup> which is 3.30 percent for CCAs. Specifically, 37 of the 67 districts were over the monthly goal with a range of 5.84 percent (Northern Virginia District) to 3.39 percent (Northern New England District). Our audit identified eight of the 17 delivery units<sup>24</sup> (47 percent) turnover rates were over the national average monthly goal with a range of 9.3 to 3.78 . The OIG initiated the *Effectiveness of Postal Service Efforts to Reduce Non-Career Turnover* audit that will address the retention challenges. Therefore, we will not make a recommendation for retention challenges.

Cost effective alternatives to manage staff and associated labor cost to achieve planned budgets can include right-sizing the clerk and carrier staffing complements, where appropriate, and can include:

- staff reallocations using unassigned regular career employees;

<sup>20</sup> ORNA credit includes military leave, full-time union, injured on-the-job, and partial for injured on-the-job based on restrictions.

<sup>21</sup> Career clerks with zero workhours in the past 13 pay periods.

<sup>22</sup> An unassigned regular is non-career carrier that was converted to a career carrier, but has not been assigned a permanent route.

<sup>23</sup> The Postal Service does not have a monthly average goal for non-career clerks, but their national average goal for non-career retail and Customer Service clerks and carriers was three percent.

<sup>24</sup> Of the remaining nine delivery units, four were below the monthly goal and five did not have turnover rate available.

- staff reallocations using non-career employees;
- maximizing non-career hiring;
- non-career employee conversions.

Managing daily mail operations in customer service and delivery operations along with the associated labor costs in a declining mail environment is critical to ensure appropriate management of labor costs. We estimated the Postal Service increased overtime usage resulted in \$963 million in questioned costs for FYs 2017 and 2018.

### Recommendation #3

We recommend the **Vice President, Delivery Operations**, coordinate with Labor Relations to identify cost effective alternatives and opportunities to address career clerk and carrier staffing issues.

### Finding #3: Mobile Delivery Device Inventory

Our review of Ethos, the Postal Service system used to track Mobile Delivery Devices (MDD), identified 243,519 operable MDDs to cover over 231,000 delivery routes as of April 2019. However, we noted the operable MDD count in Ethos did not always accurately reflect the correct number of MDDs in inventory at delivery units.

This condition occurred because there is no requirement to conduct an annual physical inventory of MDDs and record inventory results.<sup>25</sup> Management relied on the MDD operable status data in Ethos as the overall MDD inventory. In a subsequent discussion, management stated they do not have a policy to conduct an annual physical inventory of the MDDs. Specifically, according Postal Service Headquarters Delivery Operations, they relied on a report that showed the number of MDDs that were transmitting data to validate the number of MDDs in inventory. They also stated they relied on local management to ensure Ethos data correctly reflected the operable MDDs.

At 15 of the selected 17 units (88 percent), we identified discrepancies between Ethos data and our physical count of operable MDDs. (see Table 6).

**Table 6. Ethos MDD Inventory vs. Physical Count Inventory**

Area/District	Unit Name	Ethos MDD Inventory <sup>26</sup>	MDD Physical Count	MDD Differences
Southern/Dallas	Dallas - Brookhollow Station	33	30	3
Capital Metro/Northern Virginia	Centreville - Sully Station Branch	38	36	2
Capital Metro/Capital	Washington, DC - Carrier Section 2 Station	33	46	13
Eastern/Philadelphia Metropolitan	Philadelphia - Paschall Station	50	51	1
Eastern/South Jersey	New Castle Post Office	31	36	5
Capital Metro/Atlanta	Atlanta - Industrial Branch	13	31	18

<sup>25</sup> Physical inventorying consists of counting supplies, parts and/or equipment to reconcile the physical count with inventory records. Postal Service activities are required to conduct physical inventories on a scheduled basis.

<sup>26</sup> Net Inventory - MDDs Issued and/or Deployed minus MDDs Lost, Out-of-Service, Needing Replacement, and No Connection in 30 days as of April 1, 2019.

Area/District	Unit Name	Ethos MDD Inventory <sup>26</sup>	MDD Physical Count	MDD Differences
Great Lakes/Greater Indiana	Indiana - Park Fletcher Branch	41	48	7
Northeast/New York	New York City - Franklin D. Roosevelt Station	51	79	28
Northeast/New York	Bronx - Hunts Point Station	7	9	2
Pacific/San Francisco	San Francisco City - Golden Gate Station	42	40	2
Pacific/San Francisco	San Francisco City - Steiner Street Station	62	32	30
Pacific/San Francisco	San Mateo Post Office	139	145	6
Southern/Alabama	Pelham Post Office	27	18	9
Western/Mid-America	Kansas City, MO - Gladstone Station	36	30	6
Western/Seattle	Olympia - Lacey Branch	49	32	17

Source: Postal Service Ethos and OIG physical observations.

The Postal Service does not classify MDDs as sensitive items, which would require tracking and accountability. Per Postal Service policy, sensitive items include items that require added security to ensure they are not removed from Postal Service property without permission. Records should be maintained for sensitive items as a tool for internal tracking and accounting.<sup>27</sup> In April 2019, the Postal Service's Ethos system, which only provides a data snapshot as of a point in time, reported 1,586 (less than one percent) lost MDDs. Each MDD costs about ██████ to replace, totaling about ██████ million. The Postal Service is considering purchasing new MDDs to replace the legacy MDDs, therefore tracking of these items is critical.

#### Recommendation #4

We recommend the **Vice President, Delivery Operations**, implement a policy to conduct a physical inventory of Mobile Delivery Devices and maintain inventory results.

## Management's Comments

Management partially agreed with the findings and recommendation 1 and agreed with recommendations 2, 3 and 4. Management disagreed with the monetary impact.

- Management noted their commitment to minimizing costs by using the appropriate mix of workhours based on complement and the assessment of cost for each workhour type. They stated that the report did not sufficiently reflect the loss of efficiencies associated with the drop in First Class and Standard Mail volumes and the impact on workhours from an increasing package volume. Management also stated that the audit report did not provide sufficient emphasis to the tools already in place for reporting late mail, including Surface Visibility and the CSDRS. Finally, management stated that the OIG overstated the value of the mobile delivery device, and noted that the refurbished value is \$273.79 per device which would result in an 85 percent variance from the amount reported in the audit.

<sup>27</sup> Handbook AS-701, *Asset Management* (Section 4-3.4), May 2018.



In response to recommendation 1, management agreed to modernize their reporting method to reflect real time delays from a processing facility. Management is currently piloting the Volume Arrival Profile which will provide delivery units with alerts for all late mail arrivals. In addition, management is testing Informed Mobility which will give mobile access to near real-time data needed for decision making. The expected completion date is October 31, 2020. Management does not agree to consolidate the alerts into a single reporting system, stating that Network Operations uses an application located in Informed Visibility (IV) called the Mail Condition Visualization. This tool provides a real-time mail condition report from the processing center that allows the user to address any impacts in regard to employee assignments and workload at a local unit level.

In response to recommendation 2, management agreed to continue to pilot the Volume Arrival Profile to provide the data needed to make timely, informed decisions. Expansion will be dependent upon the results of the pilot. In addition, Delivery Operations is engaged in a pilot that uses the existing database found in the CSDRS to receive and report real-time volumes that previously had to be input manually that will now auto-populate from plant processing. The expected completion date is October 31, 2020.

In response to recommendation 3, management stated they are bound by the provisions of the national agreements regarding their complement mix. Workforce structure and complement mix can only be modified through negotiations with their respective unions and discussions are ongoing. The expected completion date is March 31, 2020.

In response to recommendation 4, management stated a process will be put in place for including a physical accountability of the inventory to address loss, damage and security of the MDDs. The expected completion date is September 30, 2020.

Regarding the monetary impact, management outlined four primary options available to address occasional OT and stated that each option has an associated cost that offsets OT hours used in excess of planned OT. Further, management stated that the monetary impact calculations should focus on the difference between excess OT hours incurred and the least likely cost alternative.

Management agreed with the gross impact of \$1.5 billion and suggested an offset to the associated 4.5 million hours of overtime by hiring additional non-career employees and the remaining 34.5 million hours by on-boarding new career employees. This combination would have resulted in a net impact of \$159 million rather than the amount claimed in the report.

Management also noted:

- The labor cost per hour for OT and POT varied between report revisions.
- The calculations in Table 4 of OT and POT is incorrect. The original amount claimed did not match the subtotal and impacts the grand total for the amount of monetary impact claimed.

See [Appendix F](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. Regarding management's partial agreement with recommendation 1, we note that management intends to provide visibility of late mail arrivals through the Volume Arrival Profile, but plans to maintain real-time mail condition information in IV. Management's actions satisfy the intent of our recommendation.

Regarding management's concern that the report did not sufficiently address the processes already in place for tracking and alerting of late mail, we note that our report identified those processes as well as pilot programs as potential solutions. Regarding management's valuation of the MDD inventory, the amount cited in our report represents the cost to replace lost devices based on the cost in the original Decision Analysis Report. We recognize the Postal Service may replace lost devices with refurbished devices but management did not provide support for the cost of refurbished MDDs or inventory levels of available refurbished devices. As such, we believe our report accurately reflects the replacement value of the MDDs.

Regarding management's disagreement with the methodology used to calculate the monetary impact, we understand OT is typically used to address temporary, unanticipated changes in workload and to cover for planned and unplanned absences. However, overtime becomes a challenge when it is used to cover long-term increases in workload and staffing challenges, as it can have a negative effect on employee well-being and safety as well as a negative effect on the Postal Service financial position. As noted in this report, the Postal Service exceeded its workhour plan (budget) for OT and POT by 10 percent in FY 2017 and 28 percent in FY 2018, respectively for both functional areas. Moreover, in a recently issued OIG report<sup>28</sup> we noted while overall workhours increased during FY 2014 to FY 2018, OT in Customer Service, City Delivery, and Vehicle Operations showed notable increases between FY 2014 and FY 2018 with total OT increasing by 20 percent during this period.

Management's suggested offset to the excess overtime costs focused primarily on hiring as the solution to the staffing challenges. While we recognize hiring may be necessary in certain areas, management did not consider alternatives to hiring in locations which were over the earned staffing complement or other operational solutions which would present a lower cost solution. As outlined in our report, cost saving alternatives to manage staff and associated labor cost to achieve planned budgets can include staff reallocations using unassigned regular career employees and non-career employees prior to hiring non-career and converting non-career employees to career. In addition, as noted in our recently issued report,<sup>29</sup> some districts were better able than others to manage workhours when workload volumes fluctuated. The districts with more success took actions that resulted in better alignment of workhours to workload, including consolidating or adding routes as needed, providing additional training, daily monitoring of employees, and adjusting carrier start times as necessary. For example, some Pacific Area districts managed workhours to workload by reviewing routes and training supervisory staff to match earned complement to workload. Select

districts in the Southern Area focused on matching workhours to workload by actively managing non-career employees and focusing on efficiencies at the route level.

The monetary impact methodology was revised after the discussion draft report to be more conservative in our calculations and reflect just those districts that presented an opportunity for staff reallocations, which could be realized before hiring externally, therefore presenting an opportunity to mitigate cost. We calculated the amount of excess overtime over planned overtime using only those locations that were above complement to address staffing challenges and overtime hours that occurred above plan. As such, while we agree hiring can be necessary, we believe other cost effective alternatives should be evaluated and encourage management to continue to seek opportunities to improve operations to enhance efficiencies and mitigate cost.

Regarding management's disagreement with specific aspects of the monetary impact:

- The labor cost per hour for OT and POT reported in the table was adjusted from the draft report to only include labor cost per hour associated with districts over their earned complement.
- [Table 4](#) cited by management is part of a separate document outlining the monetary impact calculations and not part of the final report. We agree there was a clerical error in the separate document; however, the error does not impact the grand total in the separate monetary impact document.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

<sup>28</sup> *Customer Service, City Delivery and Vehicle Operations - Workload and Workforce Performance Indicators Report Number 19RG005DR000-R20*, October 25, 2019.

<sup>29</sup> *Customer Service, City Delivery and Vehicle Operations - Workload and Workforce Performance Indicators Report Number 19RG005DR000-R20*, October 25, 2019.

# Appendices

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information.....	18
Scope and Methodology .....	18
Prior Audit.....	19
Appendix B: Customer Service and Delivery Operations Flowchart.....	20
Appendix C: Clerk and Carrier Variance at Selected Delivery Units.....	21
Appendix D: Bid Process to Fill Clerk Vacancies .....	23
Appendix E: Bid Process to Fill Carrier Vacancies .....	24
Appendix F: Management’s Comments.....	25

# Appendix A: Additional Information

## Scope and Methodology

The scope of this audit was nationwide Customer Service and Delivery Operations in Postal Service for FY 2018. To accomplish this, we:

- Reviewed and analyzed national mail volume, delivery points, and route data in eFlash from FY 2016 to FY 2018 to identify the change in mail volume between FY 2017 and FY 2018.
- Reviewed and analyzed FY 2018 data for late mail arrival from Postal Service mail processing facilities from CSDRS, SV and staffing data from the variance and complement programs; and MDD inventory data from Ethos.
- We judgmentally selected 17 delivery units from each Postal Service area. Our sample of 17 delivery units included seven delivery units with the highest percentage change in package volume tier from each Postal Service area, seven delivery units with the lowest percentage change in package volume tier from each Postal Service area; two additional delivery units with an automated delivery unit sorter machine within proximity of the 14 selected sites; and one test site near the OIG office.
- Obtained and reviewed documentation and application policies and procedures related to Customer Service and Delivery Operations for mail arrival, facilities, sorting and distribution technology, staffing, mail delivery scanning devices, and vehicles.
- Observed Customer Service and City Delivery Operations at the 17 judgmentally selected delivery units in Table 7.
- Interviewed Postal Service headquarters, area, district, and delivery unit personnel to discuss Customer Service and Delivery Operations.

**Table 7. Selected Delivery Units**

Area/District	Unit Name
Capital Metro/Atlanta	Atlanta - Industrial Branch
Capital Metro/Capital	Washington, DC - Carrier Section 2 Station
Capital Metro/Northern Virginia	Centreville - Sully Station Branch
Eastern/ Philadelphia Metropolitan	Philadelphia - Paschall Station
Eastern/South Jersey	New Castle Post Office
Great Lakes/Gateway	St. Louis - University City Branch
Great Lakes/Greater Indiana	Indiana - Park Fletcher Branch
Northeast/New York	Bronx - Hunts Point Station
Northeast/New York	New York City - Franklin D. Roosevelt Station
Pacific/San Francisco	San Francisco City - Golden Gate Station
Pacific/San Francisco	San Francisco City - Steiner Street Station
Pacific/San Francisco	San Mateo Post Office
Southern/Alabama	Pelham Post Office
Southern/Dallas	Dallas - Brookhollow Station
Southern/Suncoast	Estero Post Office
Western/Mid-America	Kansas City, MO - Gladstone Station
Western/Seattle	Olympia - Lacey Branch

Source: eFlash

We conducted this performance audit from October 2018 through December 2019 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 objective. We discussed our observations and conclusions with management on September 5, 2019 and included their comments where appropriate.

We assessed the reliability of Ethos by comparing and verifying records to ensure the data correctly represents physical observations during our site visits at 17 delivery units. We determined that the data in Ethos were not sufficiently reliable for the purposes of a national review in this report. We also assessed

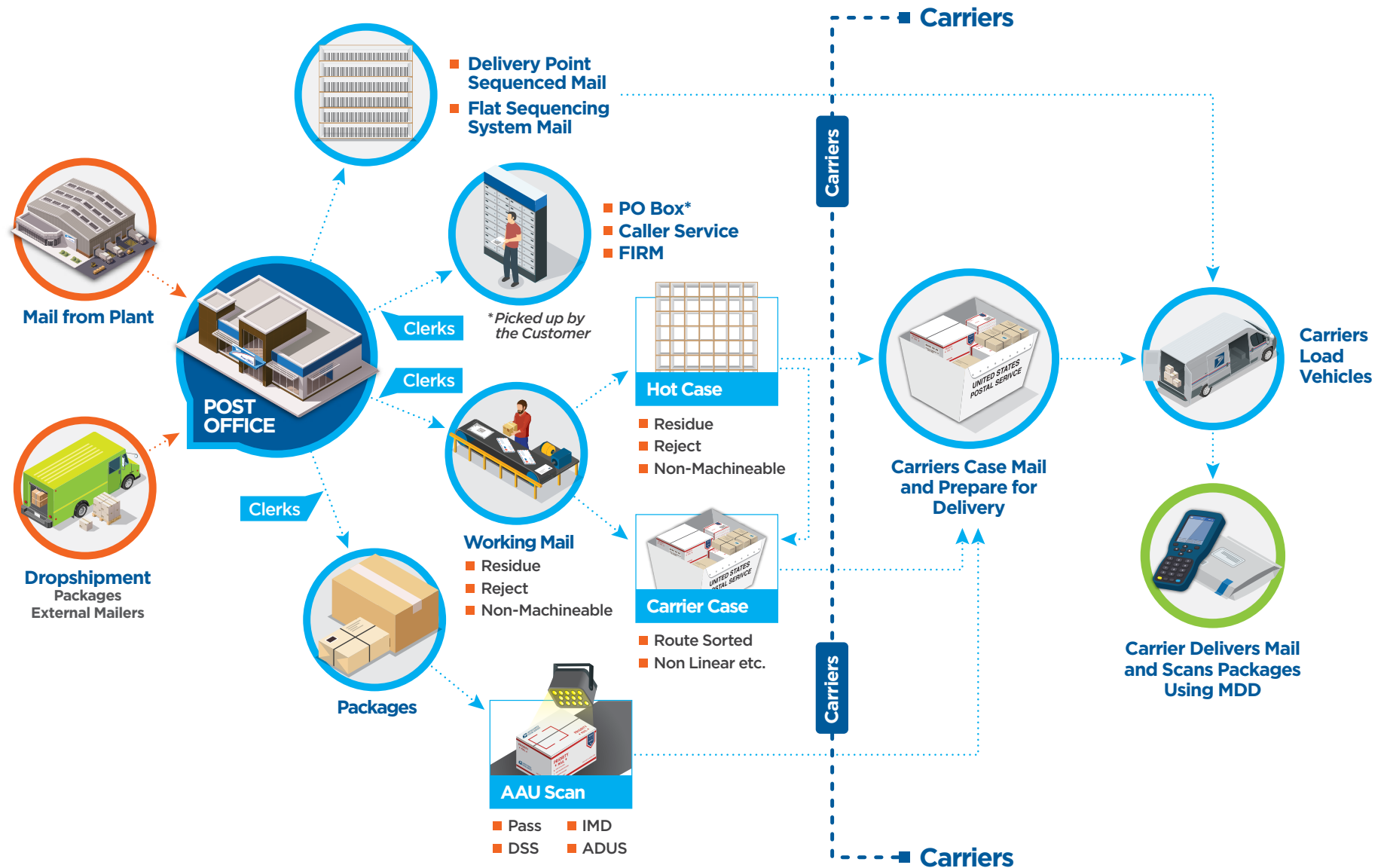
the reliability of the eFlash, Customer Service Variance, Small Office Variance, Enterprise Data Warehouse – Accounting Data Mart, Address Management System, Rural Route Master List, and NORPES by performing logical tests of these system's data compared eFlash and NORPES data to the FY 2018 *U.S. Postal Service Annual Report to Congress*. We determined that the data from eFlash, Customer Service Variance, Small Office Variance, Enterprise Data Warehouse – Accounting Data Mart, Address Management System, Rural Route Master List, and NORPES were sufficiently reliable for purposes of a national review in this report.

### **Prior Audit**

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years.

# Appendix B: Customer Service and Delivery Operations Flowchart

## Mail Flow from Plant to Delivery



# Appendix C: Clerk and Carrier Variance at Selected Delivery Units

Area/District	Unit Name	Total Career Clerk Earned (Authorized)	Total Career Clerk on Rolls	Career Clerk Variance	Total Career Carrier Earned (Authorized)	Total Career Carrier on Rolls	Career Carrier Variance
Capital Metro/Atlanta	Atlanta - Industrial Branch	7	7	0	41	36	-5
Capital Metro/Capital	Washington, DC - Carrier Section 2 Station	8	7	-1	56	53	-3
Capital Metro/Northern Virginia	Centreville - Sully Station Branch <sup>30</sup>	20	17	-3	0	0	0
Eastern/Philadelphia Metropolitan	Philadelphia - Paschall Station <sup>31</sup>	10	31	21	103	94	-9
Eastern/South Jersey	New Castle Post Office	22	18	-4	49	47	-2
Great Lakes/Gateway	St. Louis - University City Branch	7	6	-1	39	35	-4
Great Lakes/Greater Indiana	Indiana - Park Fletcher Branch	17	7	-10	35	34	-1
Northeast/New York	Bronx - Hunts Point Station	4	3	-1	8	10	2
Northeast/New York	New York - Franklin D. Roosevelt Station	55	68	13	91	89	-2
Pacific/San Francisco	San Francisco City - Golden Gate Station	7	8	1	43	42	-1
Pacific/San Francisco	San Francisco City - Steiner Street Station	12	11	-1	45	42	-3
Pacific/San Francisco	San Mateo Post Office	35	31	-4	143	137	-6
Southern/Dallas	Dallas - Brookhollow Station	9	10	1	37	41	4
Southern/Suncoast	Estero Post Office	7	9	2	0	0	0

<sup>30</sup> This station had rural carriers.

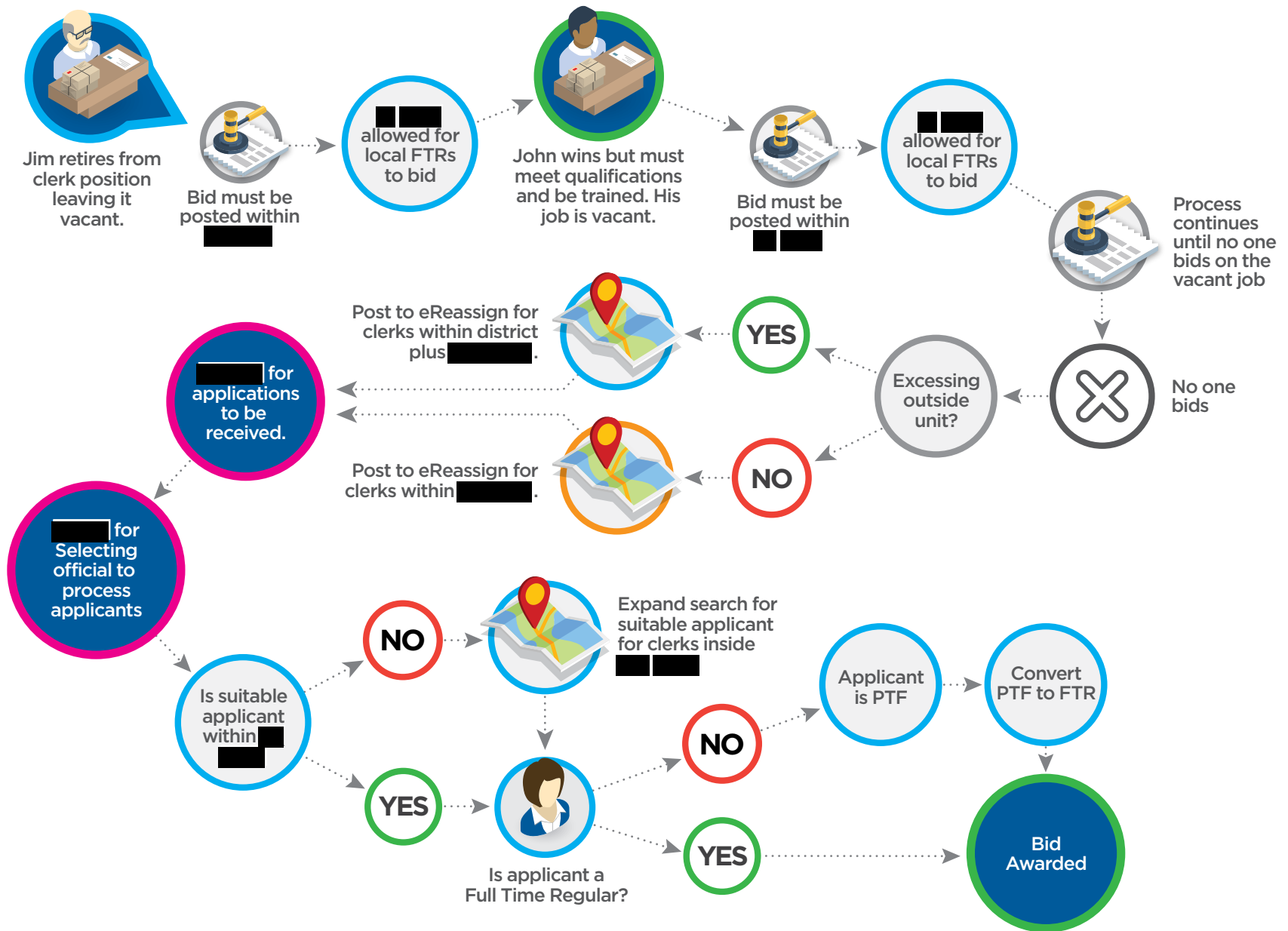
<sup>31</sup> Variance include Delivery Operations at Paschall Station, Schuylkill Station, and William Penn Station.

Area/District	Unit Name	Total Career Clerk Earned (Authorized)	Total Career Clerk on Rolls	Career Clerk Variance	Total Career Carrier Earned (Authorized)	Total Career Carrier on Rolls	Career Carrier Variance
Southern/Alabama	Pelham Post Office	7	7	0	3	3	0
Western/Mid-America	Kansas City Missouri - Gladstone Station	6	8	2	35	35	0
Western/Seattle	Olympia - Lacey Branch	15	10	-5	29	22	-7

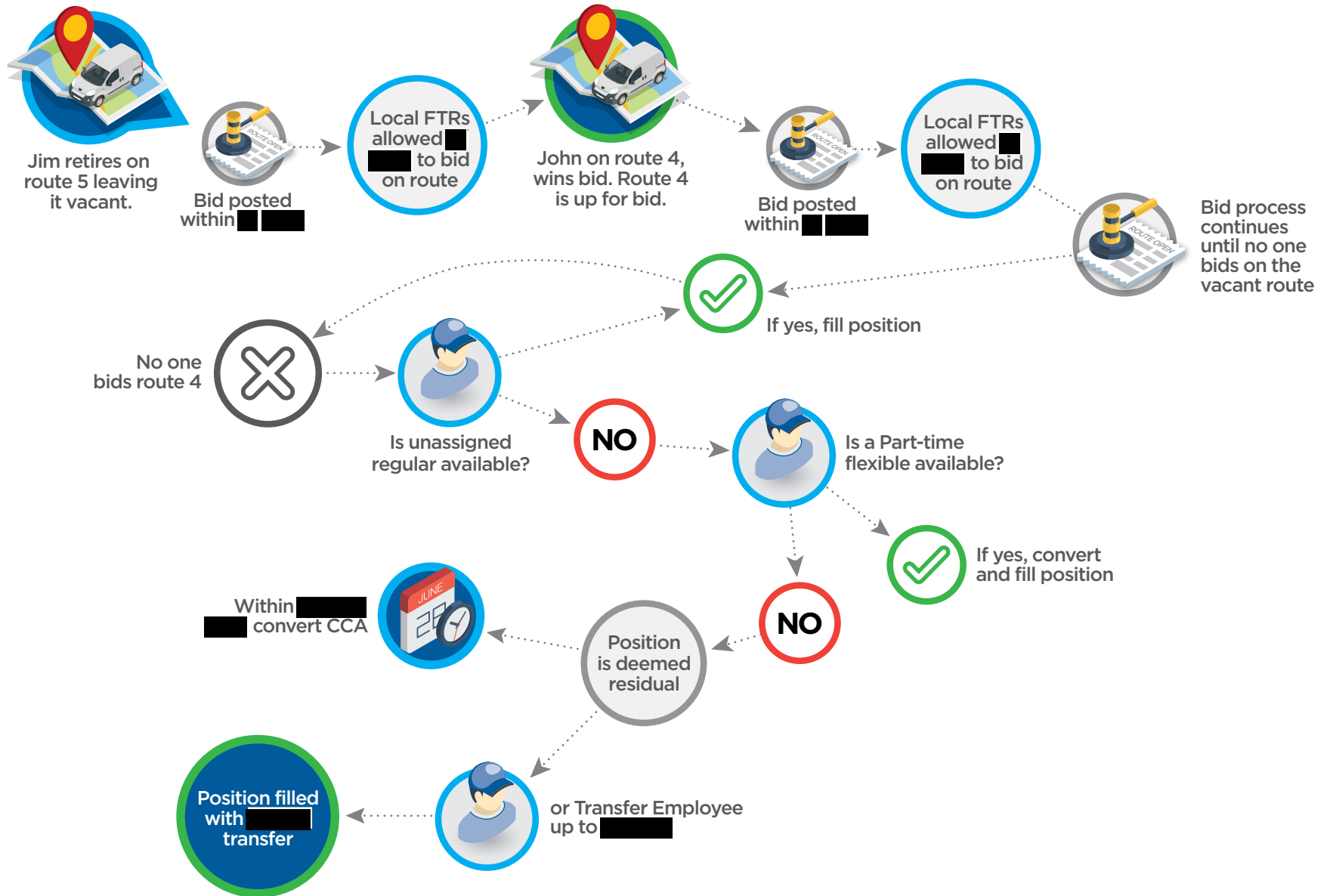
Source: Postal Service Field Staffing and Support Workforce Dashboard.



# Appendix D: Bid Process to Fill Clerk Vacancies



# Appendix E: Bid Process to Fill Carrier Vacancies



# Appendix F: Management's Comments

KEVIN L. MCADAMS  
VICE PRESIDENT, DELIVERY & RETAIL OPERATIONS



November 26, 2019

LAZERICK C. POLAND  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Nationwide Operational Assessment – Customer Service and Delivery  
Operation (Report Number DR-AR-19-DRAFT)

Thank you for the opportunity to respond to the OIG Audit for Report Number DR-AR-19-DRAFT Nationwide Operational Assessment - Customer Service and Delivery Operations. Postal Management appreciates the adjustments made to the Monetary Impact and likewise acknowledges the reductions made to the number of original Recommendations. However, Management contends that the report still does not give due justice to the processes Postal Management already has in place or provide a comprehensive basis for the analysis used in determining the Monetary Impact (MI).

#### **Customer Service and Delivery Operations Staffing Challenges**

Although the audit clearly itemizes staffing challenges that Postal Management faces in Customer Service and Delivery Operations due to the National Labor Agreement, competitive compensation for Non-Career employee and the hiring and retaining Non-Career employees, it is apparent that the real intent is directed toward the use of Overtime and Penalty Overtime over Plan by Postal Management.

Postal Management has always been committed to minimizing costs by using the appropriate mix of work hours based on complement and the assessment of relative cost for each work hour type. In some instances, the usage of Overtime (OT) or even Penalty Overtime (POT) may be necessary to meet service standard commitments and obligations for mail delivery or to serve as a more cost effective option than if straight time were used.

While OIG highlights the use of OT and POT, it gives little attention to the loss of efficiencies associated with the drop in First-Class and Standard Mail volumes and the impact on workhours from an increasing package volume. The distribution and delivery of parcels takes a significantly greater amount of time than other mail types. Failure by the OIG to consider these factors or consider the analysis suggested by Postal Management in determining workhour use against Plan resulted in an overstated MI.

#### **Customer Service and Delivery Operations Staffing Challenges - Monetary Impact**

Postal Management appreciates the OIG correcting the error in the calculation of the Monetary Impact associated with this audit. However, Management continues to challenge the logic used in determining the final Impact.

There are four primary options that Postal Management has to address occasions of overtime that have not been planned; 1). Delay unsorted/undelivered mail until the next day; 2). Use overtime hours above plan; 3). Hire additional non-career employees within the contractual limits; 4). Hire additional career employees. Since delaying mail is not a consideration, the three remaining options are the only feasible choices. Each option however, has an associated cost that offsets overtime hours used in excess of Plan.

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Since the audit content focuses on overtime usage above Plan – and not on efficiencies, productivities, or total workhours used - the Monetary Impact should likewise focus on the difference between excess overtime hours incurred and the least costly alternative.

In addition, discrepancies still exist in the information presented in the Monetary Impact analysis.

- Labor Costs per hour for OT and POT vary between revisions
- Table 4 Calculation of OIG OT and POT Cost is incorrect.
  - 2018 F4 "Original Amount Claimed" does not match the subtotal for Customer Service in Table 3 which impacts the GRAND Total for Original Amount Claimed and OIG Overtime and Penalty Overtime Cost for 4-Customer Service (2018).

Table 4: Calculation of OIG OT and POT Cost

FY	Function	Original Amount Claimed	Previously Claimed Amount	OIG Overtime and Penalty Overtime Cost
2017	2 – City Delivery	\$350,169,975	\$87,636,854	\$262,533,121
2017	4 – Customer Service	\$42,212,954	\$3,493,112	\$38,719,842
2018	2 – City Delivery	\$607,633,679	\$80,295,101	\$527,338,578
2018	4 – Customer Service	\$35,829,356	\$1,207,125	\$134,622,231
<b>Grand Total</b>		<b>\$1,135,845,964</b>	<b>\$172,632,192</b>	<b>\$963,213,772</b>

Source: OIG analysis

Contradictions in the OIG's analysis emerge on Page 1 of the Monetary Impact where staffing shortages are used as the basis for excess overtime. Page 2 then goes on to further explain how impacts were calculated using only Districts where staffing was above earned complement. This second driver – complement over earned - is the direct opposite of the staffing shortages identified as the key driver on Page 1.

The most straight-forward methodology recommended by Postal Management would have been to calculate the difference between the cost of excess overtime and the cost of a lesser alternative. Starting with a similar gross impact of \$1.5B calculated by both OIG and USPS, Postal Management estimates it could have offset the associated 4.5M hours of overtime by hiring additional non-career hires and the remaining 34.5M hours by on-boarding new career employees. This combination would have counter balanced much of the cost related to the excess overtime and resulted in a net impact of \$159M or 4% of the original amount claimed by the OIG.

**Tracking and Alerting of Late Mail Arrivals**

The Postal Service uses Surface Visibility (SV) and Customer Service Daily Reporting System (CSDRS) to effectively keep local management informed of impacts caused by late arriving mail. It is the opinion of Postal Management that the audit does not give enough credence to the use of these applications already in place. In addition, Postal Management is currently piloting the Volume Arrival Profile - which will provide delivery units with alerts for all late mail arrivals and likewise testing Informed Mobility - which will give mobile access to near real-time data needed to make timely informed decisions.

**Mobile Delivery Device Inventory**

There are several flags that question the validity of comments and calculations made by the OIG in reference to the Mobile Delivery Device (MDD) Inventory. Currently the refurbished value of an MDD is [redacted] device – not [redacted] device as quoted by the OIG. If OIG had used the correct amortized value for the device, there would have been a [redacted] Million difference in their calculations or an [redacted] from what is quoted in the audit. In addition, the Postal Service

systematically utilizes parts from defective scanners to extend the life of “Operable” scanners – further reducing replacement costs.

**Recommendation #1:**

We recommend the Vice President, Delivery Operations, modernize the various mail condition reporting methods into one system to capture all mail delays from mail processing facilities.

**Management Response: Agree in Part**

We agree with the recommendation to modernize our reporting method to reflect real time delays from a processing facility. Postal Management does not agree with the recommendation of consolidating the alerts into a single reporting system. Network likewise uses an application located in Informed Visibility (IV) called the Mail Condition Visualization (MCV). MCV provides a real-time mail condition report from the Plant that allows the user to address any impacts in regards to employee assignments and workload at a local unit level.

**Target Implementation Date: October/2020**

**Responsible Official: HQ Manager, Strategies and Planning**

**Recommendation #2:**

We recommend the Vice President, Delivery Operations, enable management to track and receive alerts for late arriving mail in delivery units by expanding Informed Facility and Informed Mobility or identifying another solution.

**Management Response: Agree**

Postal Management agrees with this recommendation and will continue to pilot the Volume Arrival Profile to provide the data offices need to make timely informed decisions. Expansion will be dependent upon the results of the pilot. In addition, Delivery Operations is engaged in a pilot that uses the existing database found in the Customer Service Daily Reporting System (CSDRS) to receive and report out real-time volumes that previously had to be input manually - but that will now auto-populate from Plant processing.

**Target Implementation Date: October/2020**

**Responsible Official: HQ Manager, Customer Service**

**Recommendation #3**

We recommend the Vice President Delivery Operations, coordinate with Labor Relations to identify cost effective alternative and opportunities to address career clerk and carrier staffing issues.

**Management Response: Agree**

Postal Management is bound by the provisions of the national agreements regarding our complement mix. Workforce structure and complement mix can only be modified through negotiations with our respective unions. Those subjects are consistently topics of discussion during contract negotiations.

**Target Implementation Date: March/2020**

**Responsible Official: HQ Director, City Delivery**

**Recommendation #4**

We recommend the Vice President Delivery Operations, implement a policy to conduct a physical inventory of Mobile Delivery Devices and maintain inventory results.

**Management Response: Agree**

A process will be put into place for including a physical accountability of the inventory to address loss, damage and security of the Mobile Delivery Device (MDD).

**Target Implementation Date: September/2020**

**Responsible Official: HQ**



Kevin L. McAdams



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**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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