Highlights

DRIVE 42 is one of

five marketing and sales

initiatives to increase revenue

by $16.65 billion by FY 2017.

Background

The U.S. Postal Service originally established 36 Delivering Results, Innovation, Value, and Efficiency (DRIVE) initiatives in fiscal year (FY) 2011 to improve its business strategy. DRIVE aims to reduce the reported $20 billion gap between revenue and expenses by 2016 through data-driven programs and effective project management. DRIVE initiatives are supposed to be bold and aggressive and have measurable outcomes.

DRIVE 42 – Market New and Existing Services, is one of five marketing and sales DRIVE initiatives, aims to increase revenue by $16.65 billion by FY 2017. The objective of DRIVE 42 is to retain and grow shipping and mailing services through five projects. These projects aim to increase shipping revenue; retain and grow profitable mail revenue; increase online revenue and online customer satisfaction; increase gift card and greeting card revenue; and support growth through brand health reporting.

Our objective was to determine whether the DRIVE 42 initiative used established DRIVE project management processes.
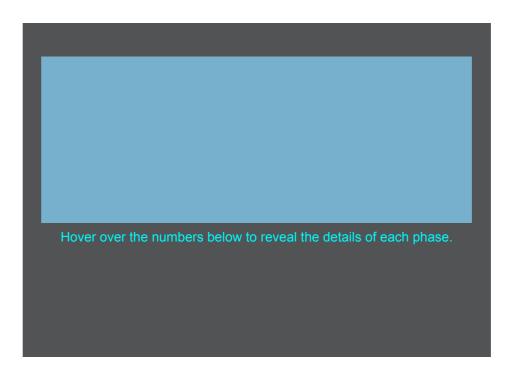
Hover over the numbers below to reveal the details of each phase.

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What the OIG Found

DRIVE 42 managers did not follow DRIVE project management processes when planning and evaluating overall project metrics and revenue goals. For example, management established a revenue goal of $5.2 billion for the shipping revenue and profitable mail projects without a system to accurately measure achievement. Also, the goal for increasing online revenue is not aggressive, as it calls for growth that is 50 percent less, on average, than that of the 3 years prior to DRIVE 42. Further, the cumulative goal of DRIVE 42 was $8 billion less than the combined goals of the five underlying projects. Consequently, management and evaluation of DRIVE 42 are based on inaccurate information.

We also identified $3.4 billion in unsupported increased revenue which management claimed for the shipping revenue and profitable mail projects. These issues occurred in DRIVE 42 because there is no independent audit process in DRIVE to promote accountability and ensure that goals are measurable, realistic, and accurate.

What the OIG Recommended

We recommended management include goals that can be accurately measured and that reflect the $24.6 billion total of the projects. We also recommended requiring that initiative leads follow established criteria to set bold and aggressive roadmap goals beyond past performance.
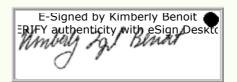
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Transmittal Letter

September 10, 2014

MEMORANDUM FOR: EMIL J. DZURAY, JR.
DIRECTOR, STRATEGIC PLANNING

E-Signed by Kimberly Benoit
VERIFY authenticity with eSign Desktop

FROM: Kimberly F. Benoit
Deputy Assistant Inspector General
for Information Technology and Data Analysis

SUBJECT: Audit Report – U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 42 – Market New and Existing Services (Report Number DP-AR-14-005)

This report presents the results of our audit of the U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 42 – Market New and Existing Services (Project Number 14RG016DP000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kevin H. Ellenberger, director, Data Analysis and Performance, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 42 – Market New and Existing Services
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Findings

The Postal Service uses DRIVE to manage strategic programs to close a $20 billion revenue and expense gap by FY 2016.

DRIVE 42 consists of five program objectives to market new and existing services with both financial and non-financial impacts.

Introduction

This report presents the results of our self-initiated audit of the U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency (DRIVE) Initiative 42 – Market New and Existing Services (DRIVE 42) (Project Number 14RG016DP000). Our objective was to determine whether the DRIVE 42 initiative used established DRIVE project management processes. See Appendix A for additional information about this audit.

The Postal Service uses DRIVE to manage strategic programs designed to close an identified $20 billion revenue and expense gap by fiscal year (FY) 2016. This includes about $16 billion related to legislative efforts to reduce Postal Service prefunding costs in employee retirement benefits and health care. The Postal Service defined 36 key DRIVE initiatives in FY 2011, each addressing a strategic program area. Each initiative consists of roadmaps and projects[1] with specific annual and cumulative goals to achieve cost-cutting and revenue-growth objectives. DRIVE initiatives are supposed to be bold and aggressive and have measurable outcomes. The Strategic Management Office (SMO) tracks the Postal Service's performance and progress toward achieving these goals. The SMO also provides project management guidance and standardized processes for managing program initiatives and reporting to the Executive Leadership Team (ELT).

DRIVE 42 consists of five program objectives to market new and existing services with both financial and non-financial impacts. The Shipping Growth and Mail Retention and Growth projects are designed to grow domestic and global shipping and mail revenue by $5.2 billion in FY 2014. Two other projects, USPS.com Optimization and Retail Product Mix and Customer Experience, focus on online revenue and gift card and greeting card programs with a combined revenue goal of $930.5 million for FY 2014. The Brand Health project, which supports growth by producing quarterly reports on Postal Service brand health, does not have a financial impact.

Table 1: DRIVE 42 Revenue Goals Through FY 2017 (In Millions)

Measureable Metric	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Sales Shipping Revenue	$2,500.00	$3,120.00	$3,400.00	$3,500.00	$3,700.00
Priority Mail International Regional Rate Case Revenue	NA	3.60	19.80	21.80	24.00
Sales Mail Revenue	1,232.00	2,080.00	TBD	TBD	TBD
Online Revenue	858.00	901.00	946.00	993.00	1,043.00
Greeting Card Revenue	11.50	26.70	47.0	54.60	63.30
Gift Card Revenue	1.20	2.80	6.70	12.90	30.80
Yearly Totals	**$4,602.70**	**$6,134.10**	**$4,419.50**	**$4,582.30**	**$4,861.10**
Grand Total					**$24,600.00**

Source: DRIVE 42 Charter, obtained from the DRIVE BlueShare website.

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1   The collection of program level activities critical to the success of an initiative.

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Conclusion

DRIVE 42 managers did not follow established project management processes for the initiative when planning the projected overall project metrics and revenue goals of $16.65 billion through FY 2017. Management established an FY 2014 revenue goal of $5.2 billion for the shipping revenue and profitable mail projects without a system in place to accurately measure achievement. In addition, the goal of increasing online revenue calls for 50 percent less revenue, on average, than the 3 years' before the DRIVE initiative began. Finally, the cumulative goal of the DRIVE 42 initiative was $8 billion less than the combined revenue goals of the underlying projects. We identified $3.4 billion in other impact because of unsupported amounts claimed as increased revenue related to the shipping revenue and profitable mail projects. These issues occurred because there is not an independent audit process within DRIVE to promote accountability and ensure that planned goals are measurable, realistic, and accurate.

Delivering Results, Innovation, Value, and Efficiency 42 Project Management

DRIVE 42 managers did not follow established project management processes for the initiative when planning overall project metrics and revenue goals of $16.65 billion through FY 2017 because DRIVE lacks an independent audit process to promote accountability and ensure that goals are measurable, realistic, and accurate. In two previous audit reports,[2] we recommended that management implement regular audits of and controls for DRIVE programs and projects. Without a formal independent audit process to ensure that initiatives are properly planned and monitored, senior managers use incorrect and inaccurate information to manage and evaluate the success of DRIVE 42.

The Postal Service's DRIVE project management process has five phases:

- Initiation – Defining new projects with measurable outcomes.

- Planning – Creating and approving work plans to achieve project objectives.

- Executing – Performing approved work plans.

- Monitoring and Controlling – Tracking, reviewing, managing change, and reporting on progress.

- Closing – Ending the project lifecycle, having reviewed outcomes and assessed whether objectives were achieved.

The SMO performs an initial assessment process, called rigor testing during the planning phase to ensure the projects contribute to overall program goals. This testing assesses the alignment between the chartered objectives and the roadmaps. One part of the process is to determine whether the initiative contains bold and aggressive goals that are specific, measurable, attainable, realistic, and time bound. The ELT sponsor approved DRIVE 42 in January 2014 after it met all rigor testing requirements.

However, the SMO did not enforce planning requirements during the rigor testing process that roadmap owners (RMO)[3] set measurable, bold, and aggressive goals for the Shipping Growth, Mail Retention and Growth, and USPS.com Optimization projects. The SMO said they try to ensure the roadmaps are planned as well as possible, but they believe that they do not have responsibility for what is included as an initiative or a roadmap. Additionally, the five projects' goals combined were $8 billion more

The Strategic Management Office did not enforce requirements for the Shipping Growth, Mail Retention and Growth, and USPS.com Optimization projects.

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2 *U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 6, Improve Employee Availability* (Report Number DP-AR-14-001) and *Delivering Results, Innovation, Value, and Efficiency Management* (Report Number DP-AR-13-008).

3 The RMO forms and monitors the teams and is responsible for schedule and risk management as part of initiating and executing the project plans.

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than the overall goal set for the DRIVE initiative and the RMO under-reported the amount of the increased revenue achieved from the USPS.com Optimization project. The SMO did not see this as an issue because if the underlying projects exceed this goal, then the overall initiative is a success. The SMO also noted that DRIVE charter goals are expected to be more aggressive than the corporate financial targets, however this is not part of the current DRIVE governance. And in turn, the SMO said roadmap goals are to be more aggressive than the charter goals to ensure the overall charter objectives are met. However, there is no DRIVE guidance concerning this financial goal process. The SMO is updating the DRIVE governance documents to include the financial goal process for future planning.

There was no system for measuring goals for the Shipping Growth and the Mail Retention and Growth projects

The goals for the Shipping Growth and the Mail Retention and Growth projects are to increase shipping and mail revenue by $5.2 billion in FY 2014, but there is no system for measuring these goals. Additionally, the SMO reported achieving $3.4 billion of the $5.2 billion goal as of May 15, 2014; however the SMO does not have the necessary data to support actual revenue amounts associated with sales goals. The plan was to measure the progress toward the cumulative revenue goal by measuring it against all annualized sales, but Postal Service systems do not have the capability to match a recorded sale with the mailing revenue. Consequently, the Postal Service is unable to measure a revenue goal against recorded sales at this time. The Postal Service is developing this ability as part of the DRIVE 30 initiative to improve customer and revenue visibility.[4] DRIVE 30 is intended to achieve greater than 90 percent revenue accuracy by 2017.

The SMO stated that the ELT is aware that the definition of sales revenue is not actual realized revenue, but was used in place of closed sales as the measurement for the projects' goals. However, management reports the projects' successes as revenue in the Technology Management Office System (TMOS), as well as DRIVE portfolio reports to the ELT. The use of conflicting terms for the same goal can lead to confusion and does not accurately describe the projects' results.

Additionally, the USPS.com Optimization goal was not bold and aggressive.

Additionally, the USPS.com Optimization goal for online revenue growth was not bold and aggressive. The project goal was less than actual results before DRIVE 42. The roadmap's cumulative goal of $4.7 billion of online revenue growth by FY 2017 is based on a 5 percent increase for each year. However, during the 3 years before the initiative began online revenue increased by more than 10 percent, on average. This occurred, according to the manager, Digital Marketing, because the goals were established without quantitative analysis. Instead, the previous year's target goal was just increased. During the audit, the executive director, Brand Marketing explained that the project goal was planned for lower growth as a result of marketplace trends, as well as planned activities for the upcoming year. However, this information was not contained in planning documentation nor validated during rigor testing. Further, the SMO did not perform independent audits to ensure roadmap goals aligned with the DRIVE 42 charter. As a result, the combined goal of the five roadmaps is $24.6 billion while the overall DRIVE 42 charter calls for a revenue increase of $16.65 billion, about an $8 billion dollar variance.

Additionally, we identified that the monitoring and controlling process was not followed to validate actual financial metrics for the USPS.com Optimization project. Consequently, the RMO under-reported revenue by $4 million, reporting $260.1 million rather than the actual $264.2 million in online revenue. During the audit, the SMO, RMO, and Finance Department corrected the information and process; therefore, we are not making a recommendation on this issue.

We are also not making a recommendation concerning the need for the SMO to implement regular independent audits and controls for each program at the project management level. The U.S. Postal Service Office of Inspector General (OIG) has already made this recommendation in its two previous DRIVE audits.

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4   The objective of DRIVE 30, *Achieve 100% Customer & Revenue Visibility* is to establish standardized Postal Service revenue reporting protocols and systems across functional groups to achieve complete, accurate, and valid revenue data.

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Recommendations

We recommend management follow established criteria to set bold and aggressive goals that can be accurately measured.

We recommend the director, Strategic Planning:

1. Revise the Delivering Results, Innovation, Value, and Efficiency Initiative 42 charter description to include goals that can be accurately measured.

2. Require initiative leads to follow established criteria to set bold and aggressive roadmap goals beyond past performance.

3. Revise the Delivering Results, Innovation, Value and Efficiency Initiative 42 charter to reflect the actual projected revenue amount of the underlying projects.

Management's Comments

Management did not comment on the findings in this report, agreed with recommendation 1, did not agree with recommendation 2, and partially agreed with recommendation 3.

Regarding recommendation 1, management agreed to continue to review and modify DRIVE charters per their DRIVE governance procedures. They will assure that all metrics presented in charters are clearly defined and supported by systems that can accurately measure progress toward the targets. The target implementation date is September 15, 2014.

Regarding recommendation 2, management did not agree and stated that initiative leaders and the ELT are responsible for setting specific targets and determining the appropriate thresholds for boldness or aggressiveness of a DRIVE initiative.

Regarding recommendation 3, management agreed, in part, stating they will work with the initiative leaders and ELT sponsor to correct the error in the DRIVE 42 charter to reflect the value of the listed objectives and metrics by September 15, 2014. The SMO will continue to provide guidance on creating a robust portfolio of subordinate programs needed to achieve the overall charter objective. However, management stated that, in some cases, it will be reasonable and expected that the cumulative value of the roadmap targets will be greater than the overall initiative target.

See Appendix B for management's comments in their entirety.

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Evaluation of Management's Comments

The OIG considers management's comments for recommendations 1 and 3 to be responsive to the recommendations and corrective actions should resolve the issues identified in the report. We consider management's comments on recommendation 2 to be unresponsive.

Management disagreed with recommendation 2 to require initiative leads to follow the established criteria to set bold and aggressive roadmap goals beyond past performance. They stated that it is the responsibility of the ELT to set specific targets for each initiative and determine the appropriate threshold for boldness and aggressiveness. However, DRIVE governance documentation assigns the SMO the responsibility to promote a rigorous roadmap development process. This process is designed to ensure roadmaps are well-defined and support bold and significant DRIVE charter objectives and impacts. Further, it is the responsibility of the SMO to oversee the DRIVE process and ensure the DRIVE initiatives are on track to meet the Postal Service's ambitious performance and financial goals. Yet, as we noted, one roadmap's planned goal for increasing online revenue was less than ambitious. The growth goal, on average, is 50 percent less than the amount of revenue accomplished outside of DRIVE for the previous 3 years.

Although we will not elevate this disagreement for resolution at this time, we will continue to address this subject in future audits of the DRIVE initiatives.

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Appendices

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Appendix A: Additional Information

Background

The Postal Service established 36 DRIVE initiatives in FY 2011 to improve business strategy. DRIVE aims to reduce the Postal Service's reported $20 billion gap between revenue and expenses by 2016 through data-driven program and project management. However, almost $16 billion of that gap depends on the legislative actions of the U.S. Congress. Annually, the Postal Service reviews and adjusts the portfolio of initiatives to achieve its strategic objectives. There are 21 DRIVE initiatives in FY 2014 aligned with four core strategies[5] and eight operational objectives.[6]

The DRIVE organizational structure refers to three levels of management as initiatives, roadmaps, and projects. Roadmaps are the collection of program-level activities critical to the success of an initiative. They consist of projects with clearly identified impacts and indicators, milestones, interdependencies, and risks (see Figure 1).

Figure 1: DRIVE Pyramid

Source: TMOS DRIVE User Guide, page 8.

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5   Improve customer experience; compete for the package business; strengthen the business to consumer channel; and build a leaner, smarter, and faster organization.
6   Grow revenue from innovation, core products and markets, establish the digital platform; optimize cost of operations and infrastructure to match future demands; build competitive workforce of the future; improve customer experience measurement processes; leverage technology to drive business value; strengthen financial and risk management capabilities; and assure executive transparency.

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Each year ELT sponsors present their recommendations for initiatives to include in the DRIVE portfolio. ELT sponsors look for initiatives that:

- Are bold and have significant and measurable outcomes that:
  - Have greater than $50 million in revenue contribution or cost reduction.
  - Improve key stakeholder alignment.
  - Greatly enhance key capabilities.
  - Grow revenue from new products/markets/customers.

- Aggressively address cost in the next few years to get ahead of revenue plan.

- Are critical to either the short- or long-term success of the Postal Service.

- Require extensive cross-enterprise coordination and ELT visibility.

- Merit using top staff and resources.

The Postal Service's DRIVE guidelines have five key project management phases:[7]

- Initiation.
  - Define a new project, complete a project charter with measurable objectives, and authorize project launch.

- Planning.
  - Define the course of action to achieve project objectives; and create and receive approval for the project scope, schedule, budget, resources, quality standards, and risk management plan.

- Executing.
  - Perform the defined work, including managing the team and approving any changes to the plan.

- Monitoring and Controlling.
  - Track, review, and report on the progress of the project. Analyze variances to plan schedules, costs and scope; and manage any necessary course corrections.

- Closing.
  - Receive sign-off that the project outcomes have met the objectives, close all activities, and archive documents and lessons learned.

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7 The Project Management Institute's *Project Management Book of Knowledge* and the International Organization for Standardization (ISO) Committee for Project Management ISO Standard 21500 use similar terminology.

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The SMO manages projects through the TMOS by tracking performance and progress on milestones, risk, impacts, and roadmap completion. The TMOS provides a color-coded traffic light dashboard view for executive and cross-functional insight into strategies, programs, and projects. The red, yellow, and green traffic light colors show variances from planned financial and non-financial metrics. The SMO has standardized processes for managing program initiatives and reporting to the ELT. These include criteria to approve and manage initiatives such as the uniform formatting of charters, quarterly metric reporting, and communication with project managers. The SMO prefers each initiative is staffed with a person who has completed DRIVE project management training. The SMO provides this training using classroom and virtual training sessions, online resources, and individual guidance.

Objective, Scope, and Methodology

Our objective was to determine whether the DRIVE 42 initiative used established DRIVE project management processes. To accomplish our objective we:

- Reviewed procedures and criteria related to establishing DRIVE initiatives.

- Discussed DRIVE 42 project management with Brand Marketing personnel, including establishment of metrics and milestones that align with overall portfolio goals.

- Reviewed and discussed testing of the roadmaps, milestones, and evaluation of the established metrics with the SMO and Finance personnel to determine whether the DRIVE planning processes were followed and there was alignment of the established goals within the DRIVE portfolio.

- Reviewed requests submitted to the SMO for changes to established milestones and metrics and the subsequent approval process. Discussed the approval process with the SMO and RMOs.

- Reviewed project management information, guidelines, training material, and support provided by the SMO.

- Reviewed available reports in the Postal Service's TMOS to obtain information on DRIVE 42 project management and project lifecycles.

- Discussed the evaluation of established metrics and validation of reported results with Finance personnel. We reviewed and compared documentation used by Finance when evaluating the establishment of project metrics with TMOS reported metrics.

- Discussed the reliability of data systems and reports used to measure success of DRIVE 42 with Finance, Brand Marketing, and Sales personnel.

We conducted this performance audit from February through September 2014, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on July 30, 2014, and included their comments where appropriate.

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We assessed the reliability of computer-generated data from the TMOS by comparing key information against separately prepared documents provided by management. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 6, Improve Employee Availability	DP-AR-14-001	3/7/2014	None

Report Results:
The audit found that the DRIVE 6 initiative did not use established DRIVE project management practices. The five projects comprising the initiative were being accomplished outside of DRIVE. This occurred because there was no separation of duties between the DRIVE initiative lead and RMO. We also noted that there was no independent internal audit process to oversee DRIVE management. Management agreed with our recommendations but disagreed that changes to projects were not made because the same person was both initiative lead and RMO. Management also stated that they used established DRIVE project development management processes and asserted that DRIVE governance does not prohibit initiatives that existed prior to DRIVE.

Delivering Results, Innovation, Value, and Efficiency Management	DP-AR-13-008	6/19/2013	None

Report Results:
The audit found the Postal Service's DRIVE program compares favorably to best-in-class program management practices; however, it does not ensure that projects will be successful. DRIVE does not use an important best practice that requires regular audits and controls for each project at the program manager level. Further, a formal policy supporting the overall program management process has not been developed. Management agreed with our findings and recommendations yet thinks DRIVE does control and provide reviews or "audits" of strategic programs and projects through bi-weekly Deep-Dive meetings.

U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 42 – Market New and Existing Services
Report Number DP-AR-14-005

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Emil J. Dzuray, Jr.
Director
Strategic Planning

UNITED STATES
POSTAL SERVICE

August 29, 2014

Lori Lau Dillard
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency (DRIVE) Initiative 42 – Market New and Existing Services (Report Number [DP-AR-14-DRAFT])

Thank you for the opportunity to review and provide comments on the draft audit report. The report identifies three recommendations; we agree with one recommendation and agree "in part" with one other recommendation in the report. Our responses to the recommendations are below.

OIG Recommendation 1:
Revise the Delivering Results, Innovation, Value, and Efficiency Initiative 42 charter description to include goals that can be accurately measured.

Management Response/Action Plan:
Management agrees with the recommendation. As per our DRIVE governance procedures, we will continue to review charters and work with the Executive Leadership team (ELT) and Initiative Leads (ILs) modify active DRIVE charters and assure that all metrics presented in charters are clearly defined and are supported by systems that can accurately measure progress toward targets.

Target Implementation Date:
September 15, 2014

Responsible Official:
Emil J. Dzuray, Jr., Director, Strategic Planning.

OIG Recommendation 2:
Require initiative leads to follow established criteria to set bold and aggressive roadmap goals beyond past performance.

Management Response/Action Plan:
Management disagrees. The Strategic Management Office (SMO) will continue to provide guidelines to both the ELT and ILs on how to set bold and aggressive targets; however, it is the responsibility of each of the ELT members and Initiative Leaders set specific targets and determine appropriate thresholds for boldness or aggressiveness.

Target Implementation Date:
N/A

Responsible Official:
Emil J. Dzuray, Jr., Director, Strategic Planning.

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OIG Recommendation 3:
Revise the Delivering Results, Innovation, Value, and Efficiency Initiative 42 charter to reflect the actual projected revenue amount of the underlying projects.

Management Response/Action Plan:
Management agrees in part. The charter description for Initiative 42 did not correctly reflect the value of the objectives listed in the objectives and metrics portion of the charter. We will work with the Initiative lead and ELT sponsor to correct this error. The SMO will continue to provide ELT and ILs with guidance on how to create an appropriately robust portfolio of subordinate programs (roadmaps) needed to achieve the overall initiative chartered objectives. In some cases, however, it will be reasonable and expected that the cumulative value of the subordinate roadmap targets will be greater than the overall initiative charter target for that given period. For example, this will be appropriate when there is a high degree of risk to missing roadmap schedules or results.

Target Implementation Date:
September 15, 2014

Responsible Official:
Emil J. Dzuray, Jr., Director, Strategic Planning.

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

Emil J. Dzuray, Jr.

cc: Mr. Corbett
      Mr. Smith
      Ms. Su
      audittracking@uspsoig.gov
      CARMManager@usps.gov

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OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

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