



September 28, 2009

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AREA VICE PRESIDENTS

SUBJECT: Audit Report – Management of Delivery Point Sequencing Percentage
Increases for City Delivery – Nationwide Review
(Report Number DR-AR-09-010)

This report presents the results of our self-initiated nationwide audit of the Management of Delivery Point Sequencing (DPS) Percentage Increases for City Delivery (Project Number 09XG005DR000).¹ Increasing the DPS percentage for city delivery is a top priority for the U.S. Postal Service and an important cost reduction strategy for delivery operations because it reduces the amount of mail employees must manually sort. Our objective was to determine whether management had adequately implemented processes and key oversight controls to increase and sustain city delivery DPS percentages and reduce operating costs. [See Appendix A](#) for additional information about this audit.

Conclusion

The Postal Service areas' national DPS percentage on average increased from 82 percent in fiscal year (FY) 2007 to 87 percent in FY 2008 and 90.7 percent as of the third quarter of FY 2009. However, management has not always implemented processes or oversight controls to further increase its DPS percentage and reduce operating costs. As a result of these conditions, some clerks and carriers will continue to unnecessarily spend time manually sorting and casing letter mail.

Management of City Delivery DPS Percentages – Nationwide

While management has established processes² — including oversight controls — to increase and sustain city delivery DPS percentages and reduce operating costs, opportunities exist for officials to improve established processes for:

¹ DPS is a process to sort bar-coded letter mail at the processing plants and delivery units into the carrier's line-of-travel (LOT). Mail is taken directly to the street, with no casing time in the office. DPS percentage results are for city delivery only. We plan to perform a separate review of management of DPS for rural delivery.

² In FY 2005, the Vice President, Delivery and Retail, issued a letter stating that all delivery and retail units to officially implement Delivery Standard Operating Procedures (SOP) beginning in FY 2006 for managing all delivery and retail functions. In addition, in FY 2008, officials issued the *Morning Standard Operating Procedures (AMSOP) II Guidebook, Field Operations Standardization Development*, which re-emphasize the SOP.

- Updating addresses in databases in a timely manner
- Monitoring Multiple Delivery Point Records (M-Records)
- Resolving mis-sent, mis-sorted, and mis-sequenced (3M) data issues
- Handling non-DPS mail

Officials indicated they did not correct these process issues because completing other administrative duties and preparing the mail for delivery were higher priorities. We also determined that variations in oversight were due to an inadequate number of functional staff representatives and no accountability for the DPS Improvement Teams for resolving DPS issues. [See Appendix B](#) for our detailed analysis of this topic.

The Postal Service incurred additional labor costs because clerks and city carriers³ had to manually case letter mail. We estimate the Postal Service unnecessarily incurred unrecoverable supported questioned costs of over \$177 million for FYs 2007 and 2008, and may incur over \$88 million by 2010, if it does not meet target improvements. [See Appendix C](#) for our detail analysis of the monetary impact.

We recommend the Acting Vice President, Delivery and Post Office Operations:

1. Issue a memorandum to all area and district officials reemphasizing establishment and operation of oversight Delivery Point Sequencing (DPS) Improvement Teams. The teams will have all functional staff representation as a critical element in monitoring operations vital to increasing the city delivery DPS percentage.

Management's Comments

The Acting Vice President, Delivery and Post Office Operations, agreed with the finding and recommendation. The Acting Vice President stated that, although established processes and controls exist to ensure successful increases in DPS percentages, there remains opportunity for improvement in those districts performing below the national average. The Acting Vice President plans to concentrate future efforts in those lower performing districts. In September 2009, management plans to issue a memorandum to all Area Vice Presidents and District Managers reemphasizing the importance of establishing and maintaining cross-functional DPS Improvement Teams. Management's comments, in their entirety, are included in [Appendix D](#).

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation and management's corrective action should resolve issues identified in the report.

We recommend the Area Vice Presidents direct District Managers to:

³ Function 4 clerks in delivery units, Function 2B city carriers.

2. Require district officials to prioritize and execute tasks, such as updating address databases, monitoring and removing M-records, identifying and resolving sortation issues, and handling non-Delivery Point Sequencing mail in their delivery units.
3. Develop and execute an action plan to mitigate low city Delivery Point Sequencing percentages in delivery units.
4. Ensure accountability of Delivery Point Sequencing (DPS) Improvement Team members for completing assigned tasks to increase and sustain city delivery DPS percentages and reduce operating costs.

Management's Comments

The Area Vice Presidents in eight locations agreed with the findings and the associated recommendations. However, the New York Metro Area Vice President agreed to recommendations 2 and 4, but disagreed with recommendation 3.

- In response to recommendation 2, the nine Area Vice Presidents have initiated plans to issue (or re-issue) to supervisors and managers, procedures or instructions that reemphasize the importance of prioritizing and executing the tasks necessary to increase DPS percentages. The target date for this is the end of October 2009. Area Vice Presidents stated they would include procedures for updating address databases with established goal and targets, monitoring and removing M-records through increased reviews, identifying and resolving sortation issues to improve automation efficiency, and handling non-DPS mail.
- In response to recommendation 3, eight of the nine Area Vice Presidents will initiate action plans by the end of October 2009 to mitigate low city DPS percentages in delivery units and concentrate on those units performing below established targets. The New York Metro Area Vice President disagreed with the finding and recommendation stating the OIG site selected for review was not representative of an average unit in the New York District. He also said the district has a lower DPS percentage goal due to business address hygiene issues like improperly addressed mailpieces.
- In response to recommendation 4, the nine Area Vice Presidents will issue (or re-issue) to supervisors and managers, procedures or instructions that reemphasize the importance of DPS Improvement Team members' accountability for completing assigned tasks. This would increase and sustain city delivery DPS percentages and reduce operating costs. The target date for this is the end of October 2009.

Area Vice Presidents in the Capital Metro, Southwest, and Western locations agreed with the monetary impact and the Eastern, Southeast, Great Lakes, Northeast, Pacific,

and New York Metro officials disagreed. Area Vice Presidents expressed concern with components used in the monetary impact calculations such as overtime labor rates, labor rate escalation factors, rate of improvement percentages based on historical DPS performance, mail volume data, and national performance assessment goals.



Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. While the New York Metro Area disagreed with establishing an action plan, they had taken — or planned to take — actions to mitigate low city DPS percentages in delivery units. Specifically, headquarters officials and a district team had some success improving address hygiene issues at New York District stations with large numbers of business addresses. In addition, management plans to continue reducing address hygiene issues by implementing procedures to ensure management routinely updates the Delivery Sortation Management Automated Research Tool (DSMART) and by establishing a DPS team with functional representatives to review and resolve issues. Management's corrective actions should resolve the issues in the report.

The OIG used a conservative cost savings methodology. We used overtime rates and escalation factors to provide a more accurate projection of the overtime rate. We also factored in the areas' DPS improvement ratios in FY 2009 by projecting the rate of DPS improvement based on a proven historical improvement rate. Our model also factored in the rate of volume decline based on valid history available at the time of the review. Finally, we did not use the reduced DPS target for the New York District because our review at the Grand Central Station indicated that management could have resolved address hygiene issues.

The OIG considers all the recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

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

E-Signed by Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
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Attachments

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service implemented DPS approximately 16 years ago and it changed the way employees process and deliver mail. The goal of DPS is to process and sort bar-coded letter mail at the plants and units into the carrier's LOT so the carrier can take the mail directly to the street, with no casing or pull-down⁴ time in the office. This process reduces operating costs, improves accuracy and speed of delivery, and contributes to improved customer satisfaction.

To sort mail to the carrier's LOT, sort programs are created and updated as part of the Sort Program System (SPS). Next, officials transfer sort program information to the mail processing equipment (MPE), which consists of Delivery Barcode Sorters (DBCS) and Carrier Sequence Barcode Sorters (CSBCS).⁵ When the MPE cannot sort all of the letter mail to the carrier's LOT, unit officials receive it for clerks and carriers to manually sort for delivery.



Automated MPE



F4 Clerks
Manually Casing



F2B City Carriers
Manually Casing Mail

The Postal Service is striving to increase DPS volume for all city delivery routes. On average, since FY 2007, city routes have received approximately 82 percent of their letters from the processing plants in DPS, with approximately 87 percent in DPS in FY 2008. (See Table 1.) Postal Service officials established a DPS goal of 85 percent for

⁴ City delivery carriers “case” mail by manually sorting it into distribution slots in delivery sequence/carrier's LOT. They “pull down” mail by extracting it from the distribution slots and placing it into trays for delivery to street addresses.

⁵ The DBCS is the central component of the Postal Service's letter automation program. Officials use the CSBCS in smaller Postal Service facilities.

FY 2007 and 89 percent for FY 2008 in the NPA.⁶ The goal for FY 2009 is 90 percent with an increase to 95 percent for 2010.⁷

Table 1. FY 2007 and 2008 Postal Areas' DPS Percentages

Areas	FY 2007 (Percentage)	FY 2008 (Percentage)
Capital Metro	80	87
Eastern	82	87
Great Lakes	81	85
New York Metro	82	85
Northeast	85	88
Pacific	83	89
Southeast	85	90
Southwest	82	85
Western	86	89
National Average	82	87

Source: E-Flash

For FYs 2007 and 2008, the Postal Service processed over 176 billion letter mailpieces nationally, approximately 15 percent manually cased by carriers' and 85 percent through automation.

Table 2. Postal Service Letter Mail Processed in Pieces – Nationwide

Fiscal Years	DPS Letters (Pieces)	Cased Letters (Pieces)	Total Letter (Pieces)	DPS Percent	Cased Letters (Percent)	Salary Expense	Workhours
2007	75,493,975,468	15,750,336,560	91,244,312,028	82.8	17.2	\$17,167,408,685	460,322,311
2008	74,434,447,050	10,862,748,534	85,297,195,584	87.5	12.5	16,938,817,561	454,997,018
Total	149,928,422,518	26,613,085,094	176,541,507,612	85.0	15.0	\$34,106,226,246	915,319,329

Source: E-Flash and Postal Service Field Budgets⁸

Beginning in FY 2006, the Vice President, Delivery and Retail, officially implemented Delivery SOP to manage all delivery and retail functions. These procedures were reemphasized in FY 2008 with issuance of the *Morning Standard Operating Procedures (AMSOP) II Guidebook, Field Operations Standardization Development*. The procedures mandate that district officials create a DPS Improvement Team of functional representatives who focus on specific issues affecting DPS percentages in delivery units and document office visits and their results. At the unit level, officials must develop plans to prioritize improvement opportunities and activities.

Area officials implemented several initiatives to enhance their ability to increase the areas' DPS mail percentage. The initiatives have been broad in scope, but focused on specific results. The initiatives included continued area emphasis on and monitoring

⁶ The Postal Service NPA is a web-based system that collects performance-related metrics. Officials translate these metrics into web-based balanced scorecards they can use to monitor the performance of both the entire enterprise and individual units across the nation. Officials did not establish a NPA until FY 2007.

⁷ Per the 2006 - 2010 *Strategic Transformation Plan*, this goal is for city delivery carriers only.

⁸ For Table 2 the DPS letters, cased letters, and DPS percentage were from E-Flash. The salary expense and workhours were from FYs 2007 and 2008 Field Budgets.

use of the SOP edit book, mail volume recording, cross-functional communication, and station input and backflow processes.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether management had adequately implemented processes and key oversight controls to increase and sustain city delivery DPS percentages and reduce operating costs.

We selected 13 districts for site visits because they had consistently low DPS percentage averages for FYs 2007 and 2008 in the Postal Service areas. Within the districts, we judgmentally selected 7 delivery units, 11 processing and distribution centers (P&DCs), and one Delivery Distribution Center (DDC). We selected unit locations based on similarities in the areas of DPS mail volume, type of facility, number of city routes, and DPS quality percentages for FYs 2007 to 2008. We selected processing and distribution facilities for site visits based on whether they processed mail for the selected delivery units and whether they were co-located with district offices. (See Table 3.)

Table 3. Judgmentally Selected Site Locations

Area	Districts	Processing Facilities	Delivery Units
Capital Metro	Capital	Curseen-Morris P&DC	N/A
Eastern	Pittsburgh	Pittsburgh P&DC	Grant Street Station
	Cincinnati	Cincinnati P&DC	Mid-City Station
Great Lakes	Northern Illinois	Carol Stream P&DC	Winfield Post office
	Chicago	Cardiss Collins P&DC	Loop Station
Northeast	Boston	Boston P&DC	N/A
New York Metro	New York	Morgan P&DC	Grand Central Station
	Triboro ⁹	--	--
Pacific	Los Angeles	Los Angeles P&DC	N/A
Southeast	South Florida	South Florida P&DC	N/A
Southwest	Dallas	Dallas P&DC	Spring Valley Station
	Houston	North Houston DDC	North Shepherd Station
Western	Colorado/Wyoming	Denver P&DC	N/A

To accomplish our objective, we:

- Conducted observations or interviews at 11 P&DCs and one DDC. We made site visits to seven delivery unit locations to evaluate the DPS process and determine what factors were contributing to low DPS percentages.
- Obtained DPS percentages from Web Enterprise Information System for all Postal Service areas for FYs 2007 through 2008 to identify high and low DPS percentages, cased letter volume, and DPS letter volume.

⁹ We visited the Triboro District Office.

- Reviewed 3M reports to determine whether unit officials were reporting and analyzing 3M data.
- Reviewed High-Rise Analysis reports from the DSMART to determine if unit officials were monitoring M-Records¹⁰ for possible removal of data from the Address Management System (AMS) sort plan.
- Reviewed DSMART to determine whether unit officials are entering business names for business delivery points into AMS.
- Reviewed Electronic Uncoded Address Resolution Service data to determine the number of unresolved records that contribute to inaccurate database information.
- Reviewed Daily Telecom and Customer Service Daily Reporting System reports to determine whether the unit officials were recording and reporting late arriving mail and non-DPS mail issues.
- Interviewed Postal Service officials at headquarters, nine postal areas, and selected district and unit locations to evaluate DPS percentages and determine the level of DPS oversight of city delivery.
- Reviewed best practices in the Southeast Area, South Florida District.

We conducted this performance audit from October 2008 through September 2009 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances.¹¹ 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 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 officials August 3 through 7, 2009, and included their comments where appropriate. We relied on data obtained from Postal Service database systems. We did not directly audit the systems, but performed a limited data integrity review to support our data reliance.

¹⁰ M-Records are used for extracting Multiple Point Deliveries from DPS mail, which may include multiple delivery addresses on one record. Many times carriers request mail deliveries to be set as M-Records for their convenience. Too many M-Records will reduce DPS percentages. For these reasons, M-Records should be evaluated before entering SPS Station Input (SSI).

¹¹ We analyzed SOP requirements for DPS and reviewed those areas specific to delivery operations and applicable to tasks and oversight to increase city delivery DPS percentages and reduce operating costs.

PRIOR AUDIT COVERAGE

The OIG has issued four reports related to our objectives.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Delivery and Retail Standard Operating Procedures — National Capping</i>	DR-MA-07-003	February 22, 2007	No monetary impact	This report summarized a series of area reports identifying opportunities to improve implementation of the Postal Service's Delivery and Retail SOP. We did not make recommendations in this report.
<i>Address Management System Information — National Capping</i>	DR-AR-07-012	August 29, 2007	\$26,902,945	This report summarized a series of area reports identifying opportunities for area officials to implement best management practices from the New York Metro Area's New York District to improve the quality of AMS data to process and deliver the mail. Management agreed in principle with our area findings and recommendations.
<i>Review of Postal Service First-Class Permit Reply Mail</i>	MS-AR-08-001	November 8, 2007	\$103,400,000	This report identified that the Postal Service generally processes Permit Reply Mail mailpieces in accordance with approved classification and pricing procedures outlined in the <i>Domestic Mail Manual</i> (DMM). However, employees manually process approximately 70 percent of the approved First-Class® two-way Digital Versatile Disc (DVD) return mailpieces from one DVD rental company because these mailpieces sustain damage, jam equipment, and cause mis-sorts during automated processing. Management was not responsive to the findings and recommendations because although they indicated agreement with the recommendations, they did not provide actions to address the recommendations nor did management provide action completion dates.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Review of Management of Delivery Point Sequencing Percentages Increases for City Delivery — Southeast Area, Atlanta District</i>	DR-MA-08-005	July 28, 2008	\$13,312,834	This report identified opportunities for Atlanta District officials to improve implementation of established processes and increase oversight to further increase its DPS percentage and reduce operating costs. Management agreed with our recommendations.

APPENDIX B: DETAILED ANALYSIS

Management of City Delivery DPS Percentages – Nationwide

Officials can further increase DPS percentages and reduce operating costs. Although the DPS percentage for the nine Postal Service areas on average increased from 82 percent (FY 2007) to 87 percent (FY 2008) to 90.7 percent (third quarter, FY 2009), management has not always implemented processes and provided oversight to further improve percentages in districts nationwide. Our audit revealed the following required more attention:

- Updating address databases in a timely manner
- Monitoring M-Records
- Resolving 3M data issues
- Handling non-DPS mail

Delays in Updating Business Delivery Points in DSMART

Delivery unit officials delayed updating address information in the DSMART – Business Names,¹² which contributed to low DPS percentages. In the 13 districts visited, our review of address database information identified that officials delayed entering business names associated with business delivery points into DSMART. This delay resulted in over 23 million letter mailpieces not processed in DPS. (See Table 4.)

¹² DSMART is a web-based application that provides consolidated analysis of residual mail from DPS equipment compared against business names for a delivery address. When a significant volume of mail is not matched with the business names and address, the results are in a default assignment, which requires additional handling. The “Business Names” feature allows delivery units to capture business names for identified problem addresses to improve default mail and additional handling.

Table 4. DSMART Business Name Count Information

District	Business Name Count Report					Average Days Count (Average Days to Enter Into AMS)
	Total Business Delivery Points	Active ¹³			Total Default Mail Volume ¹⁴	
		Total Active Delivery Points	Business Names (Count Of Total Addresses With at Least One Business Name)	Percent Complete (Percent Addresses With Business Names in DSMART)		
Capital	37,366	25,050	23,258	92.80	696,207	626
Cincinnati	43,008	28,864	23,102	80.00	1,130,673	419
Pittsburgh	26,787	19,557	12,036	61.50	1,060,814	442
Chicago	44,998	28,738	17,994	62.60	2,237,400	371
Northern Illinois	57,246	36,817	31,719	86.20	1,413,465	451
New York City	88,040	71,461	53,428	74.80	7,789,206	414
Triboro	24,859	20,872	7,362	35.30	1,417,590	720
Boston	31,076	24,417	7,203	29.50	1,939,439	543
Los Angeles	79,238	52,988	50,419	95.20	1,588,389	467
South Florida	92,077	53,689	53,090	98.90	1,393,924	555
Dallas	89,710	61,700	45,870	74.30	1,170,061	458
Houston	72,084	49,712	33,953	68.30	531,703	432
Colorado/Wyoming	99,437	65,964	32,081	48.60	1,607,380	363
Totals/Average	785,926	539,829	391,515		23,976,251	482

Source: National Customer Support Center

Our review revealed officials in these districts took an average of 482 days to update the business names with addresses into DSMART. While there is no policy that specifically establishes a timeframe for updating DSMART, delays in updating DSMART data contribute to the following delivery operational issues pertaining to DPS letter mail:

- Incomplete matching of business delivery points to business names results in letter mail arriving at the units not processed in DPS.
- Clerks and carriers must manually case letters before street delivery.

Officials stated there were delays in updating DSMART database information due to time spent performing other assigned duties such as administrative tasks and mail preparation. In districts with high default mail volume, such as the New York and

¹³ Active delivery points are addresses where mail is being received and is not in a vacant or no-stat status. Vacant indicates the delivery point was active in the past, but is currently vacant (in most cases unoccupied over 90 days) and not receiving mail delivery. "No-stat" is an indicator flag at the delivery point level set in the AMS to indicate no delivery, and the address is not to be counted as a possible delivery.

¹⁴ When business names are not included in DSMART for business delivery points the affected mail goes to the default high-rise mail bin because it cannot be sorted to the related delivery point. This report shows the amount of default mail over the last 12 months (from May 2008 to May 2009).

Chicago Districts, updated DSMART information is critical to increasing DPS percentages due to the number of business delivery points in high-rise buildings.

As a best management practice, South Florida District officials review the status of DSMART inputs during weekly teleconferences with delivery units to determine if business names have been added to the system. The South Florida District has one of the highest percentages (98.9) of business names entered into DSMART.

Inadequate Monitoring of M-Records

Officials did not consistently track and monitor M-Records or potential removal from the AMS sort plan, which contributed to low DPS percentages. At the 13 districts visited, our review of M-Records information identified that officials did not monitor M-Records that could be removed from the sort plan,¹⁵ resulting in increased letter volume that carriers must manually case. Our review of the FY 2008 mail volume data showed over 423 million letter mailpieces were not in DPS due to the M-Records not being reviewed for possible removal. (See Table 5.) As a result, carriers manually sorted this mail to the LOT because these mailpieces did not complete the DPS process, thus increased operating costs.

Officials stated their primary focus was daily mail delivery operations and there is no policy that specifically states a timeframe for reviewing M-Records. Our review of the current policy confirms that officials are required to review and analyze M-Records for DPS improvement opportunities; however, specified review timeframes were not mandated. As a best management practice, the South Florida District allotted time during weekly meetings to review M-records for possible removal. Further, district officials invested time in educating delivery unit officials on the impact of M-Records on DPS percentages.

¹⁵ When a carrier makes a request to district officials to add an M-Record to AMS, it creates a default to remove mail for a multi-point delivery without a secondary address from the DPS process. The Clerk and Carrier at the unit must manually case this mail.

Table 5: M-Record Mail Volume

Fiscal Year 2008					
Area	District	M-Records Volume	Total Cased Volumes	DPS Mail Volumes	Total Mail Volume (Total Cased + DPS)
Capital Metro	Capital	17,401,125	131,163,126	923,085,135	1,054,248,261
Eastern	Cincinnati	20,922,003	198,046,873	1,265,557,185	1,463,604,058
Eastern	Pittsburgh	15,909,148	122,675,085	754,637,566	877,312,651
Great Lakes	Chicago	26,806,610	273,067,432	1,017,518,662	1,290,586,094
Great Lakes	Northern Illinois	17,561,417	249,280,023	1,351,172,919	1,600,452,942
New York Metro	New York City	107,052,907	385,609,912	1,073,812,830	1,459,422,742
New York Metro	Triboro	70,828,167	304,105,098	1,666,615,001	1,970,720,099
Northeast	Boston	11,742,893	78,649,698	748,603,455	827,253,153
Pacific	Los Angeles	37,699,969	201,719,436	1,393,806,896	1,595,526,332
Southeast	South Florida	15,143,437	154,995,432	1,606,196,682	1,761,192,114
Southwest	Dallas	6,607,212	160,023,604	1,177,363,164	1,337,386,768
Southwest	Houston	41,594,207	353,099,550	1,654,454,232	2,007,553,782
Western	Colorado/Wyoming	34,249,288	215,670,524	1,460,349,147	1,676,019,671
Total For 13 Districts Visited		423,518,383	2,828,105,793	16,093,172,874	18,921,278,667

Source: E-Flash

Resolving 3M Data

Officials reported 3M errors daily; however, they did not fully resolve problems, which impacted the quality of DPS mail. These reoccurring 3M errors included mail sent to the wrong office (mis-sent), placed on the wrong route (mis-sort), or put in the wrong walk sequence order (mis-sequenced). Not resolving 3M errors requires clerks and carriers to manually case mail.

At seven unit locations, our review of 3M daily reporting records identified that officials were reporting 3M errors to district officials for corrective action; however, the problems still existed. District officials¹⁶ did not analyze 3M data to identify and resolve the reoccurring errors. Our review in the South Florida District indicated that officials implemented best practices that included time allotted to review and resolve 3M issues during weekly meetings, which resulted in a higher quality DPS.

¹⁶ Functional representation from AMS, Operations Programs Support, In-Plant Support, Marketing, and Plant Operations.

Non-DPS Mail Issues

Officials consistently reported receiving non-DPS mail from the plants as a factor contributing to low DPS percentages. We observed receipt of non-DPS mailpieces at seven delivery units to include mailpieces that were too thick and too slick for processing on the automated equipment into DPS. Officials at the processing plants used the Electronic Mail Improvement Reporting program to report problem mailpieces the MPE could not process. Although plant officials reported problems with processing non-DPS mail, they expressed concerns with the inability of district Marketing officials to resolve the problems. Consequently, non-DPS mail remains in the mail stream, which must be manually sorted.

During interviews with some Marketing officials, they stated they had taken action,¹⁷ however, in some cases, the Postal Service's physical standards for machinable letters limited the officials' ability to require business mailers to make changes to their mailpiece design.¹⁸ Our review in the South Florida District indicated that officials implemented best practices that included continual discussions between the processing plant and Marketing officials to identify and resolve issues with problem mailpieces. In this district, plant and Marketing officials collaborated with a national business mailer to modify the physical designs of promotional mailings to ensure the pieces would run on the automated equipment. In addition, officials implemented policies that direct plant officials to try processing all mail through DPS (including problem mailpieces) and outlined required corrective action when all attempts have failed.

Establishing and Maintaining DPS Improvement Teams

District officials did not always establish and maintain DPS Improvement Teams to monitor, review, and correct specific DPS issues. The Delivery SOP required formation of teams to ensure cross-functional representation, communication, and oversight of DPS mail issues. Our site reviews indicated that some officials had established a team or variations of a team, but these teams did not include the required functional representatives or documentation of office visits and results of efforts to increase DPS percentages. (See Table 6.) Some of the established teams have been unsuccessful in further increasing city delivery DPS percentages because officials could not maintain staff accountability for DPS improvement efforts due to commitments to other assigned administrative duties.

Our review in the South Florida District indicated that officials implemented best practices that included establishment of a DPS Improvement Team with functional representatives from AMS, Operations Programs Support, In-Plant Support, Marketing, and Plant Operations. The team meets on a weekly basis to identify and resolve DPS

¹⁷ At eight of 13 districts visited, Marketing officials stated they took action to resolve non-DPS mail issues but standards limited their ability to correct mailpiece design problems.

¹⁸ *DMM*, Section 201 - 1.1 Physical Standards for Machinable Letters and Cards.

issues in underperforming units, with support from district management and accountability for corrective action associated with assigned tasks.

Table 6. **OIG Analysis of District Oversight**

Area	District	DPS Team	Variation of a DPS Team	Team Included Adequate Functional Representatives	Team Documented Office Visits to Increase DPS Percent	Team Documented Corrective Action Efforts to Increase DPS Percent	Team Had Regular DPS Improvement Team Meetings
Capital Metro	Capital	No	No	No	Yes	No	No
Eastern	Pittsburgh	No	Yes	No	No	No	No
	Cincinnati	No	Yes	No	Yes	No	No
Great Lakes	Northern Illinois	No	Yes	No	Yes	Yes	No
	Chicago	No	Yes	No	Yes	Yes	Yes
Northeast	Boston	Yes	No	Yes	Yes	Yes	Yes
New York Metro	New York	No	No	No	No	No	No
	Triboro	No	Yes	No	Yes	No	Yes
Pacific	Los Angeles	No	Yes	No	Yes	No	No
Southeast	South Florida	Yes	No	Yes	Yes	Yes	Yes
Southwest	Dallas	No	Yes	No	No	No	Yes
	Houston	Yes	No	Yes	No	No	Yes
Western	Colorado/Wyoming	Yes	No	Yes	Yes	Yes	Yes

Impact

As a result of these conditions, some clerks and carriers will continue to unnecessarily spend time manually sorting and casing letter mail. We estimate the additional labor costs to the districts for FYs 2007 and 2008 were \$177,042,301, and will be \$88,216,079 by the end of FY 2010. [See Appendix C](#) for our detailed analysis and calculation of the monetary impact.

APPENDIX C: OIG CALCULATION OF MONETARY IMPACT

We identified \$177,042,301 in unrecoverable supported questioned costs for FYs 2007 and 2008 for unit distribution clerks and city carriers to manually case non-DPS mail. We estimated the Postal Service could save \$88,216,079 in funds put to better use over the next 2 years by improving management oversight of operational issues that would resolve specific DPS issues. When taken on a nationwide basis, this audit included all nine Postal Service areas and 78 districts.¹⁹ We estimated the monetary impact by area for 4 years (FYs 2007 through 2010). (See Table 7.)

Table 7. Total Monetary Impact by Area²⁰

Area	Questioned Costs FY 2007	Questioned Costs FY 2008	Funds Put to Better Use FY 2009	Funds Put to Better Use FY 2010	Total Monetary Impact
Capital Metro Area	\$12,280,763	\$4,130,264	\$0	\$0	\$16,411,027
Eastern Area	13,613,515	9,946,700	2,292,757	7,358,003	33,210,974
Great Lakes Area	21,216,450	22,669,980	5,843,814	11,202,046	60,932,291
New York Metro Area	17,930,410	19,865,448	12,319,069	14,207,113	64,322,040
Northeast Area	1,729,431	1,971,556	1,581,623	7,539,687	12,822,297
Pacific Area	13,807,183	2,441,782	199,774	943,581	17,392,321
Southeast Area	1,385,199	0	0	233,157	1,618,356
Southwest Area	11,784,292	15,562,873	8,122,566	15,331,648	50,801,379
Western Area	3,985,520	2,720,934	399,549	641,693	7,747,696
Totals	\$97,732,764	\$79,309,537	\$30,759,151	\$57,456,928	\$265,258,380

Notes:

- We calculated unrecoverable supported questioned costs by comparing actual cased and DPS letter mail volumes for FYs 2007 and 2008 to the expected volumes for those years. We multiplied the difference between the actual and expected volumes by the related annual overtime rate for unit distribution clerks and city carriers.
- We calculated funds put to better use by comparing the forecasted cased and DPS letter mail volumes for FYs 2009 and 2010 to the expected volumes for those years. We multiplied the difference between the actual and expected volumes by the related annual overtime rate for clerks and city carriers.
- The escalation factor from FYs 2007 to 2008 for city letter carriers is 60 cents. The escalation factor from FYs 2007 to 2008 for unit distribution clerks is 90 cents.
- The escalation factor from FYs 2008 to 2009 for City Letter Carriers is \$1.61. The escalation factor from FYs 2008 to 2009 for unit distribution clerks is \$1.26.

¹⁹ We excluded the Atlanta and Caribbean Districts from our review.

²⁰ The Postal Service areas' national DPS percentage on average has increased from 82 percent (FY 2007) to 87 percent (FY 2008) to 90.7 percent (third quarter of FY 2009).

- The escalation factor from FYs 2009 to 2010 for City Letter Carriers is \$1.07. The escalation factor from FYs 2009 to 2010 for unit distribution clerks is 73 cents.
- Escalation factors are based on the Postal Service's National Average Labor Rates Table FYs 2007 and 2008 Actual and FYs 2009 and 2010 Projections.

APPENDIX D: MANAGEMENT'S COMMENTS

LINDA J. WELCH
VICE PRESIDENT
DELIVERY AND POST OFFICE OPERATIONS



September 10, 2009

Lucine M. Willis
Director, Audit Operations
Office of Inspector General

SUBJECT: Draft Audit Report – Management of Delivery Point Sequencing Percentage
Increases for City Delivery – Nationwide Review
(Report Number DR-AR-09-DRAFT)

As indicated in your report, increasing the Delivery Point Sequencing (DPS) percentage for city delivery has been a top priority for the U.S. Postal Service and an important cost reduction strategy for delivery operations. With focus and cross functional teamwork, we have increased the national DPS percentage from 87 percent in fiscal year (FY) 2007 to 91.2 percent year to date in FY2009. This represents significant savings by reducing the amount of mail employees must manually sort and has allowed us to capture work hour savings through pivoting and route adjustments in delivery operations.

As you point out in your audit, even though we established processes and controls to ensure success in this area, there remains opportunity to increase the DPS percentage, particularly in those districts performing below the national average. It is those districts that we will concentrate our efforts.

I am in agreement with the findings and recommendations contained in the subject report. A memorandum to all area vice presidents and district managers will be sent out within the next two weeks to reemphasize the importance of establishing and maintaining cross-functional DPS Improvement Teams.

If you or your staff would like to discuss any of these comments further, I am available at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Linda J. Welch".

Linda J. Welch

cc: Mr. Forte

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WASHINGTON DC 20260-7017

TERRY J. WILSON
VICE PRESIDENT, AREA OPERATIONS
SOUTHEAST AREA



September 3, 2009

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management of Delivery Point Sequencing Percentage Increases for City Delivery –
Nationwide Review (Report Number DR-AR-09-DRAFT)

As requested, this is the Southeast Area's response to the findings and recommendations referenced in the Draft Audit Report Management of Delivery Point Sequencing Percentage Increases for City Delivery Nationwide Review (Report Number DR-AR-09-DRAFT) dated August 26, 2009. Thank you for the opportunity to review and comment on the subject draft audit report.

We agree with the findings that opportunities exist to improve established processes to increase and sustain city delivery Point Sequencing (DPS) percentages and reduce operating cost through the following: updating addresses in the databases in a timely manner; monitoring multiple delivery point records (M-Records); resolving mis-sent, mis-sorted, and mis-sequenced (3M) data issues; and handling of non-DPS mail.

Recommendation #2: Area Vice Presidents direct the District Managers to:

Require district officials to prioritize and execute tasks, such as updating address databases, monitoring and removing M-records, identifying and resolving sortation issues, and handling non-Delivery Point Sequencing mail in their delivery units.

Management Response:

The Southeast Area agrees with this recommendation. A letter from the Area Vice President was issued to the District Managers on June 25, 2009, along with a Service Talk addressing Edit Book maintenance. (Attachment 1) The Southeast Area DPS Improvement Initiative and the Backflow SOP were reissued on September 2, 2009 via email. (Attachments 2 and 3)

Recommendation #3: Area Vice Presidents direct the District Managers to:

Develop and execute an action plan to mitigate low city Delivery Point Sequencing percentages in delivery units.

Management Response:

The Southeast Area agrees with this recommendation. The DPS Improvement Initiative was reissued via email on September 2, 2009, which includes District actions for low DPS offices. (Attachments 2 and 3)

Recommendation #3: Area Vice Presidents direct the District Managers to:

Ensure accountability of Delivery Point Sequencing (DPS) Improvement Team members for completing assigned tasks to increase and sustain city delivery DPS percentages and reduce operating costs.

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Management Response:

The Southeast Area agrees that employees should be held accountable to complete assigned tasks to increase and sustain city delivery DPS percentages. While Districts are still utilizing DPS teams as needed, the role has changed with improved performance. The focus is on the process and ensuring accountability to those involved. The DPS Improvement Initiative requiring focus and compliance was reissued on September 2, 2009 via email. (Attachments 2 and 3)

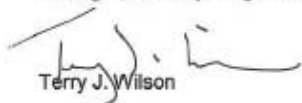
The Southeast Area participated in additional meetings with the OIG to discuss the methodology used to calculate monetary impacts. The methodology used was the rate of improvement between FY2007 and FY2008. This methodology would indicate some Areas have less of a future monetary impact when they may be further from the national target than others. We do not agree with this methodology. Since the rate of improvement slows as you near the target, we do not believe this methodology accurately reflects the opportunity for savings. We believe the best methodology to use should be based on our opportunity to the national target rather than the rate of improvement based on past performance (Attachment 4). However, if the rate of improvement is to be used to determine monetary impacts, it is more realistic to project the future DPS performance on improvement over the past 12 weeks rather than the rate of improvement from one year to the next. Recent history is a more realistic predictor than ancient history. Based on the current rate of improvement, the Southeast Area is projected to achieve 95 percent DPS between weeks 13 and 17 of Fiscal Year 2010, ending the year between 96.02 percent and 96.54 percent. In addition, based on this same methodology of improvement of the other Areas over the past 12 weeks, the Southeast Area will be the only Area to achieve 95 percent in Fiscal Year 2010.

Historically, the Southeast Area has out performed the national average each year. We continue to lead the nation in FY 2009 with a YTD DPS score of 94.7 percent for week 48 and a YTD DPS score of 93.14%. We are committed to continuous improvement toward reducing operating cost and capturing savings through DPS opportunities.

Freedom of Information Act (FOIA)

The Southeast Area does not believe this report contains any proprietary or business information which may not be disclosed pursuant to the Freedom of Information Act.

If you have any questions or need additional information, please contact Judy Tittle, Acting Manager, Delivery Programs Support at 901-747-7407.



Terry J. Wilson

Attachments

cc: Katherine Banks, Manager, Corporate Audit and Response Management
Jim Nemeck, Manager, Operations Support (Acting)
Gwen Green, Manager, Finance (Area)
Judy Tittle, Manager, Delivery Programs Support (Acting)

SYLVESTER BLACK
VICE PRESIDENT, WESTERN AREA OPERATIONS



September 11, 2009

Lucine M. Willis
Director, Audit Operations
Office of the Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Management of Delivery Point Sequencing Percentage Increases for City
Delivery – Nationwide Review

Thank you for the opportunity to review and comment on the subject draft audit report. Improvement to DPS percentages is an important strategy for achieving operational efficiency and service goals in the Western Area and one we all fully support. We are in concurrence with the report's recommendation and the specific responses to each recommendation are listed below.

Recommendation: Require District officials to prioritize tasks such as updating address databases, monitoring records, resolving sortation issues and handling non-DPS mail in their delivery units.

A letter dated August 14, 2009, was sent to all Western Area District Managers and Senior Plant Managers to reiterate the roles and responsibilities of the various functional areas in achieving, as well as improving, our DPS product. The District teams were tasked to focus on delivery units with the lowest DPS percentages. District management will work to ensure that delivery units are recording and reporting mail volumes correctly, stressing the required Edit Book Maintenance, and analyzing DPS mail pieces returned from the street. The teams will develop and execute action plans to mitigate the low city DPS percentages in the selected delivery units.

Western Area also put together a team of AMS Managers from various Districts that were sent to Colorado/Wyoming District to help clean up databases and mentor/train the District AMS Manager. In addition, the Area team identified some of the same problems discussed in the OIG report concerning DSMART and M-Records. The problems identified were provided to Operations Programs Support for follow-up and correction. In addition, the Colorado/Wyoming District DPS team provides meeting minutes and reports to Western Area Delivery Programs Support on a regular basis. The minutes document actions taken to improve the processes noted above.

Recommendation: Develop and execute an action plan to mitigate the low city DPS percentages in delivery units.

In addition to the activities outlined in the preceding paragraphs, a daily DPS percentage report is provided to the Districts, with a list of opportunity units. A weekly roll-up report is provided as well, along with discussion points and action items that can be used to improve DPS percentages. The reports are monitored and individual follow-up is provided to Districts with low or declining percentages.

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-2-

In August, opportunity routes were selected for each District for on-site review by District AMS personnel. A weekly progress report is provided to Western Area Delivery Programs for follow-up and review. While this initiative was taken to improve service, it also provides the benefit of improving DPS percentages as well. New routes are identified each month for continued review.

Recommendation: Ensure accountability by all DPS team members for completing assigned tasks to increase and sustain city delivery DPS percentages and reduce operating costs.

The daily/weekly messaging and the reports that are sent to the District Managers and Senior Plant Managers provide the feedback on progress for each District. Continued emphasis on DPS has shown a continued improvement in Western Area DPS percentages. Week 49 DPS percentage for Western Area was 92.19%. All Districts achieved 90% or better for the month of August, with only one District below 91% for the month. Again, the reports are monitored and individual follow-up is provided by Western Area Delivery Programs to Districts with low or declining percentages.

This letter serves as a confirmation of the findings, recommendations, and monetary impact of \$7,747,696 for Western Area.

We do not believe this report contains any proprietary or business information that should not be publicly disclosed and do not believe there are any required exemptions under the Freedom of Information Act (FOIA).


Sylvester Black

cc: Bill Harris, A/Manager, Corporate Audit & Response Management
Patricia E. Whiteside, Audit Manager
Vanessa Lee, Auditor, Area Project Leader

MANAGER OPERATIONS SUPPORT
PACIFIC AREA



September 11, 2009

LUCINE WILLIS
DIRECTOR OIG AUDIT OPERATIONS

SUBJECT: Management of Delivery Point Sequencing Percentage Increases
for City Delivery – Nationwide Review (Report Number DR-AR-09-xxx)

In response to the Nationwide Review of the Management of DPS Percentages and the financial savings opportunity associated with increasing those percentages; the Pacific Area has provided a high level oversight and leadership on this strategy for several years. This leadership includes Area web reports and regular reviews of the processes which would result in DPS percentage increases, we concur with the audit results in that respect. However, *Appendix C: OIG Calculation of Monetary Impact*, we find to be subjective and not necessarily accurate, due to the escalation factor and the assumptions of overtime usage.

We provide the following responses to the audit findings recommendations:

Recommendation 2:

Require district officials to prioritize tasks, such as updating databases, monitoring records, resolving sortation issues and handling non-DPS mail in their delivery units.

Response:

The Pacific Area agrees that there is still continual opportunity in the area of improving address quality. The Address Quality Pacific Area Foundation Systems checklist has been used to identify address quality systems compliance issues for resolution on an office specific level. The PAFS Checklist compliance system will continue to be our process for inspecting these quality issues.

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- 2 -

Recommendation 3:

Develop and execute an action plan to mitigate the low DPS percentages in delivery units.

Response:

The Pacific Area agrees that there is a continual need to review and develop action plans to increase low DPS percentages in opportunity offices. Each District has been including low DPS percentage office as part of their Vital Few enabling process for approximately a year now and we will continue to do so.

Recommendation 4:

Ensure accountability by all DPS team members for completing assigned tasks to increase and sustain city delivery DPS percentages and reduce operating costs.

Response:

The Pacific Area agrees there should be accountability for all DPS team members to improve DPS and reduce operating costs. The Local Leadership Teams in the Districts will be the check and balance for the accountability of the cross-functional DPS improvement teams tasked with increasing DPS and reducing operating costs.

All District Managers will be responsible for implementation and compliance with the above items.



Drew T. Aliperto

cc: Katherine Banks

DELIVERY PROGRAMS SUPPORT
EASTERN AREA



September 11, 2009

Lucine M. Willis
Director, Audit Operations
1735 North Lynne Street
Arlington, VA 22209-2020

Subject: Audit Report – Management of Delivery Point Sequencing Percentage Increases for City Delivery – Nationwide Review (Report Number DR-AR-09-DRAFT, Project Number 09XG005DR000)

This is the Eastern Area's response to the OIG audit report dated August 26, 2009. We agree with the overall findings and recommendations that opportunity exists to improve Delivery Point Sequence mail. We do not agree with the methodology and monetary impacts. Below are the management responses and our reasoning for disagreement to the monetary impact:

Recommendation and Responses

Recommendation 2

Require district officials to prioritize and execute tasks, such as updating address databases, monitoring and removing M-records, identifying and resolving sortation issues, and handling non-Delivery Point Sequencing mail in their delivery Units.

Management Response

The Districts will be instructed to conduct reviews of the current 'M' records to establish if the validity of the holdout exists on a quarterly basis. Verification will be maintained at the District level by site. In the Eastern Area, the input of 'M' records can only be accessed at the District Operations Programs Support level. We will reissue the requirement to verify AMS edit book submission through the use of SEALOG. In addition, a standup talk will be created and disseminated to the field which provides proper processes and reasoning for accurate database systems. Sortation issues are currently being reviewed through the proper use of the AM SOP 3M processes. In the Eastern Area, field and Area executives are required to conduct afternoon audits in which the 3M process compliance is an integral part.

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Districts will be required to retrain their respective units on 3M compliance expectations along with providing the support required.

Although we ensure that 3M logs are in use and results are communicated to IOP and processing for resolution and correction, we are currently in the process of compiling best practices in several successful locations in order to standardize and improve our rate of resolution. We are also actively working at eliminating missorts coming from multiple zone sort plans.

Recommendation 3

Develop and execute an action plan to mitigate low city Delivery Point Sequencing percentages in delivery units.

Management Response

The Eastern Area will reinforce our emphasis on the use of a weekly report that we have created that shows low DPS% by route and provide to each District (as discussed during our meetings with the OIG on this subject.) Current use of this report will be incorporated into the weekly teleconferences conducted with the Area, District, and vital few delivery unit management personnel.

Recommendation 4

Ensure accountability by Delivery Point Sequencing (DPS) Improvement Team Members for completing assigned tasks to increase and sustain city delivery DPS percentages and reducing operating costs.

Management Response

The Eastern Area will take steps to renew focus on the accountability for results of the DPS Improvement teams. Each team will be required to monitor assigned tasks and track improvement. We will also ensure that all appropriate functional areas are represented and engaged.

Monetary Impact Response

As we indicated during our meeting, the use of overtime hourly rates to determine monetary impact inflates the actual value of opportunity. The use of the basic hourly rate for each District would be a more accurate means to determine the monetary impact.

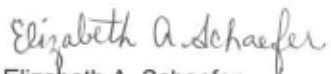
The monetary impact was determined using the entire fiscal year 2009 and did not consider improvements achieved during the current year. The Eastern Area ended

fiscal year 2008 with a DPS rate of 87.1%; year to date we are achieving a 90.2% DPS rate, July we achieved 90% and the last four weeks we have achieved 91%, 91.2%, 91.1% and 91.1% for the Area. Without crediting the achievements already made this year overstates the actual opportunity for capture.

The use of DSMART to capture opportunity based on the average daily default volume of 0 (zero) does not provide a true indication of focus on reducing opportunity. The Eastern Area focused on the greatest opportunity sites by utilizing the average daily volume filter of <25 pieces. An indication of this is represented in the Cincinnati District; where their opportunity identified was based on 80% of their available business names having being added, if the <25 business name filter is used, their compliance rate is 97.4%. We are now focusing on the remaining delivery points where opportunity exists.

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

If you have any questions or require further information, please contact me at 412-494-2530.



Elizabeth A. Schaefer
Manager, Delivery Programs Support
Eastern Area

VICE PRESIDENT, AREA OPERATIONS
NEW YORK METRO AREA



September 10, 2009

Lucine M. Willis
Director, Audit Operations
Office of Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Draft Audit Report – Management of Delivery Point Sequencing Percentage Increases for City Delivery – Nationwide Review (Report Number DR-AR-09-DRAFT)

The following will address the findings and recommendations of the subject audit as they apply to the New York Metro Area districts that were reviewed during this nationwide review.

Finding: Management of City Delivery DPS Percentage – “OIG Calculation of Monetary Impact”

NYMA Response: The subject audit assumes that all districts within the New York Metro Area are measured on the same percentage of DPS from year to year. USPS Headquarters has agreed that the New York District, due to its unique addressing, is measured on a lower DPS percentage than the other districts reviewed within the Area (see Attachment 1, “Calculation of Monetary Impact.pdf”). The analysis is based on the HQ approved lower percentage targets of DPS. The final results demonstrate that the New York Metro Area minimally affected the National Total Monetary Impact, where the audit cost of \$64,322,040 has been reduced to \$3,302,522. In fact, the New York District alone has been reduced from a cost of \$48,940,593 to a net savings of \$12,078,925. These results were derived by utilizing back-up data provided by Patricia Whiteside, Audit Manager, USPS OIG, and simply replacing the generic DPS targets with the HQ approved targets for the New York District.

Recommendation:

We recommend the Area Vice Presidents direct District Managers to:

2. Require district officials to prioritize and execute tasks, such as updating address databases, monitoring and removing M-Records, identifying and resolving sortation issues, and handling non-Delivery Point Sequencing mail in their delivery units.

NYMA Response:

The New York Metro Area is in agreement with the findings related to this recommendation. The following actions have been taken to address these specific findings:

The districts are required to conduct training (see Attachment 2, “Management of Delivery Point Sequencing.pdf”) for the utilization of the Address Quality Reporting Tool and the DSMART Business Names feature. By September 18, districts are required to submit to the Area Manager, Delivery Programs Support, the date and frequency for the collection of business and individual names for DSMART input.

The districts are also required to submit to the Area Manager, Delivery Programs Support, an update of their PS Form 3999 completion Standard Operating Procedures to include the identification of how default mail affects delivery. This will be one of the mechanisms used to determine if an M-Record should be assigned to extract this mail from the DPS mailstream. Edit Book inputs are utilized and submitted to AMS as missequenced errors are identified. The process used to supply AMS and In-Plant Support with missorted and missent errors will also be submitted to the Area Manager, Delivery Programs Support, as stated above.

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Additionally, the begin date and frequency for collecting carrier information concerning the default mail received and its impact on delivery will be submitted to the Area Manager, Delivery Programs Support as stated above.

Recommendation:

3. Develop and execute an action plan to mitigate low city Delivery Point Sequencing percentages in delivery units.

NYMA Response:

The New York Metro Area is not in agreement with the findings related to this recommendation.

Grand Central Station is not representative of an average station in the New York District, mainly because their percentage of business deliveries is over double that of the New York District average. Because of the addressing hygiene of mailpieces destined for New York City businesses, it is not possible for our automated equipment to DPS letters at the targets established nationally. As such, the only way to deliver this mail is to use the carrier's local knowledge of their route. There have been several HQ teams in NYC to address the address hygiene with limited success. Lori Begosh, HQ Operations Specialist, Operations Technical and System Integration Support, had a team in Murray Hill Station in July 2008. The above is supported by the reduced DPS target established for NPA. Attachments 3 and 4 ("DPS Target 1.pdf" and "DPS Target 2.pdf") are copies of emails from the New York Metro Area requesting, and HQ authorizing, the reduced target. The targeted DPS percentage is being achieved in offices where the business address hygiene is not an issue. Therefore, the monetary impacts included in the review are overstated as indicated above.

Recommendation:

4. Ensure accountability of Delivery Point Sequencing (DPS) Improvement Team members for completing assigned tasks to increase and sustain city delivery DPS percentages and reduce operating costs.

NYMA Response:

The New York Metro Area is in agreement with the findings related to this recommendation. The following actions will be taken to address these specific findings:

The districts will be required to implement Delivery Point Sequencing (DPS) Improvement Teams to drive the activity stated above in response to Recommendation 2 and carefully review the utilization of M-Records (see Attachment #2, "Management of Delivery Point Sequencing.pdf"). In addition, a HQ-led team has been tasked to address Capture Mail Records (range tuning and/or their elimination) and resolve high-rise conflicts.

We do not believe there is any Freedom of Information Act exempt information in the draft report or our response.


Timothy C. Haney

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cc: K. Banks
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R. Uluski
K. Fischer
J. Branco
J. Hargett
W. Schnaars
T. Hayes

JO ANN FEINDT
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS



September 14, 2009

Lucine M. Willis
Director, Audit Operations
1735 North Lynn Street
Arlington, VA 22209-2020

Subject: Audit Report – Management of Delivery Point Sequencing Percentage Increases for City Delivery – Nationwide Review (Report Number DR-AR-09-DRAFT, Project Number 09XG005DR000)

This is the Great Lakes Area's response to the OIG audit report dated August 26, 2009. Overall we do agree with the OIG's conclusion with the findings and said recommendations however we do not concur with the methodology and monetary impacts. As stated below, the detailed actions have been taken or are in progress that follows with the numbered recommendations.

Recommendation and Responses

Recommendation 2

Require district officials to prioritize and execute tasks, such as updating address databases, monitoring and removing M-records, identifying and resolving sortation issues, and handling non-Delivery Point Sequencing mail in their delivery Units.

Response

District management will provide the appropriate oversight to ensure timely updates to the AMS databases, regular monitoring of M-records, analyses and resolutions for recurring mis-sent, mis-sorted and mis-sequenced data issues and proper handling of non-DPS mail processes are in place and effective within delivery units. The Standard Operating Procedures for these items will be reissued. District Post Office Operation Managers, Customer Service Operations Managers and Operation Program Support will be tasked with overall compliance.

The Districts will be instructed to do semi-annual reviews and analysis of established M Records as a means to determine validity. Monthly records of DSMART percentages will be updated and sent to each zone. The Chicago District has made improvements to DSMART and is currently running during August 2009 63.9 and the Northern Illinois District is at 91.3. Districts will also verify monthly edit book submissions through the use of the SEALOG system and provide the corresponding information to the respective delivery units' operations managers for any follow-up actions required.

While there are existing processes and AM-SOP guidelines in place to document, report, and resolve 3M errors, the importance of identifying and fixing recurring errors serves great value. The Districts will be instructed to retrain their field units on proper 3M program compliance expectations along with providing any necessary support as warranted.

Furthermore, a statement of certification from the districts will be submitted to the Area Manager, Delivery Programs Support confirming this training has been completed.

Recommendation 3

Develop and execute an action plan to mitigate low city Delivery Point Sequencing percentages in delivery units.

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Response

In concert with activities contained in the narrative response above in Recommendation # 2 of this report, the District DPS Teams will continue to support the DPS improvement initiatives by targeting selected delivery units that have been identified with low DPS percentages and scheduling on-site meetings. Agenda items during these meetings will include but not limited to the proper recording of cased letter volumes, reviewing current M records reports for the zone, EUARS and DSMART utilization, identified operational barriers, non DPS Mail procedures and handling, and recurring 3M concerns.

Any required corrective action items and associated completion timeframe expectations will be shared with the Manager, Operation Programs Support, Post Office Operations Managers, Customer Service Operation Managers and Plant Managers.

Recommendation 4

Ensure accountability by Delivery Point Sequencing (DPS) Improvement Team Members for completing assigned tasks to increase and sustain city delivery DPS percentages and reducing operating costs.

Response

Each member of Delivery Point Sequencing (DPS) Improvement Team will be required to review the functional and individual duties and responsibilities they have to the team. The DPS team's primary focus will encompass those specific issues negatively impacting reported percentages. The results of the team's findings, actions taken and resolutions will be shared with District Leadership.

As an example, the Chicago District has established their DPS Improvement Team as outlined in the Delivery Standard Operating Procedures with functional team representatives from Address Management Systems, Operations Programs Support, In-Plant Support, Marketing and Plant Operations. Representatives from Maintenance and specific delivery units will be included on as need basis. Northern Illinois District is in the process of establishing their team to be in place no later than the end of fiscal year 2009.

Relative to our non-concurrence to the methodology and monetary impacts, the following statements are being submitted for consideration. As previously stated in the exit conference, the Delivery Point Sequencing (DPS) calculation impact for this report was completed and projected for the entire fiscal year 2009 without factoring in any recognition for the improvement ratio realized during FY 09. Hence, the projected monetary impacts that did not use actual ratios could be less than reliable. Additionally, these same monetary impacts are further overstated as a result of overtime hourly rates being used versus straight time rates.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA. If you have any questions or require further information, please contact Mark Rosenwinkel, Manager Delivery Programs Support at 630-730-2833.


for Jo Ann Feindt

cc: Manager, Operations Program Support
Manager, Finance
Manager, Delivery Programs Support

ELLIS A. BURGOYNE
VICE PRESIDENT, SOUTHWEST AREA OPERATIONS



September 15, 2009

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS
OFFICE OF INSPECTOR GENERAL

SUBJECT: OIG NATIONAL REVIEW ON MANAGEMENT OF DPS PERCENTAGE
INCREASES FOR CITY DELIVERY (REPORT NUMBER DR-AR-09-DRAFT)

The Southwest Area agrees with the findings and recommendations from the nationwide audit of the Management of Delivery Point Sequencing (Project Number 09XG005DR000). Specifically, that our address databases should be updated in a timely manner, Multiple Point Records should be more closely monitored, 3M issues should be corrected, and DPS Improvement Teams should be utilized. In addition, as discussed during our meeting, we have concerns that inflation of cased letter volume is negatively impacting our current DPS percentage. While we agree with the monetary impact used in the model, reducing the cased letter inflation will lessen the monetary impact.

Internal volume recording audits reveal the following: 1) supervisors are not compressing the mail, 2) not recording mail to the nearest one inch increment, and 3) conversions are not being made for non-standard size mail.

Volume recording audits will continue to be conducted throughout the Southwest Area and processes will be implemented to improve our volume recording integrity.

The Southwest Area Districts included in your review had dramatically different M record percentages during FY 2008. The Dallas District had an M record percentage of .56% which was the best of any district reviewed by your office. In contrast Houston had an M record percentage of 2.51% which ranked them eighth of the thirteen districts. The Southwest Area was aware of the failure of the Houston District to properly review and take action on potential M record opportunities. As a result in December of 2008 the Houston District aggressively targeted all of their M records and reduced their total M record percentage for that month to .65% which is below the Southwest Area target of 1%. They have continued to improve their M record percentages and have one of the best percentages in the Southwest Area. Along with Houston each district has worked to reduce their M records. The Southwest Area had an M record percentage of 1.20% at the start of FY09 and now our total M record percentage is .61% which is under the 1% target. We will continue to seek M record opportunities in each district to achieve the highest DPS percentage possible.

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AMS strategies around business names have also been implemented. Operations at the Southwest Area tracks each district's improvement weekly and the results are shared on our regularly scheduled meetings with each district. As you have indicated during your review our districts had percentages ranging from 68.30% to 74.30%. Since your review

they have increased to 82.2% and 89.7%. At this time one district has exceeded the 98% target with three others being over 90%. We will continue to work with our districts and expect all to meet or exceed the 98% target by the end of QTR 1 of FY10.

If you have any questions concerning DPS improvement strategies please contact Scott Hooper, Acting Manager of Delivery Program Support.



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VICE PRESIDENT
CAPITAL METRO AREA OPERATIONS



September 15, 2009

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

Subject: Management of Delivery Point Sequencing Percentage Increases for City
Delivery-Nationwide Review (Report Number DR-AR-09 DRAFT)

As requested, this is the Capital Metro Area's response to the findings and recommendations referenced in the Draft Audit Report Management of Delivery Point Sequencing Percentage Increases for City Delivery Nationwide Review (Report Number DR-AR-09-DRAFT) dated August 26, 2009.

We agree with the findings that opportunities exist to improve the established processes to increase and sustain city Delivery Point Sequencing (DPS) percentages and reduce operating cost through the following: improvement of the automation database, utilization of the various tools available to assist in the finer depth of sort, such as DSMART, continue to monitor multiple delivery point records (M-Records) with emphasis on the resolution of recurring missent, missorted, and missequenced (3-M) data issues, and handling of non-DPS mail.

Recommendation #2: Area Vice Presidents direct District Managers to:

Require district officials to prioritize and execute tasks, such as updating address databases, monitoring and removing M-records, identifying and resolving sortation issues, and handling non-Delivery Point Sequencing mail in their delivery units.

Management Response:

The Capital Metro Area agrees with this recommendation. A letter from the Area Vice President was issued to the District Managers on August 26, 2009, upon receipt of the Draft audit identifying the direct need for District oversight in the Improvement of DPS performance.

Recommendation #3: Area Vice Presidents direct District Managers to:

Develop and execute an action plan to mitigate low city Delivery Point Sequencing percentages in delivery units.

Management Response:

The Capital Metro Area agrees with this recommendation. The DPS Improvement initiative includes the involvement of all functional areas. Emphasis is placed on all functional components for the improvement of DPS performance, such as enhanced automated database, processing functions, maintenance involvement, and employee workforce knowledge at both the district and Area level.

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Recommendation #4: Area Vice Presidents direct District Managers to:

Ensure accountability of Delivery Point Sequencing (DPS) Improvement Team members for completing assigned tasks to increase and sustain city delivery DPS percentages and reduce operating costs.

Management Response:

The Capital Metro Area agrees the DPS Improvement team should be held accountable to complete assigned tasks to increase and sustain city delivery DPS percentages. All districts have committed to the utilization of the DPS teams. District and Area team members and their functional roles and specific reports and activities to monitor specific performance trends have been provided to the Area. In addition, the Area DPS Improvement teams will provide oversight of the functional roles of district responsibility. The DPS Improvement initiative will continue to be emphasized by the review of the quality of DPS and improving the Address Management Data base and various tools available. We agree the current trend accurately reflects the opportunity for savings based on the current rate of improvement.

Historically, the Capital Metro Area has performed in the top half of the national average each year. We have made great strides in the improvement of the DPS performance from FY2007 to FY2008 by seven percentage points as illustrated in Table 1 of the Draft. Although we continue to trend upwards, we are aware of the additional opportunities and are committed to continuous improvement to capture savings through DPS opportunities and efficient work methods.

Freedom of Information Act (FOIA)

The Capital Metro Area does not believe this report contains any proprietary or business information which may not be disclosed pursuant to the Freedom of Information Act.

If you have any questions or need additional information, please contact Mr. Joseph Martin, Manager, Delivery Programs Support at 301-548-1418.

Thank you for the opportunity to review and comment on the subject draft audit report.


Jerry D. Lane

cc: Jeffrey Becker, Manager, Operations Support
Joseph Martin, Manager, Delivery Programs Support

NORTHEAST AREA OFFICE



September 18, 2009

LUCINE M. WILLIS, DIRECTOR, AUDIT OPERATIONS, USPS-OIG

SUBJECT: Draft Audit Report
Management of Delivery Point Sequencing Percentage Increases for City Delivery
Nationwide Audit - Management Review (Report Number DR-AR-09-DRAFT)

We have reviewed the above referenced document, including the three recommendations to the Area Vice Presidents as they apply to the Northeast Area. The Northeast Area is in agreement with these recommendations and findings.

We are not in agreement with the identified savings opportunity of \$12.8 million through FY 2010. The methodology used in the analysis has the following issues:

- The analysis utilized projected performance and does not reflect actual performance.
- The volume utilized does not consider the current volume loss experienced by the Postal Service since volumes utilized were projected.
- The methodology used FY 2007 as a base year forecast volume and performance based on the actual changes between FY 2007 and FY 2008. FY 2007 and FY 2008 had annual delivery day differences that do not reoccur in subsequent years. Forecasting this impact forward for FY 2009 and FY 2010 creates inaccuracies in savings identified in the analysis.
- The methodology does not consider operational and reporting changes that impact volume data utilized in the analysis. Massachusetts centralized DPS operations into the Central Massachusetts plant reducing carrier route volume reporting. This distorts the projected savings calculated for Massachusetts.
- The analysis is not consistent with the narrative. The narrative states unnecessarily incurred unrecoverable costs for locations that do not meet FY 2010 targets for DPS, as defined in the Postal Service Transformation Plan. The methodology projects Massachusetts at 97.65% DPS for FY 2010 DPS, which is well above the target yet the model identifies a potential F4 savings of over \$1.6 Million.

Recommendation #2

Require district officials to prioritize and execute tasks, such as updating address databases, monitoring and removing M-records, identifying and resolving sortation issues, and handling non-Delivery Point Sequencing mail in their delivery units.

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Response:

The Northeast Area concurs with this recommendation and has and will continue to provide direction and support for these tasks.

Action:

The Northeast Area currently still conducts AMS street verification audits annually despite the National change in policy to no longer conduct these audits. The NEA trained supervisors to perform AMS street audits in conjunction with their annual requirement to complete 3999's on every route and currently requires the districts to submit these to AMS for scoring. Also, the Northeast Area has a policy that will be re-issued from the AVP that requires the management and control for M-records be at the district level. This letter will be sent no later than 10/15/2009.

Recommendation #3

Develop and execute an action plan to mitigate low city Delivery Point Sequencing percentages in delivery units.

Response:

The Northeast Area is in agreement with this recommendation. However, it must be understood that there are both capacity and addressing hygiene that are not within their control at the delivery unit. Not every unit can utilize the hi-rise sortation capability due to stacker availability. There are also utilization and availability issues that are site specific.

Action:

The Northeast Area will continue to track DPS percentage at the delivery unit level to help identify opportunity for low percentage delivery units. EMIRs will be used to report mail that can not be run on MPE and all districts will be required to have an updated backflow plan in place by 10/31/09.

Recommendation #4


Ensure accountability of Delivery Point Sequencing (DPS) Improvement Team members for completing assigned tasks to increase and sustain city delivery DPS percentages and reduce operating costs.

Response:

The Northeast Area agrees with the recommendation for all districts that are not making the DPS target percentage.

Action:

The Northeast Area will require any district that is not meeting their DPS target to have a cross functional DPS Improvement Team to drive this activity and provide on-site support to the delivery units that have low DPS percentages. These teams will be identified to the combined Northeast Area by 10/31/09, as we need to finalize the staffing for the new Area structure.



Linda A. Kingsley
Acting Vice President
Northeast Area Operations