September 25, 2006

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VICE PRESIDENT, SOUTHEAST AREA

SUBJECT: Management Advisory – Delivery and Retail Standard Operating
Procedures – Southeast Area (Report Number DR-MA-06-007)

This report presents the results of our review of the implementation of Delivery and
Retail Standard Operating Procedures (SOP) in the Southeast Area (Project Number
06XG016DR002). Our overall objective was to assess implementation of Delivery and
Retail SOP in the Southeast 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
(OIG) Delivery and Retail directorate. The information in this report will be included in a
nationwide capping report assessing implementation of Delivery and Retail SOP.

Southeast Area, selected districts and delivery and retail unit officials implemented the
Delivery and Retail SOP for 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 (FY) 2006. Officials also certified delivery
and retail units under Morning Standard Operating Procedures (AMSOP) and Rural
Delivery Standard Operating Procedures (RDSOP) and conducted Function 4 reviews.
Based on our review of the city and rural delivery and Function 4 SOP, the Southeast
Area implemented each component of the SOP except for selected aspects of AMSOP,
RDSOP, Function 4 Business Reviews, and Retail Data Mart Window Operations
Survey (RDM WOS). During our review, officials implemented corrective action to
improve the Function 4 Business Review and RDM WOS components.

The AMSOP component needs improvement because area officials did not have a
specific plan to approve corrective action steps for "vital few" units that do not achieve
AMSOP certification. In addition, the implementation of RDSOP needs improvement
because area officials had identified neither all units for their districts with 10 or more
rural routes for certification under the RDSOP, nor the routes for self-reviews. As a
result, the U.S. Postal Service goal of improving units' efficiency in an evaluated
workload environment and alignment of actual to standard hours could be adversely
impacted.

In addition, area officials were continuing to address the challenges associated with the "vital few" performers. Officials expressed concern that the SOP used to identify and rank "vital few" units did not include an evaluation of delivery units based on equal size and complexity. We recognize area officials' concern and plan to address this issue in the capping report to Postal Service Headquarters.

We recommended the Vice President, Southeast Area, direct the Area Manager, Delivery Programs Support, to review, approve, and monitor completion of corrective action plan steps for "vital few" units to achieve AMSOP certification. We also recommended the Vice President, Southeast Area, direct the Area Manager, Delivery Programs Support, to identify all units with 10 or more rural routes for certification and routes for self-review, and then monitor the results.

Management agreed with our recommendations and has initiatives in progress, completed, or planned addressing the issues in this report. Management's comments and our evaluation of these comments are included in the report.

The OIG considers all 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 the recommendations can be closed.

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
ERIFY authenticity with Approvel
C. McAntee

Colleen A. McAntee
Deputy Assistant Inspector General
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EXECUTIVE SUMMARY

Introduction	This report presents the results of our review of the implementation of Delivery and Retail Standard Operating Procedures (SOP) in the Southeast Area (Project Number 06XG016DR002). Our overall objective was to assess implementation of Delivery and Retail SOP in the Southeast Area.

Results in Brief

Southeast Area, selected districts and delivery and retail unit officials implemented the Delivery and Retail SOP for city and rural delivery and Function 4 (customer service) operations. Implementation included training supervisors and managers, developing action steps for "vital few"[1] units and outlining future plans to complete remaining reviews and certifications by the end of fiscal year (FY) 2006. Officials also certified delivery and retail units under Morning Standard Operating Procedures (AMSOP) and Rural Delivery Standard Operating Procedures (RDSOP), and conducted Function 4 reviews. Based on our review of the city and rural delivery and Function 4 SOP, the Southeast Area implemented each component of the SOP except for selected aspects of AMSOP, RDSOP, Function 4 Business Reviews, and Retail Data Mart Window Operating Survey (RDM WOS). Officials implemented corrective action during our review to improve the Function 4 Business Review and RDM WOS components.

The AMSOP component needs improvement because area officials did not have a specific plan to approve corrective action steps for "vital few" units that do not achieve AMSOP certification. In addition, the implementation of RDSOP needs improvement because area officials had identified neither all units with 10 or more rural routes for certification under the RDSOP, nor the routes for self-reviews. As a result, the Postal Service goal of improving units' efficiency in an evaluated workload environment and alignment of actual to standard hours could be adversely impacted.

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[1] "Vital few" units have the largest opportunity for improvement in city and rural delivery and Function 4 (customer service) operations and require specific management actions.

In addition, area officials were continuing to address the challenges associated with the "vital few" performers. Officials expressed concern that the SOP used to identify and rank "vital few" units did not include an evaluation of delivery units based on equal size and complexity. We recognize area officials' concern and plan to address this issue in the capping report to postal headquarters officials**.**

Summary of Recommendations	We recommended the Vice President, Southeast Area, direct the Area Manager, Delivery Programs Support, to review, approve, and monitor completion of corrective action plan steps for "vital few" units to achieve AMSOP certification. We also recommended the Vice President, Southeast Area, direct the Area Manager, Delivery Programs Support, to identify all units with 10 or more rural routes for certification and routes for self-review, and then monitor the results**.**
Summary of Management's Comments	Management agreed with the findings and recommendations. Management completed site visits to each district to review corrective action plans and to make certain corrective action plans were executed properly. Management provided additional details in subsequent discussions regarding the planned oversight process that included assigning a designee at the area level to: (1) provide training to district offices and delivery units, (2) require district offices to submit corrective action plans to the area for review when delivery units do not achieve AMSOP certification, and (3) track the progress of the corrective action plans to verify completion. Further, management developed a spreadsheet to identify all units with 10 or more rural routes and routes for self-review. Management plans to use the spreadsheet to track and monitor RDSOP certification results. Management's comments, in their entirety, are included in Appendix C.
Overall Evaluation of Management's Comments	Management's comments are responsive to the recommendations and the actions taken should correct the issues identified in the findings.

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 approximately $60 billion of which about 51 percent is used for delivery and retail operations. Annual salary and benefits in fiscal year (FY) 2006 for rural and city carriers total around $22 billion and approximately $8 billion for Function 4 (customer service) operations. The Southeast Area's FY 2006 budget is $2.87 billion[2] for city and rural delivery operations and $1.04 billion for Function 4 operations. The area is responsible for nine districts and services approximately 1,027 delivery and retail units.[3]

To ensure the 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 the Standard Operating Procedures (SOP) beginning in FY 2006 to establish standard practices for managing all delivery and retail functions. In November 2005, postal 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 units on the "vital few" list. In response to postal senior management officials' request, the OIG began its nationwide review of the Postal Service's implementation of the SOP in January 2006.

The SOP consists of procedures to manage city and rural delivery and Function 4 operations. Postal 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 the SOP are understood and functional.

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[2] This total consists of $1.81 billion for city delivery and $1.06 billion for rural delivery operations.
[3] 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.

Morning (AM) SOP 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 certify[4] all level 22[5] and above Delivery Operations Information System (DOIS) sites by September 30, 2006.

For rural delivery, the SOP standardizes daily rural carrier functions to align actual workhours to standard workhours. The FY 2006 goal is to certify[6] 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 Reviews[7] to identify units with the largest opportunity 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

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[4] District program managers conduct a certification audit 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 to achieve certification.

[5] A level 22 post office is a grade level assigned to the postmaster of a post office according to the total number of workload service credits attributed to the facility. The components of 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 (customer service) SOP teams complete the on-site reviews and an Integrated Operations Business Plan Committee provides critical support to ensure attainment of major organizational targets.

Support Programs on September 8 and 9, 2005. In addition, 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 to 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 Southeast Area. Specifically, we determined whether Southeast 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 the SOP at the area level and at selected districts and delivery and retail units within the area. We did not determine the effectiveness of the implemented SOP, but plan to perform future reviews and identify opportunities to increase revenue, reduce costs, and improve customer service.

We visited postal headquarters and the Southeast Area to interview management officials and obtain performance data. We judgmentally selected the Central Florida and Tennessee Districts and ███████ Branch, ███████████ ████████████████████████████████ delivery and retail units 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.[8] We reviewed and analyzed performance data obtained from Postal Service systems from October 2005 through May 2006 and discussed the results with postal officials.[9] We relied on data from these systems to conduct interviews and analysis. However, we did not directly audit

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[8] 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.
[9] During our review timeframe, we analyzed performance data roll-up information for week 19 year-to-date and week 34 year-to-date.

the systems, but discussed with Postal Service officials the relevance of the data to delivery and retail performance during our fieldwork.

We conducted this 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 management of delivery and retail operations. The details of the reports are included in Appendix A.

RESULTS

Implementation of Standard Operating Procedures in the Southeast Area

Southeast Area, selected districts and delivery and retail unit officials implemented the SOP in city and rural delivery and Function 4 (customer service) operations which included:

- Completing SOP training between October and November 2005, for supervisors and managers responsible for city and rural delivery and Function 4 operations at the district and unit levels.[10]

- Developing action steps for units identified as "vital few."

- Outlining future plans to complete reviews on the remaining AMSOP, RDSOP, and Function 4 Business Review locations by September 30, 2006.

Southeast Area officials certified 29 percent (79 of 275)[11] of their Level 22 and above DOIS sites under AMSOP. During FY 2006, week 34 year-to-date, the city delivery office hours (percent to standard) exceeded standard workhours by 97.93 percent. This was a decrease in hours from week 19 year-to-date, when the office hours exceeded the standard hours by 98.88 percent. During this same period, the delivery per hour percentage exceeded the same period last year percentage by 1.49 percent. This was a decrease from week 19 year-to-date, when the delivery per hour percentage exceeded the same period last year percentage by 2.01 percent.[12]

Further, area officials had certified 46 percent (360 of 781)[13] of their rural units. During FY 2006, week 34 year-to-date, rural delivery total actual workhours exceeded standard workhours by 4.15 percent. This was a decrease from week 19 year-to-date, when the actual hours exceeded the standard hours by 5.04 percent.

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[10] The area conducted a leadership meeting for all Executive Administration and Salary (EAS) managers in city and rural delivery and Function 4 operations. In addition, the SOP were placed on the area's website.

[11] This data is current as of May 2006. The Southeast Area set a target goal of certifying 23 Level 22 and above DOIS sites per month during FY 2006. Southeast Area officials had a target goal to certify 184 Level 22 and above DOIS sites by May 2006.

[12] We are planning a future review on city carrier street performance.

[13] This data is current as of May 2006. The Southeast Area set a target goal of certifying 87 rural delivery units during FY 2006. Southeast Area officials had a target goal to certify 435 rural delivery units' sites by May 2006.

Finally, area officials had conducted Function 4 Business Reviews at 51 percent (154 of 304) of their planned locations.[14] During FY 2006, week 34 year-to-date, Function 4 total earned hour variance was 1.27 million workhours. This was an increase from week 19 year-to-date when the earned hour variance was 653,883 workhours. During the same period, the window staffing efficiency for week 34 was 79.5 percent. This was a decrease from week 19 when the window staffing efficiency was 81.1 percent.

Based on our review of the city and rural delivery and Function 4 SOP, the Southeast Area implemented each component of the SOP except for selected aspects of AMSOP, RDSOP, Function 4 Business Reviews, and Retail Data Mart Window Operations Survey (RDM WOS). (See Appendix B.) Officials implemented corrective action during our review to improve the Function 4 Business Review and RDM WOS components.

The AMSOP component needs improvement because area officials did not review and approve corrective action steps for "vital few" units that do not achieve AMSOP certification. In addition, the RDSOP area needs improvement because area officials had not identified all units with 10 or more rural routes for certification under the RDSOP nor the routes for self-reviews. As a result, the Postal Service goal of improving units' efficiency in an evaluated workload environment and alignment of actual to standard hours could be adversely impacted.

Additionally, area officials were continuing to address the challenges associated with the "vital few" performers, which include developing action steps for units identified as "vital few." Officials expressed concern that the SOP used to identify and rank "vital few" units did not include an evaluation of delivery units based on equal size and complexity. We recognize area officials' concern and plan to address this issue in the capping report to postal headquarters officials.

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[14] This data is current as of May 2006.

Morning Standard Operating Procedures	Although the Southeast Area implemented the SOP, area officials did not adequately review and approve corrective action plans for "vital few" units that did not achieve AMSOP certification.

The two delivery units visited in the Central Florida District were not AMSOP certified and did not have a corrective action plan to address the improvement areas and achieve certification. Area and district officials stated that they have made AMSOP requirements part of their overall strategies for FY 2006. Area and district officials discuss unit status at area operations meetings and continue to monitor progress. However, the officials did not adequately review, approve, and monitor completion of action plans for level 22 and above units to achieve AMSOP certification status by the end of FY 2006. As a result, the Postal Service goal of improving units' efficiency in an evaluated workload environment and alignment of actual to standard hours could be adversely impacted.

AMSOP was implemented nationally during FY 2005 for city delivery units to standardize daily city carrier functions to align actual workhours to base workhours. The FY 2006 goal is that all level 22 and above DOIS sites become AMSOP certified by September 30, 2006. In order to have an effective AMSOP process, officials must work jointly to create and establish procedures for daily commitments towards each other's success. The expectation is that "vital few" units will develop area approved action plans for improvement to avoid being on the "vital few" list the next quarter and to help them achieve certification status.

During the review, district officials followed-up on the units and developed a corrective action plan to certify the units by the end of FY 2006.

Recommendation	We recommend the Vice President, Southeast Area, direct the Area Manager, Delivery Programs Support to: 1. Review, approve, and monitor completion of corrective action plan steps for "vital few" units to achieve AMSOP certification.
Management's Comments	Management agreed with the finding and recommendation. Management completed site visits to each district to review corrective action plans and to make certain corrective action plans are executed properly. Management provided additional details in subsequent discussions regarding the planned oversight process that included assigning a designee at the area level to: (1) provide training to district offices and delivery units, (2) require district offices to submit corrective action plans to the area for review when delivery units do not achieve AMSOP certification, and (3) track the progress of the corrective action plans to verify completion.
Evaluation of Management's Comments	Management's comments are responsive to the recommendation and the actions taken should correct the issue identified in the finding.

| **Rural Delivery Standard Operating Procedures** | Area officials had not identified all units with 10 or more rural routes for certification for their districts or the routes for self-reviews. This occurred because management's primary focus was reviewing and certifying rural units on the "vital few" list.

Postal Service Headquarters 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 review focuses on improving efficiency in an evaluated workload environment, which will more closely align actual to standard hours, reduce overtime, and reduce 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 by September 30, 2006. Units with less than 10 rural routes and not part of "vital few" will complete a self-review.

As a result, units not identified for review could adversely affect the Postal Service goal of improving efficiency in an evaluated workload environment and alignment of actual to standard hours. |
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| **Recommendation** | We recommend the Vice President, Southeast Area, direct the Area Manager, Delivery Programs Support to:

2. Identify all units with 10 or more rural routes for certification and routes for self-review, and then monitor the results. |
| **Management's Comments** | Management agreed with the finding and recommendation. Management developed a spreadsheet to identify all units with 10 or more rural routes for certification and routes for self-review. Additionally, management will use the spreadsheet to track and monitor RDSOP certification results. |
| **Evaluation of Management's Comments** | Management's comments are responsive to the recommendation and the actions taken should correct the issue identified in the finding. |

Function 4 Business Reviews

Central Florida and Tennessee District officials had not assembled a Function 4 team or developed the Integrated Operations Business Plan Committee to prevent review delays and achieve the business plan goals. Central Florida District officials stated that weather conditions was a contributing factor in the delays associated with assembling a team of qualified individuals who could devote adequate time to complete the scheduled Function 4 reviews for first quarter FY 2006. Tennessee District officials delayed Function 4 reviews in Quarter I of FY 2006, due to staff turnovers associated with the removal of the previous manager of Delivery and Customer Service Programs. Further, neither district's officials had established formal Integrated Operations Business Plan Committees, but participated in informal meetings on an "as needed basis."

Postal Service Headquarters officials established Function 4 reviews as a national requirement for FY 2006, to help create a consistent understanding of the requirements necessary for well-run, highly efficient customer service operations. Also, the Function 4 reviews target postal facilities for on-site reviews where opportunities exist for workhour reductions. Function 4 SOP require utilization of the Business Review plan to establish on-site review steps that ultimately lead to a standardized process cycle, savings opportunities, performance achievements, and applied performance expectations. The on-site review focuses on improving efficiency in an evaluated workload environment, which will result in closer alignment of actual to budgeted hours. Function 4 review teams complete the on-site reviews and an Integrated Operations Business Plan Committee provides critical support to ensure attainment of major organizational targets.

Central Florida officials implemented corrective action during the review, which included hiring two retired postal employees familiar with the review process to complete the scheduled Function 4 reviews and ensure the district achieves its business plan goals by the end of the fiscal year. In addition, Tennessee District officials designated an Acting Manager, Delivery and Customer Services Program, during the review, to oversee the completion of their district's scheduled Function 4 reviews and establish a committee to ensure achievement of the plan goals by the end of the fiscal year. Since officials implemented

corrective action during the review, we are not making any recommendations on Function 4 Business Reviews.

Retail Data Mart Window Operations Survey

████████ Post Office unit officials did not use the RDM WOS staffing graph. Officials indicated they did not utilize the graphs due to their unfamiliarity after recent implementation in November 2005. However, officials did review informal, internal reports detailing earned versus actual hour performance and staffed the windows according to historical knowledge of window customer activity, plan budget hours, and the informal earned versus actual hour performance reports provided by district level management.

The RDM WOS tool is used during standardized Function 4 on-site reviews at retail postal units. The tool provides information on the retail workload based on the number and types of transactions conducted at the retail counter. [15] Postal officials convert the retail workload information to earned workhour data. Also, the results assist management in determining productivity levels and the proper staff scheduling to meet customer demands and attain established annual workhour budget goals. The RDM WOS provides information on ranking opportunity in retail based on actual performance versus earned workhours.

Officials indicated that they would continue to place emphasis on the SOP and using the RDM WOS staffing graph in the unit location. As of June 1, 2006, officials implemented use of the RDM WOS staffing graph tool. Since officials implemented corrective action during the review, we are not making any recommendations on RDM WOS.

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[15] The types of transactions include Priority and Express Mail®, stamp and money order purchases, passports, and mailboxes. Postmasters assign mobile units, at their discretion, to retail postal units in order to provide limited retail activity in remote locations such as retirement homes and community centers.

"Vital Few" Lists	Area officials were continuing to address the challenges associated with the list of "vital few" performers. Southeast Area officials indicated that Postal Service Headquarters officials provided the area with the weekly city delivery "vital few" list; however, they received no information on rural delivery and the results of the Function 4 reviews. Area officials were obtaining the rural delivery "vital few" lists information from the Enterprise Data Warehouse (EDW) and providing the results to district officials. Area officials expressed concern about not receiving the rural delivery "vital few" and Function 4 review data from Postal Service Headquarters officials quarterly. Officials attempted tracking the status of the Function 4 reviews during the first quarter of FY 2006, but were unable to continue the process due to the voluminous amount of data for the unit locations in the second quarter. We recognize area officials' concern and plan to address this issue in the capping report to postal headquarters officials.

Additionally, officials were conducting weekly teleconferences with district officials on the "vital few" units. These teleconferences included discussions to develop and approve action steps, communicate management expectations, and determine the causes for the discrepancies. Officials assigned managers of Postal Retail Operations in each district to identify "vital few" units and oversee retail performance. They also provided placards and other tools to delivery unit managers to improve labor distribution code charges. Officials also plan to continue placing emphasis on the SOP standardization with the "vital few," which will make the process easier for officials to identify work outside standard time allowances.

Officials stated that although they were making efforts to address the challenges associated with the "vital few," low performers will continue to exist because the SOP used to identify and rank "vital few" units did not include an evaluation of delivery units based on equal size and complexity. Specifically, area officials stated that the methodology used to rank units on the delivery per hour

performance indicator did not take into consideration units in high growth areas (significant increases in possible deliveries) when comparing the performance to same period last year.

Additionally, officials stated that the delivery methodology used to rank units using poor percent to standard scores did not take into consideration unit size. Further, officials stated that the methodology used to rank units based on the window staffing efficiency indicators utilizes inaccurate information. They stated the information is inaccurate due to incorrect charging of labor distribution codes, inconsistent use of the Point-of-Service ONE[16] machines to record number and types of transactions by time of day, and conflicts with the wait-time-in-line goals. We recognize area officials' concerns regarding identification and ranking of units incorporating size and complexity of unit locations, and we plan to address these issues in the capping report to Postal Service Headquarters.

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[16] The Postal Service uses the Point-of-Service (POS) ONE systems to increase operating efficiency in the collection of the number and types of transactions conducted at the retail counter for the retail associates by time of day. We are planning a future review of POS.

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) 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 applied, 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 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 affected 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 and 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 ▆▆▆▆▆▆ and ▆▆▆▆▆▆ Stations. Delivery unit supervisors monitored city delivery carriers' 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 ▆▆▆▆▆ 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. It was noted supervisors and managers were not using DOIS to manage carrier schedule, and, consequently, could not use the system to evaluate carrier scheduling or take corrective action.

APPENDIX B. SOUTHEAST AREA IMPLEMENTATION OF DELIVERY AND RETAIL STANDARD OPERATING PROCEDURES

SOP Areas	Southeast Area Officials Implemented Procedures	Dates SOP Implemented	SOP Areas for Improvement
City Delivery			
AMSOP	Yes	10/2005	Yes
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	10/2005	Yes
Growth and Delivery Point Mgmt	Yes	10/2005	No
Function 4			
*Function 4 Business Review	Yes	10/2005	No
*RDM WOS	Yes	10/2005	No

*Corrective action was taken during the review.

Source: Information provided by postal Southeast Area officials

APPENDIX C. MANAGEMENT'S COMMENTS

DELIVERY PROGRAMS SUPPORT
SOUTHEAST AREA

**UNITED STATES
POSTAL SERVICE**

September 12, 2006

MEMORANDUM FOR: Ms. Kim H. Stroud
                   Director, Audit Reporting
                   Office of Inspector General

SUBJECT: Delivery and Retail Standard Operating Procedures
                    (SOPs)

The Office of Inspector General reviewed the implementation of Delivery and Retail Standard Operating Procedures (SOPs) in the Southeast Area (Project Number 06XG016DR002). The overall objective was to assess the implementation of Delivery and Retail SOPs in the Southeast Area. The recommendations and Southeast Area responses follow:

OIG Recommendation #1 – Area Manager, Delivery Programs Support, to review approve and monitor completion of corrective action plan steps for "vital few" units to achieve AMSOP certification.

Southeast Area Response – Area oversight to review, approve, and monitor completion of corrective action plan steps for "vital few" units to achieve AMSOP certification is in place. We have conducted on-site reviews in our Districts during July and August.

OIG Recommendation #2 – Area Manager, Delivery Programs Support, to identify all units with 10 or more rural routes for certification, routes for self-review, and monitor results.

Southeast Area Response – All rural units with ten or more rural routes for RDSOP certification and routes for self-review have been identified via a spreadsheet that will additionally be used to monitor results.

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Manager, Delivery Programs Support (Area)

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