OFFICE OF
INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Self-Service Kiosks

Audit Report

January 22, 2014

Report Number DR-AR-14-002

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

January 22, 2014

Self-Service Kiosks

Report Number DR-AR-14-002

BACKGROUND:

Self-service kiosks (SSKs) are in about 2,300 post offices nationwide. The majority of the kiosks are accessible 24 hours a day, 7 days a week. SSKs enable customers to buy stamps and postal products and to process about 80 percent of those transactions normally handled by retail window clerks.

The U.S. Postal Service evaluates the effectiveness of an SSK by measuring the customer adoption percentage, which is the percentage of applicable transactions performed at an SSK instead of by a retail clerk.

Our objective was to assess the SSK initiative in customer service operations.

WHAT THE OIG FOUND:

Customers were not using SSKs as anticipated. As of June 30, 2013, the SSK performance rate was 26.11 percent, 8.9 percentage points below the fiscal year (FY) 2013 nationwide customer adoption percentage target of 35 percent. This occurred due to several factors, including inconsistent signage, positioning of some SSKs in partially obscured locations, and lobby assistants who were not always trained and used effectively to promote SSK usage. The Postal Service could eliminate over 249,877 customer service retail window workhours and save about $12 million annually if it improved SSK promotion

and customer assistance on the use of SSKs.

The Postal Service also incurred unnecessary SSK supply costs in FY 2012. A software issue prevented kiosk sensors from correctly identifying when all label paper used to print on-demand stamps had been used. Management began corrective action in February 2013 to address the sensor issue; therefore, we are not making a recommendation on this issue.

In related matters, we provided management with kiosk-related industry strategies and implementation practices for its consideration.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Delivery and Post Office Operations, and the vice president, Channel Access, establish a national initiative to train additional lobby assistants, and assess SSK signage and placement. We also recommended deploying lobby assistants to promote and educate customers on SSK usage and eliminate 249,877 workhours to achieve cost savings of about $24 million over 2 years. Finally, we recommended evaluating industry best practices using SSKs and identifying any barriers to implementation.

Link to review the entire report.

January 22, 2014

MEMORANDUM FOR: EDWARD F. PHELAN, JR.
VICE PRESIDENT, DELIVERY AND POST OFFICE
OPERATIONS

KELLY SIGMON
VICE PRESIDENT, CHANNEL ACCESS

E-Signed by Robert Batta
VERIFY authenticity with e-Sign
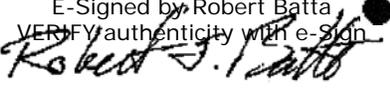
Robert J. Batta

FROM: Robert J. Batta
Deputy Assistant Inspector General
 for Mission Operations

SUBJECT: Audit Report – Self-Service Kiosks
(Report Number DR-AR-14-002)

This report presents the results of our self-initiated audit of Self-Service Kiosks
(Project Number 13XG015DR000).

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

Attachment

cc: Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction

This report presents the results of our self-initiated audit of Self-Service Kiosks (SSKs) (Project Number 13XG015DR000). Our objective was to assess the SSK initiative in customer service operations. See Appendix A for additional information about this audit.

In fiscal year (FY) 2003, the U.S. Postal Service received approval to develop 2,500 Automated Postal Centers (APCs), now called SSKs. The Postal Service completed distribution of the 2,500 SSKs to about 2,300 post offices in FY 2004. In 2013, the Postal Service deployed an additional 264 SSKs to 132 of the original SSK sites.[1] The majority of the SSKs are accessible 24 hours a day; 7 days a week, enabling customers to buy stamps and postal products and to conduct about 80 percent of those transactions normally handled by a retail window clerk (see Figure 1 for example of an SSK). The Postal Service established a customer adoption percentage (CAP) to measure the percentage of walk-in capable transactions performed by SSKs versus those performed by a retail window clerk. This measurement enables the Postal Service to evaluate the effectiveness of SSKs.

Figure 1. SSK at a Customer Service Retail Location

Source: U.S. Postal Service Office of Inspector General (OIG) picture taken January 30, 2013.

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[1] The Postal Service refers to the 132 FY 2013 SSK deployment sites as the SSK Expansion Phase 1 sites. This report does not include a review of the 132 sites that received SSKs in 2013.

Conclusion

Customers were not using the SSKs as anticipated. The SSKs performed below the 35 percent CAP target for walk-in capable transactions in FY 2013.[2] As of June 30, 2013, the SSK performance rate was 26.11 percent, 8.9 percentage points below the FY 2013 nationwide CAP. This condition occurred due to several factors, including inconsistent signage around the SSKs, positioning of some SSKs in partially obscured locations, and lobby assistants (LAs) who were not always trained and used effectively to promote SSK use.[3] Increased SSK promotion and use of trained LAs would increase SSK use and eliminate 249,877 retail window workhours, saving about $24 million over 2 years. See Appendix B for monetary impacts.

The Postal Service also incurred unnecessary SSK supply costs in FY 2012. This occurred due to a software issue that prevented kiosk sensors from determining when all label paper had been used. Some label paper was repurposed or destroyed, which costs about $341,000 annually. The Postal Service began corrective action to address the sensor issue in February 2013. We are not making a recommendation on this issue. In related matters, we provided management with kiosk-related industry strategies and implementation practices.

Self-Service Kiosks

SSKs performed below the 35 percent CAP target in FY 2013. As of FY 2013, Quarter (Q) 3, SSK performance was 26.11 percent, 8.9 percentage points below the FY 2013 nationwide CAP target. Also, even though the Postal Service did not establish a CAP target for FYs 2011 and 2012, using Postal Service data, we determined the CAP percentages declined from 29.06 percent in FY 2011, Q3 to 26.80 percent in FY 2012, Q3 (see Figure 2).

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[2] In FY 2012, the Postal Service used revenue as the SSK performance measure and did not have an SSK CAP target. In FY 2013, the SSK performance measure was changed and a 35 percent SSK CAP target was established.
[3] See Appendix C for CAP percentages for sites visited by the audit team.

Figure 2. SSK CAP Trend
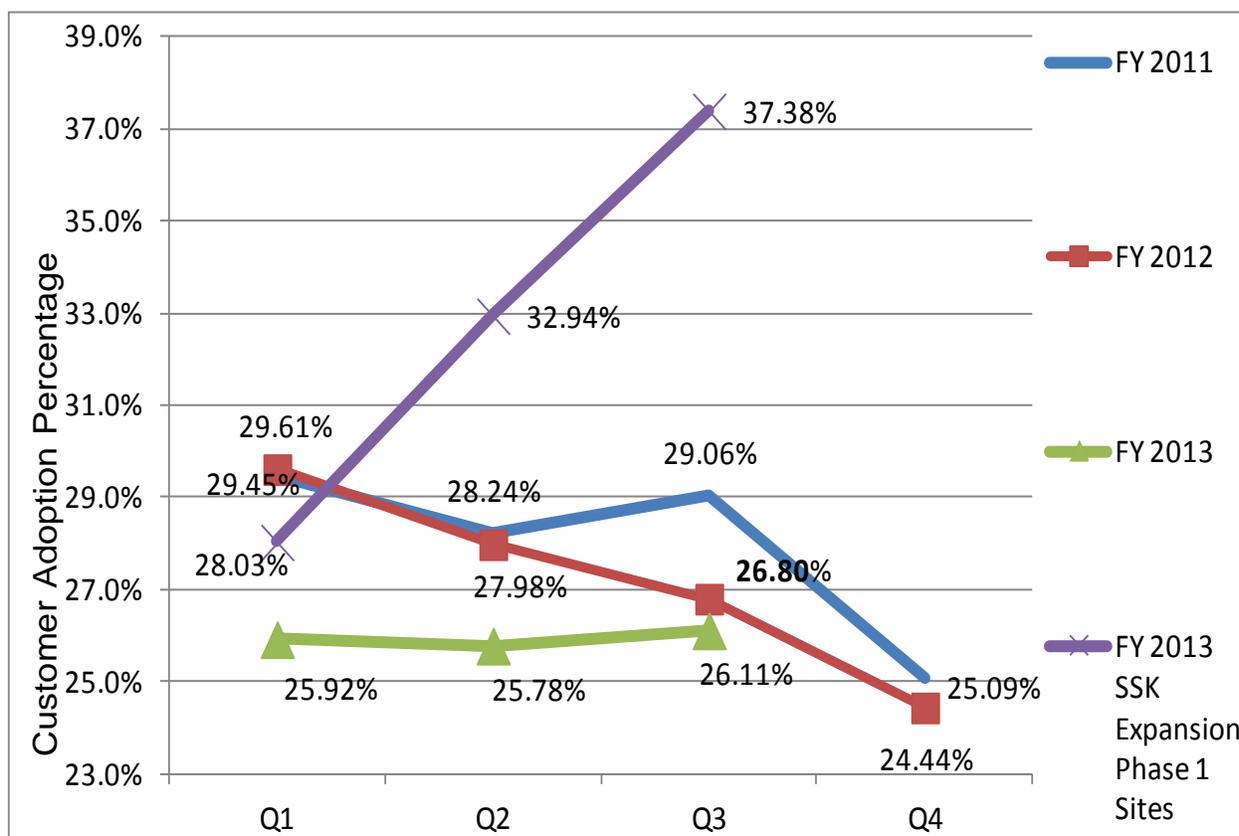
Source: Postal Service SSK reports from Enterprise Data Warehouse (EDW)/Retail Data Mart (RDM).

The Postal Service did not meet its CAP target for several reasons. Signage around the SSKs was not consistent, some SSKs were partially obscured from view in retail facilities, and LAs were not always trained and used effectively to promote SSK usage. We visited three sites with SSKs that were deployed in FY 2013. All of these sites had significant increases in their CAPs compared with the same period in the previous year. Each one had authorized full-time and trained LAs[4] to educate and assist customers on the use of SSKs (see Appendix C, Tables 1 and 2).

The CAPs for these three sites increased from 28.03 percent[5] to 37.38 percent, a 9.35 percentage point increase. One of the major factors contributing to the increase was the consistent use of full-time, trained LAs. However, managers at some sites we visited said they only use LAs to direct customers to SSKs when customer wait-time-in-line (WTIL)[6] appears to be excessive, instead of promoting customer use of SSKs as a general practice (see Appendix D).

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[4] Lobby assistants greet customers and ensure they are prepared for their transaction before approaching the retail window. They also direct customers to SSKs for transactions that do not require a retail clerk.
[5] FY 2012, Q3 compared with FY 2013, Q3.
[6] The WTIL metric is measured from the time the customer enters the line until he or she is called to the counter.

A business case for FY 2013 SSK deployment sites provided funding to obtain and train LAs to better assist retail customers. This program justified the use of full-time LAs at 132 sites and resulted in reduced retail window workhours.[7] Increased SSK promotion and use of trained LAs would help overcome inconsistent signage and obscure SSK location issues, increase SSK use, and eliminate 249,877 retail window workhours, saving about $24 million over 2 years.

Self-Service Kiosk Labels[8]

The Postal Service incurred unnecessary SSK supply costs in FY 2012 due to label sensor issues. The process for replacing labels is:

- The sensor on the SSK allows about one-third of the blank labels to remain in the label box.

- Once the label box is two-thirds empty, the supervisor receives an alert indicating the box is empty (see Figure 3).

- The supervisor removes the box, which contains unused labels, discards it, and replaces it with a full box of labels for the printer to function.

A software issue prevented kiosk sensors from correctly determining when all label paper in the SSK had been used. As a result, labels were wasted and the Postal Service incurred unnecessary supply costs of $341,121 annually. Figure 3 shows a box of labels in an SSK. Management said it began corrective action in February 2013 to address the sensor issue. Management provided documentation to show it is working to fix the SSK sensors.[9] We are not making a recommendation related to this issue.

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[7] The Decision Analysis Report (DAR) business case for the 2013 SSK deployment recommends approval of ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮. Funding covers the purchase of hardware, integration with existing SSK software, and deployment; and included ▮▮▮▮▮ for the initial training of eight Postal Service employees per site (Level 6 employee, supervisor, and LAs).

[8] While the SSK uses several label types, we are only examining the fan-fold labels used for printing postage stamps. See the red circle in Figure 3 for a view of fan-fold labels.

[9] We plan to follow up on the SSK sensors in a future SSK audit.

Figure 3. SSK Label Box Placement

Source: Postal Service and International Business Machine *Self-Service Kiosk Machine Service Manual.*

Other Matters — Benchmarking Industry Self-Service Kiosk Implementation Strategies

The OIG reviewed industry strategies and practices for implementing SSK machines from industry retailers, airlines, and grocery store chains.[10] The following is a summary of key strategies and comments from other entities we interviewed about their use of, and obstacles related to, SSKs:

- Implementation of kiosks cannot be the responsibility of one department and must include all departments that are going to be involved with the technology. A cross-functional implementation team is needed for the company's SSK program to succeed.

- Customer service representatives are in the checkout area where kiosks are located.

- It may take a while, but SSKs can achieve high customer acceptance rates.

- Companies should institute processes to acquire customer feedback about their kiosks.

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[10] At the January 24, 2013 SSK survey entrance conference, the vice president, Channel Access, requested we benchmark with private industries on SSK initiatives.

Recommendations

We recommend the vice president, Delivery and Post Office Operations, in coordination with the vice president, Channel Access:

1. Train and deploy lobby assistants at self-service kiosk sites, as necessary, to promote usage.

2. Assess signage and self-service kiosk placement to increase the customer adoption percentage.

3. Eliminate 249,877 retail window workhours as the customer adoption percentage increases to save $24,860,335.

4. Evaluate industry best practices using self-service kiosks and identify any barriers to implementation.

Management's Comments

Management disagreed with our findings, recommendations, and monetary impacts.

Management stated it agreed with the OIG using the 35 percent CAP because it more accurately represents the national target and that other factors, such as positioning and signage impact adoption. Management also stated it disagreed with the annual SSK supply cost loss of $341,000 from destroyed unused labels in FY 2012 because only 15 sites were visited and the report did not indicate whether problems were at each site. Management stated all sensor issues were corrected mitigating the loss.

For recommendation 1, management stated it is already using this process, as needed, and lobby assistant training was completed at 3,092 locations on or before November 30, 2013.

Management also disagreed with recommendation 2 to assess signage and SSK placement to increase the CAP. It stated it is working with the area marketing departments to identify potential in-office kiosk relocations with planned completions by April 2014.

Management also disagreed with recommendation 3. Management stated the reduction in overtime usage is attributable to staffing vacancies and not to the movement of customers at an SSK unit. Further, management disagreed with the annual amount stated in the report of $24 million. Also, management stated it disagreed with the accuracy and assumptions of the monetary impact methodology. The assumptions, and the documentation provided by OIG failed to substantiate the correlation between an increase in the CAP and the annualized savings.

Management also disagreed with recommendation 4 to evaluate industry best practices using self-service kiosks and identify barriers impacting implementation. Management stated it evaluated industry best practices and will continue to evaluate and incorporate industry best practices into standard operating procedures as appropriate. Management stated they implemented a number of the best practices identified in the report and completed them in November 2013. See Appendix E for management's comments, in their entirety.

Evaluation of Management's Comments

Although management's comments were non-responsive to the recommendations, they provided corrective actions which were either implemented or planned that should resolve the issues identified in the report.

Regarding recommendations 1 and 4, management implemented corrective actions during the audit. These recommendations can be closed with the issuance of this report.

Regarding recommendation 2, management stated it deployed standardized signage and it is working on relocation of kiosks as necessary with a completion date of April 2014.

Regarding recommendation 3, management disagreed with the elimination of 249,877 workhours and the associated $24 million in monetary impact. Even though management disagreed with the workhour reductions, they could scale back overtime to achieve the recommended reduction, without impacting staff. We plan on conducting a follow-up audit in lieu of pursuing this issue through the resolution process.

In developing the monetary impact, we did not identify the actual reduction of overtime hours, but developed potential workhour savings, based on available overtime at more than 1,700 SSK sites. The Voluntary Early Retirement Authorization (VERA) mentioned by management was not relevant to our calculation of monetary impact. We used overtime rates to be conservative instead of regular workhour rates, which would have resulted in a higher monetary impact. Further, vacancies caused by excessing or the VERA are actions that management plans for well in advance.

The assumptions in the methodology used by the OIG were similar to those used by the Postal Service for the justification of full-time LAs at 132 SSK sites. These SSK Expansion Phase 1 sites were part of a business case developed by the Postal Service to justify using LAs. Increasing the CAP was the key justification for the workhours used to employ LAs. The OIG used this same factor in its SSK cost savings model that identified the monetary impact related to the increased use of LAs and reduction of workhours at retail customer service sites with SSKs. We revised the report to show the savings were $24 million over 2 years.

Regarding management's comments about the loss for destroyed or unused labels, we acknowledged in the report that management's corrective action began in February 2013 and we made no recommendation on this issue.

Appendix A: Additional Information

Background

SSKs are in about 2,300 Postal Service lobbies nationwide, with the majority of them accessible 24 hours a day, 7 days a week. SSKs are designed to process 80 percent of those transactions normally handled by a window employee at a retail Postal Service facility. SSKs handle non-cash transactions and accept major credit and debit cards. They dispense postage for First-Class Mail, Priority Mail, Parcel Post, and Express Mail and can also weigh mail. The Postal Service uses a CAP to measure SSK performance, specifically, measuring the percentage of walk-in capable retail transactions performed by the SSK instead of a retail window clerk. Increasing this percentage allows the Postal Service to reduce window clerk workhours.

Objective, Scope, and Methodology

Our objective was to assess the SSK initiative in customer service operations. To accomplish this objective we:

- Determined whether SSKs met the FY 2013 customer adoption goal of 35 percent.

- Interviewed Postal Service officials to gather information about SSK strategy, deployment, operations, policies, procedures, and other guidance.

- Reviewed and analyzed policies including:

  o Handbook PO-106, *Automated Postal Center*, dated November 2007.

  o Delivering Results Innovation Value Efficiency.

  o Automated Postal Center Postmaster's Communications Kit (March 2004, Postal Service Communication Group).

  o Handbook M-32, *Management Operating Data System*, dated March 2009.

  o Self-Service Expansion Phase 1 DAR, dated May 2012.

  o Handbook PO-209, *Retail Operations*, dated October 2012.

  o Handbook F-101, *Field Accounting Procedures* (Section 5-5, Automated Postal Center Kiosks), dated April 2013.

- Judgmentally selected districts with high and low performance achievement[11] in FY 2012 to document best practices and challenges.

- Conducted onsite observations of selected SSKs to review operations and meet with managers regarding their use.

- Interviewed retail industry leaders (Giant Food, Wal-Mart, and Consumer Value Stores) and reviewed the *9th Annual Kiosk Benchmark Study* (Gartner).

- Developed a monetary impact by identifying SSK-capable transactions and associated workhours to identify potential workhour cost savings based on increased SSK use.

We conducted this performance audit from January 2013 through January 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 October 29, 2013, and included their comments where appropriate.

We assessed the reliability of data from the EDW,[12] eFlash,[13] EDW/RDM, and the Customer Experience Measurement by checking the reasonableness of results. We did not audit these systems, but performed limited data integrity tests to support our data reliance. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Prior audit coverage includes an OIG report titled *Financial Controls Over Automated Postal Centers* (Report Number FI-MA-12-007, dated May 17, 2012). The audit stated that controls over APC stock examinations were effective; however, opportunities exist for the Postal Service to reduce fraudulent credit and debit card purchases. Management implemented many security measures to significantly reduce the number and amount of credit card chargebacks (reversals of previously settled transactions). It could further reduce chargebacks and the cost of investigating suspicious credit card activity by implementing an Address Verification System, which could limit fraudulent purchases that occur by using ███████████████████████████████████████

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[11] Performance achievement scores were acquired from the Customer Service Variance Program, which Postal Service customer service operations uses to determine whether sites are meeting established targets. The performance achievement metric is based on earned hours compared to actual hours used by the site.

[12] The EDW is a single repository for managing all of the Postal Service's data assets and it provides data to a wide variety of users.

[13] eFlash provides weekly workhours and volume. It combines data from delivery, mail processing, employee relations, labor relations, and finance.

Management agreed with the finding and the recommendation and will review the level of chargebacks at the end of FY 2013, and determine by March 2014 whether a full cost-benefit analysis is required. The delay until March 2014 will enable management to better identify costs associated with the new software that will allow print-on-demand stamps at APC kiosks. The analysis will include costs associated with the software that provides print-on-demand stamps at APC kiosks.

Appendix B: Monetary Impacts

Recommendations	Impact Category	Amount
3	Funds Put To Better Use[14]	$24,178,093
3	Funds Put to Better Use	682,242
Total		**$24,860,335**

Workhour Savings. We identified Labor Distribution Code (LDC) 45 workhour savings based on an increased CAP. Increases in the CAP allow the Postal Service to reduce the workload at the retail counter, which would lower workhour costs.

We calculated workhour savings based on SSKs increasing their CAP from 28 to 35 percent.[15] The 8 percentage point SSK CAP increase would yield an annual savings of $12,089,046.[16] We used similar assumptions to identify LDC 45 workhour savings as used in the SSK Expansion Phase 1 DAR Business Case.

We calculated savings as follows:

- Obtained FY 2012 end-of-year data for SSK sites.[17] About 1,762 SSK sites were included in the data used to identify the monetary impact.

- Obtained FY 2012 overtime workhours from eFlash for SSK sites.[18]

- Used 28 percent (end-of-year FY 2012) CAP base assumption, and 35 percent CAP established by management for "Legacy" SSKs to identify workhour savings.

- Matched eFlash overtime and SSK data.

- Identified full-time equivalent (FTE) savings.

- Identified less than FTE savings.

- Determined minimum savings per site in the monetary impact.

- Determined the total potential monetary impact of $12 million.

SSK Labels Costs. One box of labels costs ▮▮▮▮▮. In ▮▮▮▮▮, about ▮▮▮▮ boxes were used for SSKs at a total cost of ▮▮▮▮▮. Based on our observations of SSKs at the sites visited and interviews with managers or supervisors, ▮▮▮▮▮▮▮▮ costs for labels were identified by multiplying ▮▮▮▮▮ by ▮▮▮▮ for the cost of labels not used. The estimated annual cost totaled $341,121.

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[14] Funds that could be used more efficiently by implementing recommended actions.

[15] We used the 35 percent CAP based on the 2013 SSK target established for "Legacy" systems. Using an LA would increase the CAP to 35 percent from a base CAP of 28 percent.

[16] The annualized monetary impact was projected for one additional "out year" (FY 2013) resulting in a 2-year impact of $24,860,335.

[17] We did not include the 2013 SSK deployment sites in our methodology.

[18] The Postal Service initiated a voluntary early retirement from August through December 2012.

Appendix C: Self-Service Kiosk Customer Adoption Percentage Rates

Table 1. Comparison of CAP Performance for
2004 SSK-Deployed Sites

The audit team visited the following 15 field sites with SSKs to observe operations. CAP rates are provided to illustrate performance. The performance for these sites is in the analysis of the 1,762 sites used to identify the monetary impact for this audit.

Site Name	SSK Location	FY 2013, Q 3	Same Period Last Year (SPLY)	Difference
Sutter Station*	24/7	53.09%	40.50%	12.60
Oceanside Post Office	Lobby 24/7	31.79%	28.71%	3.08
Trinity River Station	24/7	34.01%	31.68%	2.32
Kingstowne Branch	24/7	33.41%	31.25%	2.16
Dallas Main Post Office	24/7	17.28%	15.32%	1.97
La Costa Station	Lobby 24/7	40.81%	39.70%	1.11
Rincon Finance Station	Lobby 24/7	23.10%	23.16%	-0.06
Flower Mound Station	Lobby 24/7	42.88%	43.80%	-0.92
Tate Springs Main Post Office	24/7	29.69%	30.68%	-0.99
Oak Lawn Station	Lobby 24/7	29.12%	33.06%	-3.95
Eighth Avenue Station	Lobby 24/7	26.04%	30.65%	-4.60
Burbank Downtown Post Office	Lobby 24/7	29.96%	41.90%	-11.94

*Note: Sutter Station management attributes its increase in the CAP to the presence of an acting LA spending between 3 and 6 hours daily directing and helping customers use the SSK.

Table 2. Comparison of CAP Performance for
2013 SSK-Deployed Sites

Site Name	SSK Location	FY 2013, Q3	SPLY	Difference
Bethesda Post Office	Lobby 24/7	45.49%	23.06%	22.43
Burbank Main Post Office	Lobby 24/7	56.55%	38.84%	17.71
Woodbridge Post Office	Lobby 24/7	53.15%	45.51%	7.64

Source for Tables 1 and 2: The Postal Service provided management reports based on data from EDW/RDM.
Key for Tables 1 and 2: 24/7 means SSK not in lobby, open 24/7; Lobby 24/7 means SSK in lobby, open 24/7.

Appendix D: Sites Visited and Lobby Assistant Information

The SSK audit team visited the following 15 field sites to observe operations and activities related to retail operations and SSK use. The team interviewed managers and asked about their use of LAs. Managers indicated they used various employees to greet and assist customers, including LAs, supervisors, and the managers themselves.

Table 3. Sites Visited and Lobby Assistant Information[19]

Types of LAs				
Site Name	**Manager**	**Supervisor**	**Clerk**	**None**
Bethesda Post Office	x	-	-	-
Burbank Downtown Post Office**	-	-	-	x
Burbank Main Post Office	-	-	x	-
Dallas Main Post Office	x	-	-	-
Eighth Avenue Station	-	-	-	x
Flower Mound Station	-	-	-	x
Kingstowne Branch	-	-	-	x
La Costa Station	-	x	-	-
Oak Lawn Station	-	-	-	x
Oceanside Post Office	-	-	x	-
Rincon Finance Station	-	x	-	-
Sutter Station	x	-	-	
Tate Springs Main Post Office	x	-	-	-
Trinity River Station	-	-	-	x
Woodbridge Post Office**	-	-	x	-
Total	**3**	**2**	**3**	**7**

Note: Sites with ** are 2014 deployment sites. While these sites were visited to observe "best practices," they were not included in the monetary impact calculations.
Source: OIG site observations and on-site interviews with postmasters, managers, and supervisors.

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[19] "X" in a column designates that an LA was used at that site. The table also identifies the type of LA used at the site.

Appendix E: Management's Comments

UNITED STATES POSTAL SERVICE

December 20, 2013

Judith Leonhardt
Director, Audit Operations
Office of Inspector General
1735 North Lynn Street
Arlington, VA 22209-20202

SUBJECT: OIG Report Number DR-AR-13-DRAFT – Draft Audit Report – Self-Service Kiosks

This letter is in response to Draft Audit Report – Self-Service Kiosks (Report Number DR-AR-13-DRAFT) dated December 10, 2013.

The findings and recommendations outlined in the above subject audit report have been reviewed and the response is as follows. The OIG stated that the Postal Service could reduce 249,877 customer service retail window workhours and save about $24 million annually if it improved SSK promotion and customer assistance on the use of SSKs. The USPS is in agreement that the Customer Adoption Percentage (CAP) of 35 percent more accurately represents the national target and that other factors such as positioning and signage impact adoption. We do however; disagree with the monetary and operational assumptions included in the audit.

In the September 5, 2013 Draft Audit report it indicated that if we reduced 463,561 workhours the USPS could achieve cost savings of about $21 million.

On November 12, 2013 after further review of the methodology the OIG indicated that recalculating the CAP percentages would equate to a change in the reported savings from $24 million to $12 million annually.

The audit implies that by increasing the customer adoption rate of SSK usage will allow the Postal Service to reduce window clerk workhours thus resulting in additional savings. The report did not take into account other factors that contribute to overtime such as attrition and VERA.

According to the latest revised report from the OIG the workhour reduction was reduced from 463,561 to 249,877 potential hours. However, the OIG report is still reflecting an annual savings of $24 million thus indicating that they have not accurately calculated workhour savings. Therefore, the USPS disagrees with the accuracy of the assumptions and methodology. The assumptions, and the documentation provided by the OIG failed to substantiate the correlation between an increase in CAP and their annualized savings calculation. As discussed between the parties (exit conference), the documentation was challenged by USPS as representative of contradictory findings. (i.e. training and/or the presence of a lobby assistant did not affect an increase).

USPS also disagrees with the OIG claim of an annual SSK supply cost loss of $341,000 in destroyed or unused labels in FY12 nationally when only 15 sites were visited and it was not made clear in the report if each site was experiencing label problems. Sensor issues were identified and once root causes were determined the appropriate software change were made 5 months into the deployment of new labels to all kiosks thereby mitigating the audit-cited annual loss.

In lieu of the above noted reservations, Delivery Post Office Operations hereby respectfully disagrees with all recommendations.

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Recommendations:

We recommend the vice president, Delivery and Post Office Operations, in coordination with the vice president, Channel Access:

1. Train and deploy lobby assistants at self-service kiosk sites, as necessary, to promote usage.

Management Response:
Disagree. USPS already has this process and is currently utilizing it on an as necessary basis. Lobby Assistant training was completed at 3,092 locations on or before November 30, 2013.

2. Assess signage and self-service kiosk placement to increase the customer adoption percentage.

Management Response:
Disagree. In July 2013, the Postal Service deployed standardized signage for the self-service kiosks as part of the Point of Purchase (POP) material for the retail lobbies. In addition, we are working with the Area Marketing departments to identify potential in-office kiosk relocations.

Implementation: POP – Completed July 2013. Kiosk Relocations – Complete by April 1, 2014.

3. Reduce 249,877 retail window workhours as customer adoption percentage increases to achieve a cost savings of $24,860,335.

Responsible Official: Vice President, Retail Channel Operations

Management Response:
Disagree. Reduction in overtime usage is attributable to staffing vacancies and not to the movement of customers to an SSK unit.

4. Evaluate industry best practices using self-service kiosks and identify any barriers impacting implementation.

Management Response:
The Postal Service has evaluated industry best practices and has implemented a number of these identified best practices in the Self Service expansion program. This was also part of the Lobby Assistant training mentioned above. We will continue to evaluate industry best practices and incorporate into our standard operating procedures as appropriate.

Implementation: Completed November 2013 with the completion of the Self Service Expansion Phase 3C.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.
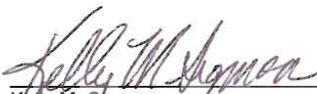
Kelly M. Sigmon
Vice President, Retail Channel Operations

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Date
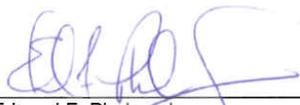
Edward F. Phelan, Jr.
Vice President, Delivery and Post Office Operations

12/20/13
Date

cc: Sally Harring, Manager, Corporate Audit and Response Management
    Margaret Pepe, Manager Retail Operations
    Karen Mastervich, Manager, Retail Business Technology