



September 27, 2006

SYLVESTER BLACK
VICE PRESIDENT, WESTERN AREA

SUBJECT: Management Advisory – Delivery and Retail Standard Operating
Procedures – Western Area (Report Number DR-MA-06-003)

This report presents the results of our review of the implementation of Delivery and Retail Standard Operating Procedures (SOP) in the Western Area (Project Number 06XG016DR008). Our overall objective was to assess implementation of Delivery and Retail SOP in the Western Area. This is one in a series of reports on Delivery and Retail Operations issued under the Value Proposition Agreement between the Vice President, Delivery and Retail, and the U.S. Postal Service Office of Inspector General Delivery and Retail directorate. The information in this report will be included in a nationwide capping report assessing implementation of Delivery and Retail SOP.

Western Area officials implemented Delivery and Retail SOP in city and rural delivery and Function 4 (customer service) operations. Implementation included training supervisors and managers, developing action steps for “vital few” units, and outlining future plans to complete remaining reviews and certifications by the end of fiscal year 2006. Officials also certified delivery and retail units under Morning SOP (AMSOP) and Rural Delivery SOP (RDSOP), and used a web-based tool, Customer Service Variance, to monitor Function 4 budget goals as an alternative to conducting Function 4 reviews. Based on our review of the city and rural delivery and Function 4 SOP, the Western area implemented each component of the SOP except for selected aspects of AMSOP and RDSOP certifications.


Western Area officials had only certified 4 percent of city delivery units under AMSOP. Area officials stated that AMSOP certification review requirements were challenging because the process was not conducive to all level 22 and above delivery units. Management stated that delivery unit organizational structures and staff experiences prevented units from meeting all of the certification requirements. Area officials indicated Postal Service Headquarters Delivery and Retail officials could improve the AMSOP by reassessing whether all requirements are critical to all level 22 and above delivery units. We recognize area officials’ concerns, and we plan to address these issues in the capping report to Postal Service Headquarters. Further, area officials had not monitored the certification of delivery units in RDSOP. Although area officials monitored RDSOP reviews, area officials did not fully understand the Postal Service

Delivery and Retail directives to monitor the units' certification of RDSOP. During our review, Western Area officials implemented corrective actions to assist their districts in achieving AMSOP certification and began to monitor RDSOP unit certification.

Additionally, area officials were continuing to address the challenges associated with the "vital few" performers. Western Area officials indicated that, although they were implementing the SOP, "vital few" performers were not performing to standards due to staff with limited experience. We recognize area officials' concern, and we plan to address this issue in the capping report to Postal Service Headquarters.

We provided management with a copy of the report and they had no issues with the findings. We are making no recommendations in this report to Western Area management.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Rita F. Oliver, Director, Delivery and Retail, or me at (703) 248-2300.

E-Signed by Colleen McAntee 
VERIFY authenticity with Approve!
Colleen McAntee

Colleen A. McAntee
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INTRODUCTION

Background

Each day the U.S. Postal Service receives and delivers over 700 million pieces of mail. The Postal Service delivers mail to 144 million city and rural addresses across a network of 37,000 post offices and retail outlets. To receive and deliver the mail, the Postal Service has an annual field budget of about \$60 billion of which roughly 51 percent is used for delivery and retail operations. Annual salary and benefits in fiscal year (FY) 2006 for rural and city carriers total about \$22 billion and around \$8 billion for Function 4 (customer service) operations. The Western Area's FY 2006 budget is \$3.4 billion for city and rural delivery operations¹ and \$1.1 billion for Function 4 operations. The area is responsible for 14 districts and services approximately 7,000 delivery and retail units.²

To ensure efficient use of resources, the Vice President, Delivery and Retail, issued a letter on September 30, 2005, stating that all delivery and retail units will officially implement Standard Operating Procedures (SOP) beginning in FY 2006 to establish standard practices for managing all delivery and retail functions. In November 2005, Postal Service senior management officials requested audit assistance from the U.S. Postal Service Office of Inspector General (OIG) to assess implementation of the SOP and determine how the area is monitoring the units on the "vital few"³ list. In response to the request, the OIG began its nationwide review of the Postal Service's implementation of SOP in January 2006.

The SOP consists of procedures to manage city and rural delivery and Function 4 operations. Postal Service officials must implement the SOP consistently and establish a review process to validate that the programs are operable. Officials must also take appropriate responsibility for developing plans that will assure that SOP are understood and functional.

¹ This total consists of \$2.5 billion for city delivery and \$.9 million for rural delivery operations.

² Some of these units do not have all three components – city delivery, rural delivery, and retail operations. Therefore, they do not have budgeted workhours for all three operations.

³ "Vital few" units have the largest opportunity for improvement in city and rural delivery and Function 4 operations and require specific management actions.

Morning SOP (AMSOP) is an important component of city delivery SOP. AMSOP standardizes daily city carrier functions to align actual workhours to base workhours. The FY 2006 goal is to certify⁴ all level 22⁵ and above Delivery Operating Information System (DOIS) sites by September 30, 2006.

The Rural Delivery SOP (RDSOP) standardizes daily rural carrier functions to align actual workhours to standard workhours. The FY 2006 goal is to certify⁶ 75 percent of units with 10 or more rural routes and those units identified as “vital few.”

The Function 4 operations goal is to provide a standardized and comprehensive structure for the development of an integrated review cycle that continually identifies and quantifies savings opportunities. In addition, management should conduct Function 4 Business Reviews⁷ to identify units with opportunities for workhour improvements.

A key component of the SOP is the identification of “vital few” units. These units have the largest opportunity for improvement in city and rural delivery and Function 4 operations and require specific management actions. Postal Service Headquarters provides area officials with the “vital few” list quarterly based on the performance of the previous quarter. The area monitors the “vital few” units and develops action plans to correct their performance issues in city and rural delivery and Function 4 operations.

Postal Service Headquarters provided delivery and retail standardization training to Area Managers of Delivery Support Programs on September 8 and 9, 2005. In addition,

⁴ District program managers conduct a certification review of a city delivery unit's operations to determine if supervisors are matching workhours to workload, time attendance reports, office configuration, and use of authorized overtime. Units must achieve a score of 95 or greater for certification.

⁵ A level 22 post office is a grade level assigned to the postmaster according to the total number of workload service credits attributed to the facility. The credits are based on a combination of the responsibilities of the postmaster, the number of employees, the size of the facility, and various operations performed within each post office.

⁶ District program managers conduct a formalized rural management review focusing on improving efficiency in an evaluated workload environment to more closely align actual to standard hours, reduce overtime, and reduce auxiliary assistance hours. Units must achieve a score of 85 or greater to achieve certification.

⁷ The on-site review focuses on improving efficiency in an evaluated workload environment, which will result in closer alignment of actual hours to budgeted hours. Function 4 SOP teams complete the on-site reviews and an Integrated Operations Business Plan Committee provides critical support to ensure attainment of major organizational targets.

Postal Service Headquarters issued a memorandum on October 13, 2005, to each area outlining the area's responsibility for training managers on the SOP. Each area was responsible for training districts by October 31, 2005. The districts were responsible for completing training for all levels of management by November 15, 2005. Further, Postal Service Headquarters requested that each area establish a review process to validate whether the SOP were adopted to ensure consistent implementation. Finally, Postal Service Headquarters informed area officials that the "vital few" list requires their attention and monitoring, which includes action plans to correct performance issues in city and rural delivery and Function 4 operations.

Objective, Scope and Methodology

Our overall objective was to assess implementation of Delivery and Retail SOP in the Western Area. Specifically, we determined whether Western Area officials have implemented SOP in city and rural delivery and Function 4 operations. The scope of this review focused on whether area officials implemented SOP at the area level and excluded review at selected district and delivery and retail units within the area. We did not determine the effectiveness of the implemented SOP at this time, but plan to perform future reviews and identify opportunities to increase revenue, reduce costs, and improve customer service.

We visited Postal Service Headquarters and the Western Area to interview management officials and obtain performance data. We selected the Western Area⁸ to review based on discussions with Postal Service Headquarters Delivery and Retail officials and review of FY 2006 delivery and retail performance data for week 10.⁹ We reviewed and analyzed performance data obtained from Postal Service systems from October 2005 through June 2006 and discussed the results with Postal Service officials.¹⁰ We relied on data from these systems to conduct interviews and analysis. However, we did not directly audit the systems, but discussed with Postal Service officials the

⁸ We performed an area level review in the Eastern, Pacific, Western, Northeast, and New York Metro Areas. We performed work at the area and selected districts and delivery and retail units in the Capital Metro, Great Lakes, Southeast, and Southwest Areas.

⁹ Week 10 performance data was only for that specific week. The weekly performance data roll-up processes began in week 14, with year-to-date information available beginning with week 19.

¹⁰ During our review timeframe, we analyzed performance data roll-up information for week 19 year-to-date and week 34 year-to-date.

relevance of the data to delivery and retail performance during our fieldwork.

We conducted our review from January through September 2006 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials and included their comments where appropriate.

Prior Audit Coverage

The OIG has issued 12 audit reports related to delivery and retail operations. While none of these reports are directly related to our objective, they do identify opportunities to improve delivery and retail operations. The details of the reports are included in Appendix A of this report.

RESULTS

Implementation of Standard Operating Procedures

Western Area officials implemented the SOP in city and rural delivery and Function 4 operations which included:

- Training supervisors and managers responsible for city and rural delivery and Function 4 operations to allow further implementation by the district and unit levels.¹¹
- Developing approved action steps for units identified as “vital few.”
- Outlining future plans to complete reviews on the remaining AMSOP and RDSOP locations by September 30, 2006.
- Instituting a web-based tool, Customer Service Variance¹² (CSV), as a substitute for Function 4 Business Reviews.

Western Area officials had certified 4 percent (14 of 287) of their level 22 and above DOIS sites under AMSOP.¹³ During FY 2006, week 34 year-to-date, the city delivery office hours (percent to standard) exceeded standard workhours by 102.51 percent. This was a decrease in hours from week 19 year-to-date, when the office hours exceeded the standard hours by 102.76 percent. During this same period, the deliveries per hour percentage exceeded the same period last year percentage by 1.54 percent. This was an increase from week 19 year-to-date, when the deliveries per hour percentage exceeded the same period last year percentage by 1.56 percent.¹⁴

¹¹ In the Western Area, officials identify the SOP as Critical Standard Operating Instructions (CSOI). In October 2005, the area conducted a CSOI “Train-the-Trainer” class to train district personnel who would later conduct net meetings presenting an overview of the CSOI certification test and self-assessment online. As of April 2006, personnel in seven of the 14 districts have passed the CSOI certification for city delivery, rural delivery, and Function 4 SOP.

¹² Western Area officials instituted a web-based tool, CSV, to monitor Function 4 operations and to identify budget expectations. They developed and used the CSV system to provide data online for area managers to conduct daily ongoing reviews of retail units’ performance instead of conducting costly on-site reviews.

¹³ Information as of April 2006.

¹⁴ We are planning a future review on city carrier street management.

During FY 2006, week 34 year-to-date, rural delivery total actual workhours exceeded standard workhours by 4.50 percent. This was a decrease from week 19 year-to-date, when the actual hours exceed the standard hours by 5.88 percent.

Postal Service Headquarters Delivery and Retail officials approved the area's use of the CSV instead of Function 4 Business Plans. Western Area officials used the CSV to monitor Function 4 operations and to identify Function 4 budget expectations. In addition, during FY 2006, week 34 year-to-date, Function 4 total earned hour variance was 1.6 million workhours. This was an increase from week 19 year-to-date when the earned hour variance was 805,301 workhours. During the same period, the window staffing efficiency for week 34 year-to-date was 75.7 percent. This was a decrease from week 19 year-to-date when the window staffing efficiency was 78.5 percent.

Based on our review of the city and rural delivery and Function 4 operations, the Western Area implemented each of the component's SOP except for selected aspects of AMSOP certifications and RDSOP certifications. (See Appendix B.) Specifically, the area had only certified 4 percent of city delivery units. Area officials stated that AMSOP certification review requirements were challenging because the process was not conducive to all level 22 and above delivery units. Management stated that delivery unit organizational structures and staff experiences prevented units from meeting all of the certification requirements. Area officials indicated Postal Service Headquarters Delivery and Retail officials could improve the AMSOP standards by reassessing whether all requirements are critical to all level 22 and above delivery units. We recognize area officials' concern, and we plan to address this issue in the capping report to Postal Service Headquarters.

Further, area officials had not monitored the certification of delivery units in RDSOP. Although area officials monitored RDSOP reviews, area officials indicated they did not fully understand the Postal Service Delivery and Retail directives to monitor the units' certification of RDSOP.

Area officials implemented corrective actions during our review. Specifically, area officials requested each district to develop a plan to complete the required AMSOP certifications by the end of FY 2006. As the certifications are completed, district officials plan to update the intranet website. Area officials also plan to review the website on a regular basis to monitor progress and perform random AMSOP certification reviews in districts during FY 2006 as units are certified. Additionally, officials began monitoring the certification of RDSOP for “vital few” performers and units with 10 or more rural routes.

Additionally, area officials were continuing to address challenges associated with the “vital few” performers. Western Area officials indicated that, although they were implementing the SOP, “vital few” performers were not performing to standards due to staff having limited experience. We recognize area officials’ concern and plan to address this issue in the capping report to postal headquarters officials.

**Morning Standard
Operating
Procedures**

Western Area Officials were working with districts to certify delivery units under the required AMSOP. As of April 2006, only 14 (4 percent) of the 287 level 22 and above units in the Western Area were AMSOP certified. Area officials stated AMSOP certification review requirements were challenging because the process was not conducive to all level 22 and above delivery units. Area officials also stated that delivery unit organizational structures and staff experiences prevented units from meeting all of the certification requirements.

The Postal Service implemented AMSOP nationally during FY 2005 for city delivery units. The national FY 2006 AMSOP goal is for all level 22 and above delivery units to achieve certification in FY 2006. The primary intent of the process is to standardize daily carrier office functions and improve management of carrier morning office processes. Effective implementation will reduce workhours, stabilize carrier departure and return times, and enhance service to our customers. In order to have an effective AMSOP process, cross-functional support and agreements are required.

Area officials indicated Postal Service Headquarters Delivery and Retail officials could improve the AMSOP standards by reassessing whether all requirements are critical to all level 22 and above delivery units. We recognize area officials' concerns, and we plan to address this issue in the capping report to Postal Service Headquarters.

During our review, area officials requested each district to develop a plan to complete the required AMSOP certifications by the end of FY 2006. As the certifications are completed, district officials plan to update the intranet website. Area officials also plan to review the website on a regular basis to monitor progress and perform random AMSOP certification reviews in districts during FY 2006 as units are certified. Since officials implemented corrective action, we are not making any recommendations.

**Rural Delivery
Standard Operating
Procedures**

Area officials had not monitored the certification of delivery units in RDSOP. Although area officials monitored RDSOP reviews, area officials indicated they did not fully understand the Postal Service Delivery and Retail directives to monitor the units' certification of RDSOP. If units identified as "vital few" and units with 10 or more rural routes are not certified, the Postal Service may not achieve its goal of improving efficiency in an evaluated workload environment and alignment of actual to standard hours.

Postal Service Headquarters Delivery and Retail officials established RDSOP reviews as a national requirement for FY 2006 to help create a consistent understanding of the requirements necessary for well-run, highly efficient rural delivery operations. The reviews focus on improving efficiency in an evaluated workload environment, which will result in closer alignment of actual to standard hours, reduced overtime, and a reduction in auxiliary assistance hours. The RDSOP requires 75 percent of all units identified as "vital few" and units with 10 or more rural routes to achieve certification status, described as attaining an "overall unit appraisal" score of 85% or greater, by September 30, 2006. Units with less than 10 rural routes and not part of "vital few" will complete self-reviews.

Area officials implemented corrective action during our review. They solicited district officials to identify units that have achieved RDSOP certifications. Area officials began monitoring RDSOP certifications in the 3rd quarter of FY 2006. Since officials implemented corrective action, we are not making any recommendations.

“Vital Few” Lists

Area officials were continuing to address challenges associated with the “vital few” units. Western Area officials indicated that, although they were implementing the SOP, “vital few” performers were not performing to standards due to employees having:

- Limited knowledge in all three operations: city delivery, rural delivery, and Function 4 operations.
- Diminishing skills.

Prior to the SOP, there was more emphasis on technology and less emphasis on developing skills in delivery and Function 4 operations.

Area officials planned to continue emphasizing the SOP and standardization with the “vital few,” which will make the process easier for officials to identify work outside standard time allowances. Area officials maintained SOP training materials and certification on their intranet to give all employees the access and the opportunities to enhance their skills in city delivery, rural delivery, and Function 4 operations. We recognize area officials’ concern, and we plan to address this issue in the capping report to Postal Service Headquarters.

APPENDIX A

PRIOR AUDIT COVERAGE

City Letter Carrier Operations – Greater Indiana District (Report Number DR-AR-06-003, dated March 28, 2006). The report outlined opportunities to improve the management of city letter carrier operations in the Greater Indiana District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 68,177 unjustified hours over the 5-month period from January 1 through May 31, 2005, that were not supported by volume or workload (total unrecoverable costs of \$765,487). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use Managed Service Points (MSP) base information to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

AM Standard Operating Procedures - Fiscal Year 2005 Financial Installation Audit (Report Number FF-AR-06-096, dated March 20, 2006). The report outlined that at 28 of the 36 post offices, stations, and branches where AMSOP are applicable, management had begun implementation. Of those, 11 had obtained certification and 17 were at various stages of certification. At the time of our work, eight units had not begun implementation. Several factors contributed to units not being certified. These factors included issues with the mail arrival agreement with the processing and distribution plant, posting and following the AMSOP, and Function 4 activities. We made no recommendations in this report to management.

City Letter Carrier Operations – Detroit District (Report Number DR-AR-06-002, dated February 8, 2006). The report outlined opportunities to improve the management of city letter carrier operations in the Detroit District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 59,208 unjustified hours over the 5-month period from January 1 through May 31, 2005, that were not supported by volume or workload (total unrecoverable costs of \$723,586). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use MSP to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

Address Management Systems – Southwest Area – Rio Grande District (Report Number DR-AR-06-001, dated January 25, 2006). The report outlined opportunities to improve the quality of Address Management System data and put \$988,945 of processing and delivery costs over the next 10 years to better use. Management agreed with our findings and recommendations and the \$988,945 in funds put to better use.

City Letter Carrier Operations – Chicago District (Report Number DR-AR-05-019, dated September 29, 2005). The report outlined opportunities to improve the management of city letter carrier operations in the Chicago District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 78,248 unjustified hours over the 5-month period from September 1, 2004, through January 31, 2005, that were not supported by volume or workload (total unrecoverable costs of \$2,020,200). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use MSP to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

City Letter Carrier Operations – Santa Ana District (Report Number DR-AR-05-013, dated August 8, 2005). The report outlined opportunities to improve the management of city letter carrier operations in the Santa Ana District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 83,864 unjustified hours over the 5-month period from May 1 through September 30, 2004, that were not supported by volume or workload (total unrecoverable costs of \$2,127,852). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use MSP to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

City Letter Carrier Operations – San Diego District (Report Number DR-AR-05-014, dated August 8, 2005). The report outlined opportunities to improve the management of city letter carrier operations in the San Diego District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 53,835 unjustified hours over the 5-month period from May 1 through September 30, 2004, that were not supported by volume or workload (total unrecoverable costs of \$1,423,935). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use MSP to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

City Letter Carrier Operations – Rio Grande District (Report Number DR-AR-05-009, dated December 2, 2004). The report outlined opportunities to improve management of city letter carrier operations in the Rio Grande District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected that the three delivery facilities had 5,318 unjustified hours (at an estimated cost of \$193,947) not supported by volume or workload over a 5-month period. We reported 2,543 of the unjustified hours – or \$92,762 – as unrecoverable costs. We also noted that supervisors and managers did not effectively use DOIS to manage daily operations and delivery unit supervisors and managers did not consistently perform street management

or effectively use MSP to monitor city letter carriers' street time to correct negative trends.

Function 4 – Customer Service Operations (Report Number DR-AR-04-014, dated September 30, 2004). The Postal Service can improve the effectiveness and efficiency of the Function 4 (customer service) process in meeting or exceeding its program goals of monitoring and measuring the potential savings of customer service operations. Specifically, Postal Service managers could improve customer service operations by fully utilizing the standardized Function 4 reviews and sharing proven practices.

City Letter Carrier Office Preparation in the Dallas District (Report Number DR-AR-04-005, dated July 26, 2004). The report stated that opportunities exist to improve Dallas District city letter carrier office preparation operations. Specifically, impediments existed that adversely impacted delivery supervisors and managers' ability to adequately match workhours with workload. In addition, city letter carriers' work activities were not always appropriate to ensure they departed the delivery unit as scheduled. Further, supervisors/managers did not use the DOIS to assist in managing office activities.

City Letter Carrier Street Management and Route Inspections in the Fort Worth District (Report Number DR-AR-04-001, dated June 22, 2004). The report stated that street management and route inspections were generally efficient and effective at the [REDACTED] and [REDACTED] Stations. Delivery unit supervisors monitored city delivery carrier's street time to conserve workhours by performing at least the minimum number of required street observations. However, while a route inspection was conducted at the [REDACTED] Station delivery unit, post route adjustment procedures were not followed to maintain routes at 8 hours.

City Carrier Productivity - Letter Carrier Delays in the Baltimore District (Report Number TD-AR-03-011, dated July 28, 2003). The report stated that early reporting wasted carriers' morning time and exposed the Baltimore District to potential unnecessary evening overtime costs. The report noted supervisors/managers were not using DOIS to manage carrier schedules and, consequently, could not use the system to evaluate carrier scheduling or take corrective action.

APPENDIX B

WESTERN AREA IMPLEMENTATION OF DELIVERY AND RETAIL STANDARD OPERATING PROCEDURES

SOP Areas	Western Area Officials Implemented Procedures	Dates SOP Implemented	SOP Areas for Improvement ¹⁵
City Delivery			
AMSOP	Yes	10/2005	No*
Integrated Operations	Yes	10/2005	No
Delivery Point Sequencing	Yes	10/2005	No
Collection Point Management	Yes	10/2005	No
Scanning Performance	Yes	10/2005	No
Matching Workhours to Workload	Yes	10/2005	No
Volume Recording	Yes	10/2005	No
Route Evaluations and Adjustments	Yes	10/2005	No
"Vital Few" Service Improvements	Yes	10/2005	No
Rural Delivery			
RDSOP	Yes	1/2006	No*
Growth and Delivery Point Mgmt	Yes	10/2005	No
Function 4			
Function 4 Business Review ¹⁶	Yes	10/2005	No
RDM WOS	Yes	10/2005	No

* Corrective action was taken during the review.

Source: Information provided by Postal Service Western Area officials.

¹⁵ OIG determination based on review results.

¹⁶ The Western Area used CSV system instead of the Function 4 Business Review.