February 22, 2007

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VICE PRESIDENT, DELIVERY AND RETAIL

SUBJECT: Management Advisory – Delivery and Retail Standard Operating
Procedures – National Capping Report (Report Number DR-MA-07-003)

This report presents the results of our self-initiated review of Delivery and Retail
operations in the Capital Metro, Eastern, Great Lakes, New York Metro, Northeast,
Pacific, Southeast, Southwest, and Western Areas (Project Number 06XG016DR009).
This report summarizes a series of nine reports on standard operating procedures
(SOP) issued under the Value Proposition Agreement between the Vice President,
Delivery and Retail, and the U.S. Postal Service Office of Inspector General's (OIG)
Delivery and Retail Directorate. Our overall objective was to assess implementation of
the SOP.

All nine U.S. Postal Service areas and selected district and delivery and retail units
within the Capital Metro, Great Lakes, Southeast, and Southwest Areas implemented
the Delivery and Retail SOP for city and rural delivery and Function 4 operations.
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. Further, area managers implemented corrective
actions to improve Delivery Point Sequence (DPS) scores. Finally, 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."

Opportunities existed to improve implementation of the Delivery and Retail SOP within
the Postal Service. Although all nine Postal Service areas implemented the City
Delivery Operations SOP, we identified areas for improvement in AMSOP, integrated
operating plans (IOPs), volume recording, DPS, and matching workhours to workload.

We recommended Area Vice Presidents direct area managers of Delivery Program Support to develop a plan to help all level 22 and above units achieve AMSOP certification by the end of fiscal year 2006. We also recommended Area Vice Presidents direct district managers to follow SOP for revising IOPs, measure mail volume, and adhere to policies for matching workhours to workload. Further, we recommended Area Vice Presidents direct managers to identify all units with 10 or more rural routes for certification or self-review. Finally, we recommended Area Vice Presidents direct district managers to require unit managers to staff retail window operations using Retail Data Mart Window Operations Survey.

Area and district officials agreed with our findings and recommendations. Management implemented corrective actions to address the findings in these reports. Therefore, we are not making recommendations that require management's comments.

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) 248-2100.

E-Signed by Colleen McAntee
ERIFY authenticity with Approve
C. McAntee

Colleen A. McAntee
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Attachments

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EXECUTIVE SUMMARY

Introduction

This report presents the results of our self-initiated review of Delivery and Retail operations in the Capital Metro, Eastern, Great Lakes, New York Metro, Northeast, Pacific, Southeast, Southwest, and Western Areas. This report summarizes a series of nine reports on standard operating procedures (SOP) issued under the Value Proposition Agreement between the Vice President, Delivery and Retail, and the U.S. Postal Service Office of Inspector General's (OIG) Delivery and Retail Directorate. Our overall objective was to assess implementation of the Delivery and Retail SOP.

Results in Brief

All nine Postal Service areas and selected district and delivery and retail units within the Capital Metro, Great Lakes, Southeast, and Southwest Areas implemented the Delivery and Retail SOP for city and rural delivery and Function 4 (customer service) operations. 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. Further, area managers have implemented corrective actions to improve Delivery Point Sequence (DPS) scores. Finally, area officials were continuing to address the challenges associated with the "vital few" performers, which include developing action steps for these units.

Opportunities existed to improve implementation of the Delivery and Retail SOP within the Postal Service. Although all nine Postal Service areas implemented the City Delivery Operations SOP, we identified areas for improvement in AMSOP, integrated operating plans, volume recording, DPS, and matching workhours to workload.

We recommended Area Vice Presidents direct area managers of Delivery Program Support to develop a plan to help all level 22 and above units achieve AMSOP certification by the end of fiscal year 2006. We also recommended Area Vice Presidents direct district managers to follow SOP related to revising IOPs, measure mail volume, and adhere to policies for adequately matching workhours to workload. Further, we recommended Area Vice Presidents direct managers to identify all units with 10

or more rural routes for certification or self-review. Finally, we recommended Area Vice Presidents direct district managers to require unit managers to staff retail window operations using Retail Data Mart Window Operations Survey.

Summary of Recommendations	Area and district officials agreed with our findings and recommendations. Management implemented corrective actions to address the findings in these reports. Therefore, we are not making recommendations that require management's comments.

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 approximately 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, roughly 51 percent of which it uses for delivery and retail operations. Annual salary and benefits in fiscal year (FY) 2006 for rural and city carriers total about $22 billion and about $8 billion for Function 4 (customer service) operations.

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 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 quick response audit assistance from the U.S. Postal Service Office of Inspector General's (OIG) Delivery and Retail Directorate to assess implementation of the SOP and determine how the areas are monitoring the units on the "vital few"[1] list. In response to the request, the directorate 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 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 the SOP are understood and functional.

Morning Standard Operating Procedures (AMSOP) is an important component of City Delivery Operations SOP. AMSOP standardizes daily city carrier functions to align actual workhours to base workhours. The FY 2006 goal was to

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[1] "Vital few" units are those with hours above standard that have the largest impact on national performance.

certify[2] all level 22[3] and above Delivery Operations Information System (DOIS) sites that are AMSOP certified by September 30, 2006.

For rural delivery, the Rural Delivery Standard Operating Procedures (RDSOP) standardizes daily rural carrier functions to align actual workhours to standard workhours. The FY 2006 goal was to certify[4] 75 percent of units with 10 or more rural routes and those units identified as "vital few."

The Function 4 operations goal was to provide a standardized and comprehensive structure for the development of an integrated review cycle that continually identified and quantified savings opportunities. In addition, management should conduct Function 4 Business Reviews[5] to identify units with the largest opportunity for workhour improvements.

A key component of the SOP was 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 provided area officials with the "vital few" list quarterly, based on the performance of the previous quarter. The areas monitored the "vital few" units and developed 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 7 and 8, 2005. In addition, Postal Service Headquarters issued a

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[2] District program managers conduct a certification audit of a city delivery unit's operations to determine if supervisors are matching workhours to workload, reviewing time attendance reports, and monitoring use of authorized overtime. Units must achieve a score of 95 or greater to achieve certification.

[3] A level 22 post office is one assigned to the postmaster of a post office according to the total number of workload service credits attributed to the facility. The credits are a combination of the responsibilities of the postmaster, the amount of employees, the size of the facility, and various operations performed within each post office.

[4] District program managers conduct a formalized rural management review focusing on improving efficiency in an evaluated workload environment to achieve a closer alignment of actual to standard hours, reduced overtime, and reduction in auxiliary assistance hours. Units must have a score of 85 or greater to achieve certification.

[5] 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.

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 training 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 delivery, rural delivery, and Function 4 operations.

In August 2006, Postal Service Headquarters developed a new training video, *Basic Supervisory Tools for Managing in a Changing Delivery Environment,* for city and rural delivery. The Postal Service has assigned this training two course numbers: one for the combined city and rural delivery and one for rural delivery only. Postal Service Headquarters required management to provide copies of each training video and conduct training according to a district-controlled plan. District officials conducted training from September through November 2006. As of December 2006, district officials have trained approximately 14,048 employees for the combined city and rural delivery, and 4,932 employees for rural delivery only.

This training video is designed to assist delivery unit managers and supervisors in focusing on their essential responsibilities and core daily duties when managing a successful delivery unit. The training videos identify standard processes already in place and/or nearing implementation. The training covers use of AMSOP and Integrated Operating Plans, the Delivery Operations Information System, and Managed Service Points as daily tools and describes how each of the processes affect downstream operations. The training video effectively illustrates what tools to use, how and when to use them, and why each is critical for effective daily management of units. It also identifies tools and reports management must use daily to monitor carriers' performance in the office and on the street.

Objective, Scope, and Methodology

Our overall objective was to assess implementation of Delivery and Retail SOP in all nine Postal Service areas. Specifically, we determined whether area officials have implemented SOP in city and rural delivery and Function 4 operations.

During our review, we visited all nine areas and selected district and delivery and retail unit locations within the Capital Metro,[6] Great Lakes,[7] Southeast,[8] and Southwest[9] Areas. 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 all nine Postal Service areas to interview management officials and obtain performance data. We judgmentally selected districts and delivery and retail units in the Capital Metro, Great Lakes, Southeast, and Southwest Areas based on discussions with Postal Service Headquarters Delivery and Retail officials and review of FY 2006 delivery and retail performance data for week 10.[10] We reviewed and analyzed performance data obtained from Postal Service systems from October 2005 through May 2006 and discussed the results with Postal Service officials.[11] We relied on data from these systems to conduct interviews and analysis; however, we did not directly audit the systems, but inquired about the relevance of the data to delivery and retail performance during our fieldwork.

We conducted the review from August 2006 through February 2007 in accordance with 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.

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[6] The Capital and Baltimore Districts were judgmentally selected within the Capital Metro Area.
[7] The Central Illinois and Greater Indiana Districts were judgmentally selected within the Great Lakes Area.
[8] The Central Florida and Tennessee Districts were judgmentally selected within the Southeast Area.
[9] The Fort Worth and Houston Districts were judgmentally selected within the Southwest Area.
[10] 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.
[11] During our review timeframe, we analyzed performance data roll-up information for week 19 year-to-date and week 34 year-to-date.

Prior Audit Coverage	The OIG issued nine reports directly related to our objectives. These reports identified opportunities to improve the implementation of Delivery and Retail SOP. The OIG also 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. We have included a complete listing of the reports in Appendix A.

RESULTS

Implementation of Standard Operating Procedures

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

- Completing SOP training from September through November 2005 for supervisors and managers responsible for city and rural delivery and Function 4 (customer service) operations at the district and unit levels.[12]

- Developing approved 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.

Tables 1, 2, and 3 below indicate the implementation, by area, of AMSOP, RDSOP, and Function 4 Business Reviews.

Table 1. Percentage of AMSOP Certified Level 22 and above DOIS Units

Area	% of AMSOP Certified units	Total Number of AMSOP Certified Units
Southwest	62	112 of 182
New York Metro	53	80 of 152
Eastern	50	247 of 496
Pacific	46	175 of 377
Southeast	29	79 of 275
Northeast	26	47 of 180
Great Lakes	17	33 of 199
Capital Metro	6	5 of 78
Western	4	14 of 287

Source: Information provided by Postal Service Area officials

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[12] The Capital Metro, Great Lakes, Pacific, Southeast, Southwest, and Western Areas conducted a leadership meeting for its managers in city and rural delivery and Function 4 operations.

Table 2. Percentage of RDSOP Certified Units

Area	% of RDSOP Certified units	Total Number of RDSOP Certified Units
Pacific	84	355 of 421
New York Metro	68	39 of 57
Southeast	46	360 of 781
Great Lakes	38	53 of 140
Northeast	34	50 of 147
Eastern	14	75 of 520
Capital Metro	11	12 of 109
Southwest	9	13 of 150
Western	0[13]	

Source: Information provided by Postal Service Area officials

Table 3. Percentage of Completed Function 4 Business Reviews

Area	% of Function 4 Business Reviews	Total Number of Completed Function 4 Business Reviews
Northeast	94	171 of 182
Southwest	91	210 of 231
New York Metro	57	79 of 138
Eastern	51	154 of 299
Southeast	51	154 of 304
Great Lakes	41	95 of 233
Capital Metro	39	22 of 57
Pacific	35	111 of 320
Western	0[14]	

Source: Information provided by Postal Service Area officials

During our review timeframe, we analyzed data roll-up information for week 19 year-to-date and week 34 year-to-date. Tables 1 through 5 in Appendix B indicate, by area, the year-to-date variance of city delivery office hours to standard workhours; city deliveries per hour percentages; variance of rural hours to standard workhours; earned hour variance; and window staffing efficiency.

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[13] The Western Area had not monitored the RDSOP certification of delivery units. However, during our review, area officials began monitoring the certification of RDSOP for "vital few" performers and units with 10 or more rural routes.
[14] The Western Area officials used the Customer Service Variance to monitor Function 4 operations and identify Function 4 budget expectations.

During weeks 19 and 34, the majority of the nine Postal Service areas experienced a decrease in the city delivery actual workhour percentages to standard workhours. (See Appendix B, Table 1.) In this same time frame, percentages of city deliveries per hour exceeded the same period last year percentages for eight of the nine Postal Service areas.[15] (See Appendix B, Table 2.)

Rural workhours to standard workhours percentages decreased in all nine areas during weeks 19 and 34. (See Appendix B, Table 3.)

For Function 4 Business Reviews, during weeks 19 and 34, all nine areas experienced an increase in earned hour variances. (See Appendix B, Table 4.) Lastly, all nine areas experienced a decrease in window staffing efficiency. (See Appendix B, Table 5.)

Based on our review of the City and Rural Delivery and Function 4 SOP, all nine areas implemented each component of the SOP except for selected aspects of AMSOP, Integrated Operating Plan (IOP), volume recording, delivery point sequencing (DPS), matching workhours to workload, RDSOP, and the Retail Data Mart Window Operations Survey.

In addition, area officials continued to address challenges associated with the "vital few" performers, which included developing action steps for units identified as "vital few" and monitoring and tracking the performance of the districts and delivery and retail units. However, some officials expressed concern that the SOP used to identify and rank "vital few" units did not evaluate delivery units based on equal size and complexity.

Western and Capital Metro Area officials took corrective action to improve AMSOP implementation during the reviews. Officials in the Pacific Area implemented corrective action to improve IOPs. Further, officials in the Capital Metro, Eastern, Great Lakes, New York Metro, and Pacific Areas carried out corrective action to improve DPS. Finally, Capital Metro, Pacific, and Western Area officials

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[15] We are currently conducting a review to evaluate the accuracy of city delivery route mileage information.

took corrective action to improve RDSOP implementation.
(See Appendix C.)

City Delivery Operations	Although all nine Postal Service areas implemented the City Delivery Operations SOP, we identified areas for improvement in AMSOP, IOPs, volume recording, DPS, and matching workhours to workload.
Morning Standard Operating Procedures	Great Lakes and Southeast Area officials did not have a specific plan to help level 22 and above units achieve AMSOP certification by the end of FY 2006. As of April 2006, only 33 of the 199 (or 17 percent) level 22 and above delivery units in the Great Lakes Area were AMSOP certified. Area officials stated that this number is unacceptable. Great Lakes Area officials stated they have made AMSOP requirements part of their overall strategies for FY 2006. They discussed unit status at area operations meetings and continued to monitor progress. The Area Delivery Program Support group has developed a timeline for each district and definitive completion dates for AMSOP certification. The certification goals for the remaining non-certified level 22 and above offices will be 49 percent, 58 percent, 91 percent, and 100 percent for quarters 1, 2, 3, and 4, respectively. In the Southeast Area, Central Florida District, two delivery units were not AMSOP-certified and did not have corrective action plans to address the improvement areas and achieve certification. Area and district officials stated they made AMSOP requirements part of their overall strategies for FY 2006. 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. Area officials completed site visits to each district to review corrective action plans and to make certain management is executing corrective action plans properly. Additionally, a designee at the area level was assigned to: (1) train 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. The Postal Service implemented AMSOP nationally during FY 2005 so city delivery units could standardize daily city

carrier functions to align actual workhours to base workhours. The FY 2006 goal was that all level 22 and above DOIS sites become AMSOP certified by September 30, 2006. The expectation was that "vital few" units 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.

The primary intent and purpose of AMSOP certification was to standardize daily carrier office functions. Effective implementation will reduce workhour utilization, stabilize carrier depart and return times, and enhance service to customers.

Integrated Operating Plans	District and unit officials in the Great Lakes and Southwest Areas did not ensure they timely resolved IOP discrepancies or allowed sufficient time to process and sort dispatch mail prior to carriers' departure. Further, officials did not follow procedures to ensure mail volume was measured correctly.

Central Illinois and Greater Indiana District officials in the Great Lakes Area did not always resolve and close IOP discrepancies timely.

- We identified 676 pending IOP discrepancies in the Central Illinois District, as of May 2006. The discrepancies resulted primarily from processing machine errors, late dispatches, and DPS quality and volume. Central Illinois District officials said this occurred due to inadequate communication and follow through with processing center officials.

- In the Greater Indiana District, we identified 22 pending IOP discrepancies. The discrepancies resulted primarily from processing machine errors, human errors, and issues with transporting the mail. We also noted district officials dismissed or closed 262 discrepancies without resolution due to the amount of time that had lapsed since the units reported them.

Area officials plan to work with the districts in identifying problematic resolution processes. They also planned to coordinate with local program designees to improve

procedures and redefine accountabilities required to meet service standards and reduce costs by no later than October 31, 2006.

████████ delivery unit officials in the Southwest Area, Fort Worth District, did not ensure they allowed sufficient time to process IOPs and sort dispatch mail prior to carriers' departure. Specifically, the ██████ delivery unit used a Carrier Sequence Bar Code Sorter (CSBCS)[16] to process mail at the facility. The current IOP allowed for mail arrival at 5 a.m. and 6 a.m. However, the 6 a.m. dispatch included both manual mail and mail requiring DPS sorting. Both could not be processed and then made available for carriers prior to their leaving the office to deliver mail. This condition existed primarily because unit officials had not updated the IOP to change the mail's arrival time or the carriers' arrival schedules. Area officials conducted training on unit requirements for mail arrival profiles and schedules to ensure mail availability meets unit operating plans. Additionally, the training addressed district requirements to update each unit operating plan to ensure efficiency using the national AMSOP and RDSOP review process. Area officials will also conduct periodic reviews to ensure compliance.

The IOP will improve mail processing performance among plants and delivery units. When management does not resolve IOP discrepancies and other mail flow problems timely, delivery service and operational costs are negatively impacted.

Volume Recording	██████ ████ delivery unit officials in the Southwest Area, Houston District, did not follow procedures to correctly measure mail volume by consolidating mail tubs prior to recording the mail volume. We observed that carriers retrieved mail from the staging area before the supervisor could record mail volume. According to delivery unit officials, this was a routine practice rather than a one-time occurrence. Even though carriers informed the supervisor, there was the potential for mail volume distortion when officials do not consolidate mail tubs and allow carriers to retrieve mail prior to volume recording. This condition existed because the supervisor's primary focus was getting

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[16] CSBCS is an automated machine that sorts mail for an individual carrier route. This sorting allows the mail to go directly from the machine to the carrier for delivery.

the carriers to the street, not following the SOP for measuring mail volume. Area officials conducted training that included proper mail recording procedures as part of the operating plans; they will also conduct periodic reviews to ensure compliance.

Delivery unit management is responsible for proper mail measurement procedures**.** Mail staging must be standardized at each carrier case to facilitate accurate volume recording. Unit management must measure mail volume using a Data Collection Device (DCD) or record it on Postal Service Form 3921, Volume Recording Worksheet, if there is no DCD.

Correct and accurate volume recording is essential to matching workhours to workload, which ultimately helps to control overtime and capture under time.

Delivery Point Sequencing

In FY 2005, the national average DPS percentage was approximately 77 percent, with some areas achieving DPS percentages in the 80s. As shown in Table 4, the Great Lakes, Pacific, Eastern, New York Metro, and Capital Metro Areas achieved DPS percentages below the national average DPS percentage of 77 percent.[17]

**Table 4. Average DPS
Percentages for FY 2005**

Area	Actual DPS% End of FY05
Western	82
Northeast	82
Southwest	80
Southeast	79
Great Lakes	76
Pacific	76
Eastern	75
New York Metro	72
Capital Metro	71
National	**77**

Source: Information provided by Postal Service Headquarters officials

DPS is the process of getting barcoded mail into the

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[17] For FY 2006, the average DPS percentage was 80. Although the Great Lakes, Pacific, Eastern, New York Metro, and Capital Metro Areas increased their DPS percentages slightly, these areas still fell below the average DPS percentage.

carrier's walk sequence so the carrier can deliver it without manual sorting before going to the street. The goal of DPS is to improve efficiency and reduce costs. Increasing DPS letters percentage equates to decreasing cased letter volume and, therefore, time spent by the carriers in the office.

- The Great Lakes Area's DPS mail percentage was about 76 percent (or approximately 1 percent below the national average). Area officials stated their low DPS percentage was due to missing address information and inaccurate volume recording. Area officials implemented corrective actions to improve their DPS scores, which included meeting with district officials to discuss missing address information and inaccurate volume recording.

- The Pacific Area's DPS percentage was about 76 percent (or approximately 1 percent below the national average). Area officials stated their low DPS percentage was due in part to challenges the area faces due to a lack of new technology and incomplete addresses in high-rise buildings in the city.[18] Area officials implemented corrective actions to improve their DPS scores, which included monitoring districts' Address Management System coordinators' attempts to resolve address problems such as those related to high-rise buildings and non-DPS offices.

- The Eastern Area's DPS percentage was approximately 75 percent (or approximately 2 percent below the national average). Area officials stated their DPS percentage was low due to inaccuracy of database information and inaccurate mail volume recording.[19] Area officials implemented corrective actions to improve their DPS scores, which included meeting with district officials on the accuracy of database information and accurately recording mail

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[18] OIG is currently conducting an audit to assess the Postal Service's management of the Address Management/ Quality Review results to ensure address information is correct and complete to effectively process and deliver the mail in the Pacific Area.
[19] OIG is currently conducting an audit to assess the Postal Service's management of the Address Management/ Quality Review results to ensure address information is correct and complete to effectively process and deliver the mail in the Eastern Area.

volume to improve performance.

- The New York Metro Area's DPS percentage was about 72 percent (or approximately 5 percent below the national average). Area officials stated their low DPS percentage was due in part to challenges associated with secondary descriptors in the New York District and urbanizations in the Caribbean District.[20] Area officials implemented corrective actions to improve their DPS scores, which included meeting with district officials and establishing a cross-functional DPS team at the area level and in each district. The DPS teams consist of officials from the Plant, Customer Service, Address Management Systems, Marketing, and the District.

- The Capital Metro Area's DPS percentage was approximately 71 percent (or approximately 6 percent below the national average). Capital Metro Area officials stated their low DPS percentage was due in part to problems with many business routes for which address changes were not put in the system in a timely manner.[21] Delays in mail flow from the plant to the unit and from the unit to the plant affected DPS percentages in the Baltimore District. Area officials implemented corrective actions to improve their DPS scores, which included meeting with district officials and establishing a cross-functional DPS team at the area level and in each district. The DPS teams consist of officials from the Plant, Customer Service, Address Management Systems, Marketing, and the District.

Matching Workhours to Workload	Delivery unit officials in the Capital Metro and Great Lakes Areas did not always adhere to policies for adequately

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[20] For the New York Metro Area, the New York and the Caribbean Districts have DPS percentage goals set below the national percentage. Postal Service Headquarters has approved a DPS percentage goal of 70 percent for the New York District because this district continues to have the greatest percentage of secondary descriptors in the country. Secondary addressing encumbers over 97 percent of New York District's possible deliveries, which must be physically present on the mailpiece in order to receive the finest depth of sort. If the apartment number is missing from the mailpiece then it cannot be DPS. Postal Service Headquarters has also approved a DPS percentage goal of 15 percent for Caribbean District because of urbanizations that require a third line in the address and Spanish language syntax.

[21] OIG is currently conducting an audit to assess the Postal Service's management of the Address Management/ Quality Review results to ensure address information is correct and complete to effectively process and deliver the mail in the Capital Metro Area.

matching workhours to workload. They stated this occurred because they did not always complete PS Forms 1017-B, Unauthorized Overtime Record, to record unauthorized overtime occurrences. Officials stated other duties were higher priority. Also, unit officials did not use the form consistently nor did they cite corrective actions on the forms.

In addition, Capital Metro Area delivery unit officials stated workhours were not matched because they did not always remember to update Managed Service Points (MSP) base information when route changes occurred. We reviewed the base MSP information for all routes at the four delivery units sampled and identified 72 of 113 routes where office or street times had excessive interval times or were out of sequence.

Further, Capital Metro Area delivery unit officials stated this occurred because they often approved time based on knowledge of the route and what they thought was reasonable for parcels and accountable mail rather than using information from the last route inspection in DOIS. The sampled delivery units did not keep route base information readily available for parcels and accountable packages. Unit officials stated adding accountable mail to the listing of base parcels was useful because this data is critical to knowing whether the volume for these items increased or decreased each day on a carrier's route. Finally, unit officials did not consistently use the DOIS performance reports to document carriers' performance feedback. Unit officials stated they conducted verbal performance discussions with carriers. However, they did not have enough time to document expectations and performance discussions.

In their management comments, Great Lakes Area officials stated that, while they recognize that accurate use of PS Form 1017-B contributes to improving employee performance, it is only one component of properly managing the delivery unit. Management also stated they will disseminate an area directive to all district offices relative to compliance expectations regarding form utilization.

In their management comments, Capital Metro Area officials stated the effective use of DOIS performance reports is a major tool necessary for monitoring and improving delivery performance. The reports also help the delivery staff maintain a full understanding of components used to determine performance targets. Management also stated they will enhance this effort through daily interaction with postmasters, area managers, and managers of Post Office Operations as it relates to the nonperforming delivery units that exceed projected workhours.

Postal Service procedures require management to document expectations and performance through proper use of control forms including the DOIS performance reports. Keeping a written record of carriers' performance feedback is important so management can use it as reference to reduce overtime costs and improve quality of service.

The delivery unit supervisor's primary responsibility is to match workhours to workload. All other delivery unit management personnel must filter out any duties that do not support the supervisor's primary responsibility. Supervisors must concentrate on ensuring that all workload is properly assessed and the tools used are accurate.

Inadequately monitoring carrier street performance may impact customer service and supervisors cannot effectively consult and correct carrier performance issues to assist in managing overtime hours. Further, supervisors are unable to accurately determine whether the volume for parcels and accountable packages increases or decreases each day on a carrier's route.

Rural Delivery Standard Operating Procedures	Although all nine Postal Service areas implemented the RDSOP, we identified areas for improvement in RDSOP certification reviews.

Officials in the Capital Metro, Great Lakes, Southeast, and Western Areas had not identified delivery and retail units with 10 or more rural routes. This occurred in the Capital Metro and Great Lakes Areas because they were preparing for the 12-day rural mail count that began on February 24, 2006. In addition, in the Great Lakes and Southeast Areas, officials indicated their primary focus was reviewing and certifying rural units on the "vital few" list. However, during our review, Capital Metro and Great Lakes Areas officials identified all units with 10 or more rural routes and they had begun conducting their certification audits. In their comments, Southeast Area management agreed to develop a spreadsheet to identify all units with 10 or more rural routes for certification and routes for self-review. Further, in the Western Area, officials stated that they did not fully understand the Postal Service Delivery and Retail directives. However, during our review, area officials identified units that had achieved RDSOP certification and began monitoring certifications in the 3rd quarter of FY 2006.

Officials in the Pacific Area experienced difficulty retaining Rural Carrier Associates (RCA) for rural delivery routes. According to the RCA retention tracking data records, the Pacific Area had a 59 percent retention rate for the RCA compared to the national average of 67 percent. Area officials have begun conducting exit interviews to better understand why RCAs are leaving. They are also directing RCAs to Postal Service units that better meet their work schedule expectations.[22]

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. These reviews focus on improving efficiency in an evaluated workload environment, which will result in

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[22] We are conducting a review to determine whether the Postal Service has established effective RCA retention programs within district locations.

closer alignment of actual to standard hours, reduced overtime, and a reduction in auxiliary assistance hours. The RDSOP required 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.

The Postal Service's goal of improving efficiency in an evaluated workload environment and alignment of actual to standard hours could be adversely impacted if units are not identified for review.

Function 4 Operations	Although all nine Postal Service areas implemented the Function 4 Operations SOP, we identified areas for improvement in the Retail Data Mart Window Operations Survey and Function 4 Business Reviews.

Retail Data Mart Window Operations Survey	Unit officials in the Capital Metro and Southwest Areas did not adequately staff retail window operations to meet Retail Data Mart Window Operations Survey (RDM WOS) standards for staffing. The RDM WOS standard for retail window operations is 100 percent. This is a ratio between earned and actual hours. Additionally, unit officials in the Southwest Area did not ensure management accurately recorded retail workhours.

In the Capital Metro Area, Baltimore and Capital Districts, the above condition occurred because unit officials received retail standard operating procedures from district officials mandating they place a sales and services associate at every window for full coverage during peak hours of 11:00 a.m. through 2:00 p.m. In addition, unit officials stated they were overstaffing to meet the Mystery Shopper wait-time-in-line requirement.

In their management comments, Capital Metro Area officials stated they provided training to all supervisors in Customer Service with retail responsibility on the proper use of RDM WOS. District managers in this area stated they expect managers and postmasters to take a more active role in promoting proper staffing of retail units and capturing identified cost savings from on-site reviews. In addition, the Window Operations Survey Exception Report would be used to identify "vital few" offices for the first pay period of FY 2007. Baltimore District management stated they will provide sign-off sheets to the district showing that every postmaster, manager, and supervisor has been trained on RDM WOS and is properly using the tool. In addition, management stated Operations Programs Support will be conducting office reviews to ensure management is following these recommendations.

According to officials in the Southwest Area, the primary factors which contributed to the less than expected performance were inadequate accountability and understanding regarding RDM WOS standards. In addition,

officials did not use lobby directors as needed during peak periods which impacted efficiency at the retail counter.

Additionally, in the Southwest Area, retail window workhours were not accurately recorded and officials did not capture cost savings resulting from business performance reviews. This condition occurred because management did not track and monitor the results from Function 4 Business Reviews.

As a result, unit management cannot adequately schedule window coverage needed to meet customer demands and area and district officials cannot establish realistic annual work budget goals at the area and district levels.

In their management comments, Southwest Area officials stated the Fort Worth and Houston District managers were scheduled to receive RDM WOS training in September 2006. The training emphasized the proper method to schedule retail window operations and use of labor distribution codes. Management further stated the data will be retrieved daily by each unit from RDM WOS and will be monitored by the district as well as the area.

In addition, in the Southwest Area, unit officials did not ensure personnel accurately recorded retail window hours for October, November, and December 2005. Management officials attributed the inaccuracies to three factors:

- Clerks did not consistently clock in under the correct operation code and often did not swipe the time clock when switching from one operation to another.

- Newly injured employees' workhours were often budgeted from the labor distribution code (LDC) 68 or 69.[23] However, these hours are already absorbed into the functional area in which an employee is actually assigned such as LDC 43, 45 or 48.[24]

- Non-revenue transactions were not consistently

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[23] LDC 68 and 69 identify permanently and temporarily disabled employees, respectively.

[24] LDC 43 identifies non-supervisory hours used at stations, branches, and associate offices for manual distribution of mail to carrier routes. It includes distribution of presort bundles and sacks and spreading of mail to carrier routes. LDC 45 identifies all non-supervisory hours of employees serving customers at window, firm callers, general delivery customers, and other activities in support of retail operations. LDC 48 identifies non-supervisory hours of customer service employees assigned to dispatch activities, office work, recordkeeping, and miscellaneous retail activities at stations, branches, and associate offices, including standby, steward's duty, travel, and meeting times.

entered into the Point-of-Service ONE (POS ONE) system because non-revenue transactions were considered a lower priority.

In their comments, Southwest Area management stated that, beginning October 2, 2006, the area would institute a tracking and monitoring system to compare "actual versus earned" LDC 45 hours to identify "vital few" units. Management also stated each unit would retrieve data from RDM WOS daily and the district and area will monitor it.

Retail management is responsible for the accuracy of the entries on time cards, ensuring clerks "clock in" on the correct LDC, and ensuring they correctly and consistently record all time. In addition, management must consistently enter non-revenue transactions into POS ONE to detail the total number of transactions and time spent on these transactions. This data is critical to managing staffing and scheduling.

The RDM WOS tool is used during standardized Function 4 (customer service) 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.[25] 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.

Unit managers and supervisors are the first in line to correct deficiencies and ensure that customer service is upheld while maintaining a balance of employee workhours to workload. While managing clerks to meet their earned hours, managers are held accountable to control their wait time in line scores. Lobby directors can also assist in managing wait time in line.

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[25] The types of transactions include Priority Mail® 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.

Function 4 Business Reviews	In the Southeast and Southwest Areas district officials did not perform Function 4 Business Reviews to achieve business goals.[26]
	Unit officials in the Southeast Area and the Central Florida and Tennessee Districts 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 were a contributing factor in their delay in assembling a team to complete the scheduled Function 4 reviews. Tennessee District officials delayed conducting Function 4 reviews due to staff turnovers associated with the removal of the previous manager of Delivery and Customer Service Programs. Further, officials in both districts had not established formal Integrated Operations Business Plan Committees but participated in informal meetings on an "as-needed basis."
	Southeast Area officials implemented corrective actions during the review. Central Florida District officials hired 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, to oversee the completion of the district's scheduled Function 4 reviews and establish a committee to ensure achievement of the plan goals by the end of the fiscal year.
	Unit officials in the Southwest Area and the Houston and Fort Worth Districts did not track unit progress or capture savings resulting from business performance reviews. Unit officials in the Houston District conducted a Function 4 Business Review during May 2005, but missed the opportunity to capture the identified opportunity savings. In the Fort Worth District, unit progress tracking began on Function 4 Business Reviews only after the SOP was issued.
	Southwest Area officials stated the results of the reviews

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[26] We are currently reviewing the Postal Service's Function 4 Business Plan review process to determine whether this process is efficient.

are designed to adjust the operating budget to realize yearly savings. Without an effective tracking and monitoring system, area and district officials cannot provide the feedback necessary for increased performance. Southwest Area management officials also stated that, beginning October 2, 2006, the area would institute a tracking system to track all Function 4 operations for Cost Ascertainment Grouping A through G offices and evaluate workhours versus workload. Management stated that, through proper scheduling, they will capture workhours. In addition, they stated each district and area will monitor and act on the data.

The SOP requires the area to monitor performance and track adherence to approved cluster Function 4 Business Plans. The SOP also requires district officials to implement the results of the Function 4 reviews and develop a tracking system to capture anticipated workhours and the complement savings.

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.

Vital Few Lists

Officials in all nine Postal Service areas continued to address the challenges associated with the "vital few" performers. To address performance issues, area officials have developed corrective actions to improve performance for units identified as "vital few."

- Capital Metro Area officials tasked all districts with assigning a Labor Distribution Code 45 improvement coordinator in an effort to improve retail efficiency. Area officials also monitor and track performance by reviewing DOIS performance reports on a weekly basis to identify underperforming units. Finally, district officials conduct weekly teleconferences with those units identified on the "vital few" list to improve performance.

- Eastern Area officials conducted weekly meetings with district officials on the city and rural delivery and Function 4 operations. In addition, area officials developed the "Retail Optimization Plan" to review five offices in each district that have the greatest negative effect on Function 4 reviews.

- Great Lakes Area officials monitored and tracked the performance of the districts and delivery and retail units. In addition, the Area Manager of Delivery Programs Support addressed "vital few" issues during the area's leadership meetings. The area office also conducted business reviews of district and delivery and retail units. The area requires units to provide action plans for deficiencies identified during these reviews.

- New York Metro Area officials conducted counts and inspections and recorded the results on Postal Service Form 1840, Carrier Delivery Route Summary of Count and Inspection, to capture a more accurate profile of the mail. In addition, area officials held weekly teleconferences with appropriate district and unit officials to discuss performance issues.

- Northeast Area officials improved performance by using the Boston District as a benchmark for the other districts. In addition, area officials conduct

counts and inspections and record the results on Postal Service Form 1840, Carrier Delivery Route Summary of Count and Inspection, to capture a more accurate profile of the mail. Area officials conducted weekly teleconferences with district officials on the city and rural delivery and Function 4 operations to discuss areas that need improvement. They also visited low performing units to observe firsthand the issues experienced in the field.

- Pacific Area officials audited "vital few" units and held weekly teleconferences to determine the causes of low performance. Officials plan to continue placing emphasis on the SOP with the "vital few" units, which will make the process of identifying work outside standard time allowances easier for officials.

- Southeast Area officials conducted weekly teleconferences on the "vital few" units with district officials. These teleconferences discussed developing and approving action steps, communicating management expectations, and determining 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 emphasizing the SOP standardization with the "vital few," which will make the process easier for officials to identify work outside standard time allowances.

- Southwest Area officials conducted weekly teleconference meetings on "vital few" units with district officials. The teleconferences include discussions of each district's performance and potential actions required to address their issues. Participants determine what drives performance and identify best practices in other districts as a guide to making improvements.

- Western Area officials emphasized the SOP and standardization with the "vital few" to assist officials in identifying work outside standard time allowances.

Area officials will maintain 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.

"Vital few" units are those with hours above standard that have the largest impact on national performance. The SOP requires postal officials to develop and approve action steps for these units and establish management expectations using the year-to-date performance in the category of percent to standard hours. Postal Service Headquarters officials provide area officials the city and rural delivery "vital few" list at the beginning of each quarter based on the performance of the previous quarter. They also track and monitor Function 4 review results and provide them to the field and senior operations managers at headquarters. Results cover the number of reviews completed by date versus reviews planned, revised earned workhours, amount of budget adjustment, actual complement, earned Function 4 complement, and total efficiency improvement compared to the baseline data.

APPENDIX A
PRIOR AUDIT COVERAGE

Report Name	Report Number	Date Final Report Issued
Delivery and Retail Standard Operating Procedures – Capital Metro Area	DR-MA-07-001	10/16/06
Delivery and Retail Standard Operating Procedures – Southwest Area	DR-MA-06-009	9/30/06
Delivery and Retail Standard Operating Procedures – Great Lakes Area	DR-MA-06-008	9/29/06
Delivery and Retail Standard Operating Procedures – New York Metro Area	DR-MA-06-005	9/28/06
Delivery and Retail Standard Operating Procedures – Eastern Area	DR-MA-06-006	9/28/06
Delivery and Retail Standard Operating Procedures – Western Area	DR-MA-06-003	9/27/06
Delivery and Retail Standard Operating Procedures – Pacific Area	DR-MA-06-002	9/27/06
Delivery and Retail Standard Operating Procedures – Southeast Area	DR-MA-06-007	9/25/06
Delivery and Retail Standard Operating Procedures – Northeast Area	DR-MA-06-004	9/8/06
City Letter Carrier Operations – Greater Indiana District	DR-AR-06-003	3/28/06
AM Standard Operating Procedures – Fiscal Year 2005 Financial Installation Audit	FF-AR--06-096	3/20/06
City Letter Carrier Operations – Detroit District	DR-AR-06-002	2/08/06
Address Management Systems – Southwest Area – Rio Grand District	DR-AR-06-001	1/25/06
City Letter Carrier Operations – Chicago District	DR-AR-05-019	9/29/05
City Letter Carrier Operations – Santa Ana District	DR-AR-05-013	8/8/05
City Letter Carrier Operations – San Diego District	DR-AR-05-014	8/8/05
City Letter Carrier Operations – Rio Grande District	DR-AR-05-009	12/2/04
Function 4 – Customer Service Operations	DR-AR-04-014	9/30/04
City Letter Carrier Office Preparation in the Dallas District	DR-AR-04-005	7/26/04
City Letter Carrier Street Management and Route Inspections in the Fort Worth District	DR-AR-04-001	6/22/04
City Carrier Productivity – Letter Carrier Delays in the Baltimore District	TD-AR-03-011	7/28/03

APPENDIX B
PERFORMANCE DATA ROLL-UP FOR WEEKS 19 AND 34

Table 1. City Delivery Actual Workhours Percentage to Standard Workhours

Area	Week 19	Week 34
Capital Metro	106	105
Eastern	103	103
Great Lakes	108	107
New York Metro	102	101
Northeast	97	101
Pacific	101	102
Southeast	99	98
Southwest	111	109
Western	103	103

Source: Information provided by Postal Service Headquarters officials

Table 2. City Deliveries per Hour Comparison to Same Period Last Year Percentages

Area	Week 19	Week 34
Capital Metro	1.29	1.58
Eastern	.90	1.20
Great Lakes	.82	1.43
New York Metro	1.20	1.66
Northeast	1.22	1.83
Pacific	2.41	2.14
Southeast	2.01	1.49
Southwest	2.71	1.86
Western	1.56	1.54

Source: Information provided by Postal Service Headquarters officials

Table 3. Rural Delivery Actual Workhours Percentage to Standard Workhours

Area	Week 19	Week 34
Capital Metro	8.51	6.27
Eastern	5.30	4.18
Great Lakes	6.44	5.04
New York Metro	8.68	6.38
Northeast	4.77	4.26
Pacific	6.48	5.10
Southeast	5.04	4.15
Southwest	5.31	4.06
Western	5.88	4.50

Source: Information provided by Postal Service Headquarters officials

Table 4. Function 4 Business Reviews
Earned Hour Variances (rounded in thousands)

Area	Week 19	Week 34
Capital Metro	318	611
Eastern	857	1,725
Great Lakes	650	1,320
New York Metro	339	667
Northeast	363	783
Pacific	610	1,173
Southeast	654	1,270
Southwest	488	952
Western	805	1,618

Source: Information provided by Postal Service Headquarters officials

Table 5. Function 4 Business Reviews Window
Staffing Efficiency Percentages

Area	Week 19	Week 34
Capital Metro	76.6	74.8
Eastern	79.6	77.2
Great Lakes	79.4	76.6
New York Metro	86.8	85.6
Northeast	84.8	81.7
Pacific	83.0	82.0
Southeast	81.1	79.5
Southwest	81.3	79.6
Western	78.5	75.7

Source: Information provided by Postal Service Headquarters officials

APPENDIX C
DELIVERY AND RETAIL STANDARD OPERATING PROCEDURES
AREAS FOR IMPROVEMENT

SOP Areas	Capital Metro Area	Eastern Area	Great Lakes Area	New York Metro Area	Northeast Area	Pacific Area	Southeast Area	Southwest Area	Western Area
City Delivery									
AMSOP	No*	No	Yes	No	No	No	Yes	No	No*
Integrated Operations	No	No	Yes	No	No	No*	No	Yes	No
Delivery Point Sequencing	No*	No*	No*	No*	No	No*	No	No	No
Collection Point Management	No	No	No	No	No	No	No	No	No
Scanning Performance	No	No	No	No	No	No	No	No	No
Matching Workhours to Workload	Yes	No	Yes	No	No	No	No	No	No
Volume Recording	No	No	No	No	No	No	No	Yes	No
Route Evaluations and Adjustments	No	No	No	No	No	No	No	No	No
"Vital Few" Service Improvements	No	No	No	No	No	No	No	No	No
Rural Delivery									
RD SOP	No*	No	Yes	No	No	No*	Yes	No	No*
Growth and Delivery Point Mgmt	No	No	No	No	No	No	No	No	No
Function 4									
Function 4 Business Review	No	No	No	No	No	No	No	Yes	No
RDM WOS	Yes	No	No	No	No	No	No	Yes	No

* No – Corrective actions taken during review
   No – Improvements Not Needed
   Yes – Improvements Needed

Source: Information provided by Postal Service officials