Highlights

Opportunities exist for the Postal Service to strengthen DRIVE governance and address program management process gaps by aligning with industry best practices.

Background

In 2011, the U.S. Postal Service was facing unprecedented challenges, including a projected $20 billion annual loss by 2016. That year, the Executive Leadership Team established the Delivering Results, Innovation, Value, and Efficiency (DRIVE) program management framework for business strategy development and execution in an effort to improve business performance.

Since 2011, the U.S. Postal Service Office of Inspector General has conducted seven DRIVE related audits. The objectives of this capping report were to determine whether the Postal Service's DRIVE program management processes align with industry best practices and assess the impact of DRIVE initiatives in improving business performance.

What The OIG Found

The implementation of the DRIVE framework and the cross-portfolio performance indicators, which measure performance of strategic initiatives, indicate DRIVE has had a positive impact on improving business performance. However, there are opportunities for the Postal Service to strengthen DRIVE governance and address program management process gaps by aligning with industry best practices.

In previous audits, we identified recurring findings related to missing and incomplete documentation; nonalignment of milestones and targets with performance and progress goals; and inconsistent or inaccurate data. Additionally, we identified other issues as part of this audit related to alignment of DRIVE initiatives with respective investment proposals and including a complete DRIVE program management closeout process. If the Postal Service followed industry best practices, to enhance current governance or as criteria for areas with no governance, it could strengthen the overall DRIVE governance and address the identified issues.

These issues occurred because established DRIVE governance was not consistently followed or formal DRIVE governance criteria did not exist.

The DRIVE framework has positively contributed to improved business performance by providing visibility, transparency and accountability around Postal Service strategic initiatives. However, weaknesses in governance criteria and internal controls increase the risk that DRIVE initiatives may not meet prescribed goals and metrics, be accurately assessed, or positively impact business performance.

What The OIG Recommended

We recommended management assess current DRIVE governance to ensure internal controls meet design intent and strengthen governance, where feasible, by aligning with industry best practices.

U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Program Capping
Report Number CP-AR-17-001

USPS DRIVE Program: Aligning with Industry Best Practices

Transmittal Letter
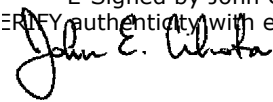
October 7, 2016

MEMORANDUM FOR: JOSEPH CORBETT
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL
OFFICER

EMIL J. DZURAY, JR.
DIRECTOR, STRATEGIC PLANNING

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop

FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance, Pricing and Investments

SUBJECT: Audit Report – U.S. Postal Service's Delivering
Results, Innovation, Value, and Efficiency Program Capping
(Report Number CP-AR-17-001)

This report presents the results of our audit of the U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Program Capping (Project Number 16TG004MI000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lourdes L. Gatell, acting director, Cost Pricing, and Investments, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Table of Contents

Findings

The DRIVE framework has positively contributed to improved business performance. However, weaknesses in governance criteria and internal controls increase the risk that DRIVE initiatives may not meet prescribed goals and metrics, be accurately assessed, or positively impact business performance.

Introduction

This report presents the results of our self-initiated audit of the U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Capping (Project Number 16TG004MI000). Our objectives were to determine whether the Postal Service's Delivering Results, Innovation, Value, and Efficiency (DRIVE) program management process follows industry best practices and to assess the impact of DRIVE initiatives in improving business performance. See Appendix A for additional information about this audit.

In 2011, the Postal Service was facing unprecedented challenges, including a projected $20 billion annual loss by 2016. That year, the Executive Leadership Team (ELT)[1] established the DRIVE program management framework for business strategy development and execution in order to improve business performance as measured within the Postal Service's four core business strategies.[2]

A DRIVE initiative's charter outlines its goals and roadmaps,[3] with annual and cumulative goals for cutting costs or growing revenue. DRIVE initiatives' goals should contain specific measurable outcomes that are realistic and include deadlines. The Strategic Management Office (SMO)[4] provides project management guidance and standardized processes[5] for managing initiatives, tracks the Postal Service's performance and progress toward achieving these goals, and reports to the ELT.

To monitor DRIVE performance, the Postal Service uses the Technology Management Office System (TMOS). The TMOS is a dashboard reporting and monitoring tool that allows the ELT to monitor the health, quality, and timeliness of DRIVE projects. The SMO or roadmap owner[6] manually enters project information into the TMOS, which uses a color-coded traffic light report to show progress.

The U.S. Postal Service Office of Inspector General (OIG) has conducted seven DRIVE related audits and made 21 recommendations, three of which remain open.[7] The open recommendations consist of two recurring findings: (1) alignment of milestones and targets with performance and progress goals and (2) inconsistent or inaccurate data.[8]

The Postal Service developed 10 cross-portfolio performance indicators to measure strategic initiative performance. These indicators align with the Postal Service's core strategic goals:

- Deliver high-quality services.[9]

- Provide excellent customer experiences.[10]

---

1   The ELT of the Postal Service is a decision-making body whose members serve as senior advisors to the Postmaster General. The ELT considers and sets the strategic agenda.
2   The core business strategies are sustain controllable income; deliver high quality services; provide excellent customer experiences; and ensure a safe workplace and engaged employees.
3   A list of critical milestones necessary to achieve a program's objectives. Roadmaps also include clear financial impacts and indicators.
4   The SMO assists senior management in identifying, developing, and implementing strategic initiatives. The office uses a structured process that ensures strategic initiatives are supported by rigorously tested data, aligned with corporate priorities, include appropriate cross-functional involvement, and deliver results.
5   *DRIVE Governance Guide*, September 30, 2015, establishes the requirements and procedures for the DRIVE process.
6   Program level project coordinators.
7   The targeted implementation date for one was March 2016 and for the other two was May 31, 2016. We have not received any documentation from the Postal Service to close these recommendations.
8   For additional information, see the Prior Audit Coverage section of this report.
9   Measure service performance in terms of speed and reliability.
10 The Customer Insights measurement system provides a comprehensive view of the customer experience across the most frequently used customer contact channels.

- Ensure a safe workplace and engaged employees.[11]

- Sustain controllable income.[12]

Summary

The implementation of the DRIVE framework and the cross-portfolio performance indicators, which measure performance of strategic initiatives, indicate DRIVE has had a positive impact on improving business performance. However, there are opportunities for the Postal Service to strengthen DRIVE governance and address program management process gaps by aligning with industry best practices.

The cross-portfolio performance indicator metrics for the most recent year reported[13] seven out of 10 indicators met or exceeded plan. Although three indicators did not meet plan, the DRIVE initiatives have positively contributed to the success of the Postal Service's overall business performance.

However, in previous audits, we found the Postal Service could strengthen DRIVE governance by aligning current goverance with industry best practices to address the following issues:

- Missing and incomplete documentation.

- Nonalignment of milestones and targets with performance and progress goals.

- Inconsistent or inaccurate data.

Additionally, we identified other issues as part of this audit related to alignment of DRIVE initiatives with respective investment proposals and including a complete DRIVE program management closeout process. If the Postal Service followed industry best practices, to enhance current governance or as criteria for areas with no governance, it could strengthen the overall DRIVE governance and address the identified issues.

These issues occurred because program managers did not consistently adhere to established DRIVE governance or formal DRIVE governance criteria did not exist.

The DRIVE framework has positively contributed to improved business performance by providing visibility, transparency and accountability around Postal Service strategic initiatives. However, weaknesses in governance criteria and internal controls increase the risk that DRIVE initiatives may not meet prescribed goals and metrics, be accurately assessed, or positively impact business performance.

---

11 The Postal Service tracks two metrics – Occupational Safety and Health Administration's Illness and Injury Rate and the Postal Pulse Survey – as indicators of performance.
12 Tracked with two metrics as an indication of its financial performance: deliveries per workhour and "Net Controllable Income (Loss)," which is the income from ongoing business activities excluding required prefunding payments, Federal Employees Retirement System amortization, and non-cash expense for workers' compensation.
13 Postal Regulatory Commission Analysis of the Postal Performance Report and fiscal year (FY) 2016 Performance Plan.

Recurring Findings

Of the seven DRIVE audits conducted by the OIG, we found the Postal Service had opportunities to improve its DRIVE program management processes if it aligned more with program management best practices. Doing so could strengthen the Postal Service's overall internal control environment and its ability to meet goals. The audits also identified three recurring findings. See Table 1 for a summary of the reoccurring findings.

- Missing or incomplete documentation or approvals, such as change requests. The current DRIVE governance requires approvals for certain documentation; however, the governance was not consistently followed. Subsequent to identification of this issue, management revised the change request approval governance control. The revised governance allows verbal approval with subsequent documentation support and the process of including the approving authority on email via cc (carbon copy).

- Nonalignment of milestones and targets with performance and financial goals. In the current DRIVE governance process, initiative leaders and the ELT are responsible for setting specific targets, including aligning with the strategic plan and determining appropriate thresholds. DRIVE governance assigns the SMO the responsibility of verifying that roadmap metrics align with charters, and charter metrics align with the overall corporate objectives. Charters or roadmaps that do not meet the rigor testing criteria are documented as exceptions. The SMO also is responsible for monitoring and reporting roadmap variations from plan. However, we found, for instance, that DRIVE Initiative 51, Leverage Technology, did not identify metrics to measure Postal Service performance and financial goals. We determined that two-thirds of the metrics measured the deployment or implementation of equipment, systems, and processes rather than the associated performance or savings resulting from those new systems. These metrics are needed to accurately assess progress towards performance and financial goals.

- Erroneous data inputs in the TMOS with no formal data input review or audit process. The ELT uses the TMOS to monitor the overall health of DRIVE initiatives, so accurate data is critical. The current DRIVE governance includes bi-weekly deep dive[14] briefings with the ELT. In response to our prior DRIVE audits, the SMO agreed to implement an independent review process to ensure TMOS data quality, but a process has not yet been developed.

Table 1. Recurring Findings

Prior Audit	Report Number	Report Issue Date	Missing or Incomplete Documentation	Performance Metrics Not Aligned	No Data Quality Reviews
DRIVE Program Management	DP-AR-13-008	06/19/2013			✓
DRIVE 6: Improve Employee Availability	DP-AR-14-001	03/07/2014			✓
DRIVE 42: Market New and Existing Services	DP-AR-14-005	09/10/2014		✓	
DRIVE 43: Building a World Class Package Platform	MI-AR-15-003	05/04/2015	✓	✓	
DRIVE 30: Achieve 100 Percent Customer and Revenue Visibility	MI-AR-15-004	06/12/2015	✓		
DRIVE 25: Improve Customer Experience	MI-AR-16-001	10/30/2015	✓	✓	✓
DRIVE 51: Leverage Technology and Data to Drive Business Value	MI-AR-16-003	12/23/2015	✓	✓	✓
Total			**4**	**4**	**4**

Source: OIG analysis.

DRIVE Metrics not Aligned With Decision Analysis Report Metrics

We identified seven DRIVE initiatives that were tied to specific decision analysis reports (DAR)[15] totaling more than $533 million. We found that the DAR performance metrics for those seven DRIVE initiatives did not always align with the DRIVE metrics in the TMOS.

- Of the 32 DAR metrics, 13 (41 percent) were appropriately tracked in the TMOS; however, eight of those 13 (62 percent) had inconsistent, inaccurate, or incomplete data. See Table 2 for a summary of our analysis. For example:

  - The DAR for DRIVE 16.10, Sales Talent Development, stated each metric is aligned to one or more workstreams[16]; however, of the two metrics tracked in the TMOS, there were inconsistencies identified. One metric included tracking the "Recruiting Effectiveness - Average Time to Fill Vacancies (Days)." In the TMOS, the target was reported as 4; in the DAR support, the target was reported as 116. The other metric's target in the TMOS was higher than both the DAR target and baseline.

---

14 An in-depth presentation from the initiative team to educate, inform, and update the ELT.
15 A document prepared by the requiring organization to recommend an investment for approval. It describes the problem or opportunity and details the need for the expenditure.
16 The progressive completion of tasks completed by different groups within a company that are required to finish a single project.

- The DAR for DRIVE 17, Streamline Commercial Mail Acceptance and Enterprise Payment, included three performance metrics that were all in TMOS. However, there was no tracking activity for one metric.[17] The second performance metric's[18] target was "greater than 50 permits" and was reported in good standing with 500 permits; however, the DAR's target for that same period was 41,919 permits. The TMOS included workstreams related to the third performance metric;[19] however, there was no workstream that measured the DAR's metric of total statements that are Seamless-Ready.

- The DAR for DRIVE Initiative 46, Package Revenue Assurance, included three performance metrics. The performance metric results were reported inconsistently in the TMOS and other Postal Service reports. For example, in TMOS, the PC Postage Shortpaid Revenue as Percent of Total Revenue metric was reported as 3.24 percent; however, the Detailed Capital Investment Report (DCIR)[20] reported "N/A" for that same metric due to project delays.

- Two of the seven DRIVE initiatives were removed from the DRIVE portfolio before the DAR's cash flow analysis periods[21] ended. For example, DRIVE 16.10 was removed from the DRIVE portfolio at the end of FY 2015, while the DAR's analysis period spanned FY 2015 through FY 2021. The total investment was about $4.8 million, excluding capital investment. DRIVE initiatives that require funding or have financial impacts are to adhere to the Postal Service's investment process, which includes tracking compliance and a review of the initiative after implementation.[22]

These issues occurred because the DRIVE governance criteria do not include guidance on continual tracking of DAR metrics in the TMOS for the entire DAR analysis period. When DRIVE metrics do not align with the respective DAR metrics or are removed from the DRIVE portfolio before the DAR analysis period has ended, those initiatives are at risk of not being accurately assessed to determine whether they are achieving the desired goals. Removing the DRIVE 16.10 initiative roadmap from the DRIVE portfolio, without tracking in the TMOS, resulted in a loss of visibility for this investment. The misalignment in tracking of the DAR and DRIVE performance metrics put $43,306,949 of potential revenue and $9,673,009 in operating cost savings at risk.

Table 2. DRIVE Metrics Alignment With DAR

DRIVE Initiative	Total Metrics in DAR	Number of DAR Metrics in TMOS	Number of Inconsistent Metrics	Total DAR Funding (000)	Total Capital Investment (000)
16 - Sales Excellence (a.k.a. Customer Growth and Retention)	8	2	2	$15,753	$0.0
17 - Streamline Commercial Mail Acceptance and Enterprise Payment	3	3	3	103,557	18,809

---

17 Reduction of business mail acceptance workhours (from FYs 2014 – 2019).
18 Estimated customer migration to automated solutions.
19 Percentage of statements migrating to Seamless Acceptance.
20 Provides a detailed summary of all currently active capital projects and capital projects completed during that period or in the 2 previous quarters.
21 The deployment year(s) plus 5 full-up operating years.
22 DAR Business Case Training, updated 1-2015.

DRIVE Initiative	Total Metrics in DAR	Number of DAR Metrics in TMOS	Number of Inconsistent Metrics	Total DAR Funding (000)	Total Capital Investment (000)
21 - Payment Cardholder Industry (PCI) Compliance	1	1	0	218,511	62,819
30 - Achieve 100% Customer and Revenue Visibility	7	3	0	15,691	943
43 - Building a World Class Package Platform	3	0	n/a	32,857	18,500
46 - Package Revenue Assurance	3	3	3	58,177	50,419
50 - Building an Integrated Human Resources System (IHRS)	7	1	0	89,277	54,836
Total	**32**	**13**	**8**	**$533,823**	**$206,326**

Source: OIG analysis using Postal Service information.

Closeout Procedures

DRIVE initiatives can be removed from the portfolio for various reasons at the ELT's discretion. However, when an initiative is closed,[23] the Postal Service does not consistently document in the TMOS the status of the goals and objectives to determine if the desired outcomes were met. By the end of FY 2015, the Postal Service had closed 39 DRIVE initiatives, including DRIVE Initiative 17, Streamline Commercial Mail Acceptance and Enterprise Payment. An objective of DRIVE Initiative 17 was to eliminate more than 3.4 million business mail acceptance workhours by FY 2017, with a cost savings of about $171.5 million. However, the performance in the TMOS was not updated to determine the impact or whether the goals were achieved.

This occurred because DRIVE's initiative closeout phase[24] does not include specific steps for documenting final results. Without a comprehensive closeout process, there is increased risk that complete information regarding the initiative's progress and business performance goals is not available for evaluation.

---

23 When a DRIVE initiative is closed, the Postal Service designates one of the following statuses: closed with no further actions, closed and metrics integrated within another DRIVE, or closed and monitored as a part of business operations.
24 DRIVE Governance Controls v.1.0, Controls 5.1 – 5.4, dated October 16, 2015.

Recommendations

We recommend the chief financial officer direct the director, Strategic Planning, to:

1. Reassess current Delivering Results, Innovation, Value, and Efficiency (DRIVE) governance to ensure internal controls meet design intent, and strengthen them, where feasible, by aligning with industry best practices. This would include (a) incorporating an independent review process to validate the accuracy of inputs; (b) aligning DRIVE initiatives' metrics with respective decision analysis report investment proposals; and (c) developing a comprehensive closeout process to assess final initiative metric performance.

Management's Comments

Management agreed with the recommendation but disagreed with the basis for determining the monetary impact.

Management noted some clarifiications to the report, stating they submitted documentation to request closure of three prior audit recommendations on August 10, 2016. Also, for clarification and response to recommendation 1, part a, they developed and implemented a review process in quarter 2, FY 2016, to validate TMOS inputs in response to prior OIG recommendations.

Further, in response to recommendation 1, parts b and c, management will refine DRIVE governance controls to provide guidance on aligning DRIVE metrics to the DAR metrics where appropriate and will provide closeout guidance that will include an assessment of initiatives' final performances. Management's target implementation date is January 31, 2017.

Although management disagreed with the basis of our monetary impact, they did not provide any further information as to why they disagreed.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report.

Management requested closure of prior audit recommendations, including the TMOS data quality independent review process, subsequent to issuance of our discussion draft report. We determined the support documentation provided is sufficient to close the prior audit recommendations. However, until corrective actions are taken on parts b and c of recommendation 1, we are unable to close any part of this report's recommendation.

Regarding the monetary impact, as the DRIVE 16 initiative was closed, management could not provide adequate support that appropriate executive level visibility was maintained. To determine impact, we took the cash flow analysis for projected revenue contributions and cost savings for the remaining 6 years of the investment.

Recommendation 1, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. The recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendices

Appendix A:
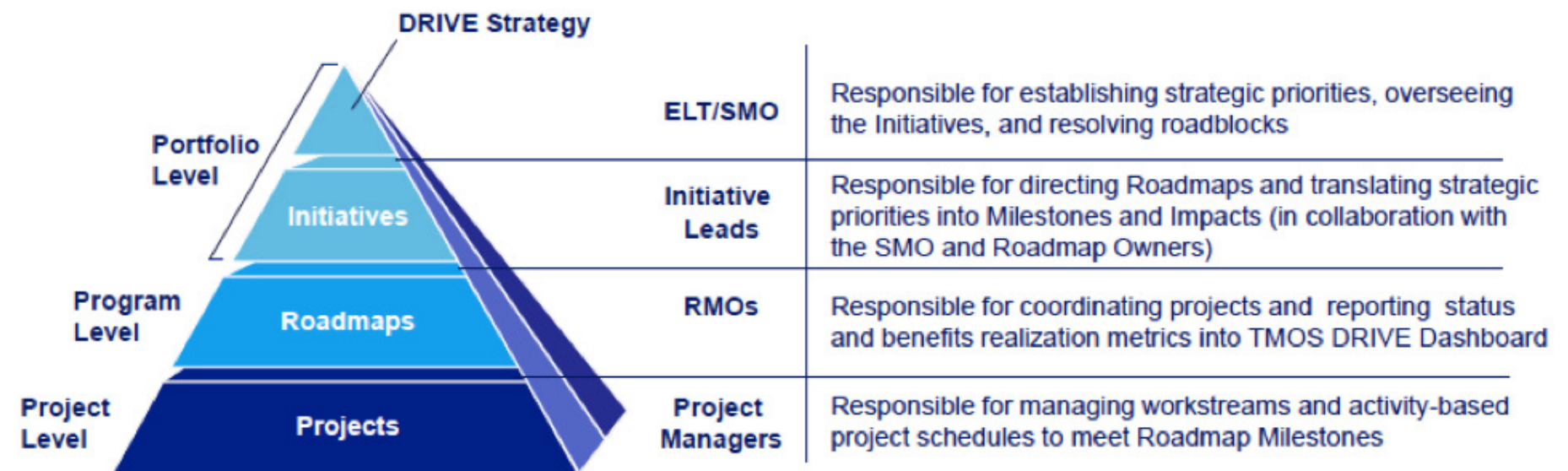## Additional Information

Background

The Postal Service established DRIVE in FY 2011 to improve its business strategy development and execution. At that time, the goal was to reduce the Postal Service's projected $20 billion gap between revenue and expenses by FY 2016 through data-driven program and project management. It identified DRIVE initiatives that:

- Contained 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, and customers.

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

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

- Required extensive cross-enterprise coordination and ELT visibility.

- Merited using top staff and resources.

DRIVE's program management process is designed to measure progress through clearly defined goals and objectives. It applies leading program management principles to increase the chance of success while providing executive visibility and early risk indicators, and involving different functional areas.

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 a DRIVE initiative. They consist of projects with clearly identified impacts and indicators, milestones, interdependencies, and risks (see Figure 1).

Figure 1. DRIVE Pyramid

	ELT/SMO	Responsible for establishing strategic priorities, overseeing the Initiatives, and resolving roadblocks
	Initiative Leads	Responsible for directing Roadmaps and translating strategic priorities into Milestones and Impacts (in collaboration with the SMO and Roadmap Owners)
	RMOs	Responsible for coordinating projects and reporting status and benefits realization metrics into TMOS DRIVE Dashboard
	Project Managers	Responsible for managing workstreams and activity-based project schedules to meet Roadmap Milestones

Source: *TMOS DRIVE User Guide*, dated February 5, 2013, page 8.

The SMO manages projects through the TMOS by tracking performance and progress on milestones, risk, impacts, and roadmap completion. The TMOS is 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 changes 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 formatting charters uniformly, reporting metrics quarterly, and communicating with project managers.

Each year ELT sponsors present their recommended DRIVE initiatives for inclusion in the DRIVE portfolio. The FY 2016 DRIVE portfolio consists of 14 initiatives aligned with the Postal Service's four core business strategies.

From FY 2012 through FY 2015, the Postal Service approved 116 DARs. Management cited a DRIVE initiative as support for funding 38 of those DARs totaling over $2 billion. For DRIVE initiatives that require funding or have financial impact, the Postal Service follows its investment process. (See Figure 2 for a summary of the investment process.) The DAR describes the problem or opportunity and details the need for the expenditure. All investment projects must be justified either as an economic opportunity or as a means of sustaining existing postal operations into the future by correcting or eliminating a problem. Each project must provide sufficient detail, including backup documentation, to enable the approving authorities[25] to make an informed decision regarding the use of Postal Service funds. The total cost of the project must be shown, including the planning, start-up, and direct costs, as well as all related costs and expenditures, both capital and expense, necessary to complete the project, bring it to operational status, and fund it through the economic analysis period displayed in the cash flow. The threshold for quarterly tracking of DARs with capital investments in the DCIR is greater than $5 million.

---

25 Handbook F-66, *General Investment Policies and Procedures*, November 2005, updated with *Postal Bulletin* revisions through October 11, 2007, section 2-2, notes that the.Board of Governors delegates approval authority to various management levels within the Postal Service to allow for greater local control of local projects, while ensuring that senior management can concentrate on strategic issues and retains approval authority over the most significant investment projects.

Figure 2. Postal Service Investment Review and Approval Process
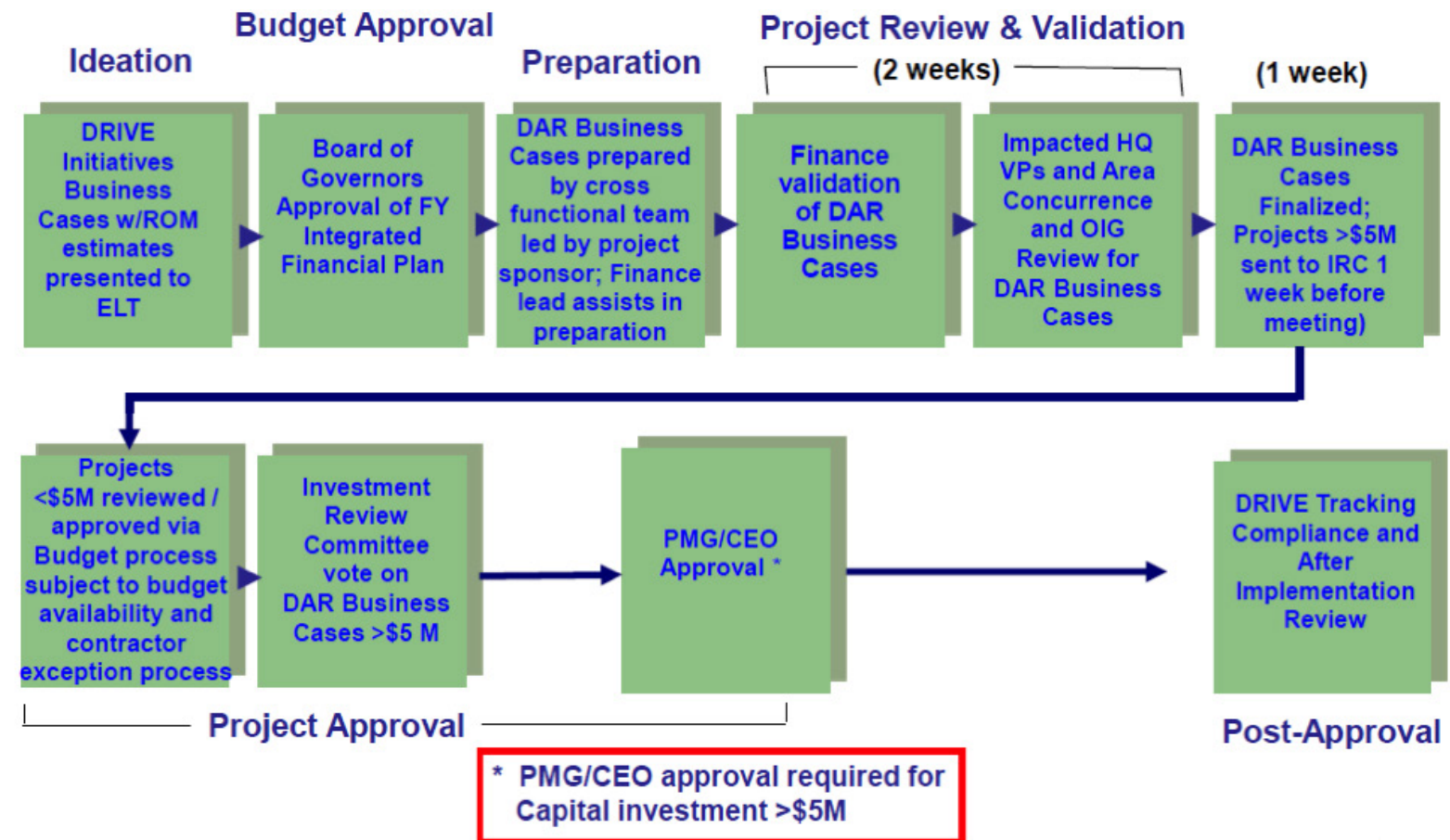
Source: *DAR Business Case Training*, dated January 2012, page 5.

Objectives, Scope, and Methodology

The objectives of this audit were to determine whether the Postal Service's DRIVE program management process aligned with industry best practices and assess the impact of DRIVE initiatives in improving business performance.

The scope includes the results and recommendations identified in previous OIG audits. It also includes best practices for program management. These practices demonstrate how organizations use enterprise-wide management practices to create an environment that facilitates effective implementation of programs, use program management offices in their organizations to assist in the program management process, and use program managers to optimize performance of their programs. To accomplish our objectives we:

- Reviewed procedures and criteria related to establishing DRIVE initiatives, such as the DRIVE governance, forms, templates, and training materials developed by the SMO.

- Discussed DRIVE project management with SMO staff, including establishing metrics and milestones that align with overall portfolio goals.

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

- Compared the 20 data governance best practices identified in a previous OIG report with the information in the DRIVE initiative's charter and roadmaps.

- Reviewed Corporate Executive Board materials and any other practices obtained by the Postal Service pursuant to managing DRIVE.

- Reviewed available reports in the TMOS to obtain information on DRIVE initiative's project management and project life cycles.

- Reviewed DAR performance metrics to see whether they aligned with DRIVE metrics for DRIVE initiatives tied to specific DARs.

We conducted this performance audit from December 2015 through October 2016 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 August 19, 2016, and included their comments where appropriate.

We assessed the reliability of the TMOS data by interviewing agency officials knowledgeable about the data and comparing key information against separately prepared documents provided by management in the form of the DCIR. Because milestone reports are manually entered into the TMOS by the SMO or roadmap owner and, due to the fact that the DCIR is a separately prepared document, 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 (in millions)
U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 51-Leverage Technology and Data to Drive Business Value	MI-AR-16-003	12/23/2015	None

Report Results: The report found that DRIVE Initiative 51 managers did not follow established DRIVE project management processes when planning DRIVE Initiative 51 goals. Management did not identify metrics to measure whether DRIVE Initiative 51 is helping the Postal Service meet its ambitious performance and financial goals. DRIVE 51 measured the deployment or implementation of equipment, systems, and processes rather than the performance and savings resulting from those new systems. Additionally, the audit identified other impacts related to labor savings that were about $2 million (29.8 percent) less than the projected $6.7 million. Further, project management processes were not followed for updating the TMOS and managing milestones. Management agreed with all recommendations but disagreed with the labor savings. Management also disagreed that processes were not followed to establish performance targets and update and manage milestones.

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 25 – Improve Customer Experience	MI-AR-16-001	10/30/2015	$6.6 million

Report Results: This report found that DRIVE Initiative 25 managers did not follow DRIVE project management processes when planning DRIVE Initiative 25 goals. Consumer and Industry Affairs (C&IA) management based project goals on C&IA's daily business operations instead of identifying goals to improve business performance, enhance the brand, and increase loyalty and revenue. Additionally, we identified $6.6 million the Postal Service could put to better use by not renewing a customer survey contract. We also found inconsistencies with data reported in the TMOS for 12 of 21 goals and identified eight changes made to project goals without proper authorization. Management agreed they would review TMOS data and include change request requirements in DRIVE training but will keep the customer service contract.

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 30 - Achieve 100 Percent Customer and Revenue Visibility	MI-AR-15-004	6/12/2015	None

Report Results: This report found that DRIVE Initiative 30 managers did not always follow established DRIVE governance process when planning, monitoring, and controlling overall project milestones and goals. We found large gaps between project dates, incomplete change request forms, and goals not based on any activities that would exceed past performance. Management partially agreed with the recommendations but stated that all change requests were communicated to and approved by the appropriate stakeholders. They further stated that ELT members and initiative leaders are responsible for setting specific initiative targets. Management agreed to follow DRIVE governance by establishing milestones at 4-to 6-week intervals and to follow DRIVE governance when making changes to initiatives. However, Management disagreed with one recommendation, stating that the "bold and aggressive" language this report refers to is not specifically called out in current governance guidelines.

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 43, Building a World-Class Package Platform	MI-AR-15-003	5/4/2015	None

Report Results: This report found that DRIVE Initiative 43 managers established cumulative goals for a 35 percent increase in domestic package volume and a $13.6 billion domestic revenue net contribution by FY 2016 but did not include these goals in the underlying projects or establish a way to accurately measure progress toward meeting the revenue net contribution goal. In addition, changes to and removal of project goals occurred without proper authorization and separation of duties. We recommended management ensure the DRIVE governance policy is followed by requiring initiative leads and roadmap owners to include initiative goals in the underlying projects, ensure all projects have at least one goal measured in the initiative charter, and complete all appropriate forms and obtain all necessary approvals when making changes to initiative and project goals. Management partially agreed with the recommendations; however, they stated they will revise DRIVE governance guidelines to clarify the relationship between goals and charters.

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 42, Market New and Existing Services	DP-AR-14-005	9/10/2014	None

Report Results: This report found that DRIVE Initiative 42 managers did not follow DRIVE project management processes when planning and evaluating overall project metrics and revenue goals. Management established a FY 2014 revenue goal of $5.2 billion without a system in place to accurately measure achievement. Another goal was not aggressive and the cumulative goal of DRIVE Initiative 42 was $8 billion less than the combined goals of the five underlying projects. We recommended management include goals that can be accurately measured and reflect the $24.6 billion total of the projects. We also recommended requiring initiative leads to follow established criteria to set bold and aggressive roadmap goals beyond past performance. Management partially agreed with the recommendations; however, they stated that initiative leaders and the ELT are responsible for setting specific initiative targets.

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: This report found that DRIVE Initiative 6 managers did not use established DRIVE project management practices, and there was no independent internal audit process to oversee DRIVE management. We recommended management establish a process to ensure DRIVE project management roles such as the initiative lead and roadmap owner are independent. We also recommended management evaluate implementing regular audits and controls for each project at the project management level. Management agreed with our recommendations but disagreed that changes to projects were not made because the same person was both initiative lead and roadmap owner. 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: This report found that 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. We recommended management evaluate implementing the additional best practice within the DRIVE program of regular audits and controls for each project at the program manager level and develop and implement a Postal Service-wide program management policy. Management agreed with our findings and recommendations but thinks DRIVE controls projects and provides reviews or "audits" of strategic programs and projects through bi-weekly deep-dive meetings.

**UNITED STATES
POSTAL SERVICE**

September 27, 2016

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Response to Draft Audit Report – Delivering, Results, Innovation, Value, and Efficiency Program Capping (Report # CP-AR-16-DRAFT)

Thank you for the opportunity to review and provide comments on the draft subject audit report. The report identifies one recommendation and a monetary impact. We agree with the recommendation, but provide a few clarifications and corrections and disagree with the basis for determining the associated monetary impact.

Office of Inspector General (OIG) Finding related to the Introduction Section - (Page 1, last paragraph and Note 9)

The OIG report states: "The U.S. Postal Service Office of Inspector General (OIG) has conducted seven DRIVE related audits and made 21 recommendations, three which remain open."   "We haven't received any documentation from the Postal Service to close these recommendations."

Management Response: The USPS Office of Strategic Planning submitted the remaining three open recommendations to the OIG through USPS Corporate Audit Response Management (CARM) on August 10, 2016 for closure. We are currently awaiting a response from the OIG to confirm closure.

Office of Inspector General (OIG) Finding related to the Recurring Findings section - (Page 4, first bullet)

The OIG report states: "In response to our prior DRIVE audits, the SMO agreed to implement an independent review process to ensure TMOS data quality, but a process has not yet been developed."

Management Response: The Office of Strategic Planning (OSP) developed and implemented a process in Q2 FY16 in response to the previous OIG audit recommendation. OSP submitted this as evidence of response to the OIG's recommendation via a memo dated August 10, 2016 and is awaiting confirmation from the OIG to close this recommendation.

USPS Responses to the Recommendations

OIG Recommendation 1:

Reassess current Delivering Results, Innovation, Value and Efficiency (DRIVE) governance to ensure internal controls meet design intent, and strengthen them, where feasible, by aligning with industry best practices. This would include:

a. Incorporating and independent review process to validate the accuracy of inputs;
b. Aligning DRIVE initiatives' metrics with respective decision analysis report investment proposals;
c. Developing a comprehensive closeout process to assess final initiative metric performance.

Target implementation date: January 2017

Responsible Official: Director, Office of Strategic Planning

Management Response/Action Plan:

(a) **Management agrees.** The Office of Strategic Planning has already developed and implemented a process for reviewing the validity of TMOS inputs. OSP implemented this process in Q2 FY16 in response to a previous OIG audit report recommendation. The USPS submitted this process and requested that the OIG close this recommendation via a memo dated August 10, 2016. Pending OIG approval of the closure request, no further action is required.

(b) **Management agrees.** The Office of Strategic Planning will refine the DRIVE Governance Controls, *Section 3.5 Charter and Roadmap Metric Alignment* to provide guidance on aligning DRIVE initiative metrics with DAR metrics where appropriate. The ELT reviews and approves annual changes to the DRIVE Governance Controls in the first quarter of each fiscal year. Once approved by the ELT, OSP will update the DRIVE Governance Control training materials and communicate as appropriate.

(c) **Management agrees.** The Office of Strategic Planning will refine the DRIVE Governance Controls, *Section 5.0 Closure* to provide closeout guidance with respect to conducting an assessment of the initiative's final performance. The ELT reviews and approves annual changes to the DRIVE Governance Controls in the first quarter of each fiscal year. Once approved by the ELT, OSP will update the DRIVE Governance Control training materials and communicate as appropriate.

Joseph Corbett
Chief Financial Officer and Executive Vice President

cc: Emil J. Dzuray, Director, Strategic Planning
J Otis Smith, Manager, Strategic Management Office
CARMManager@usps.gov

Contact us via our Hotline and FOIA forms.
Follow us on social networks.
Stay informed.

1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100