

April 26, 2002

GOVERNORS

SUBJECT: Postal Service's Breakthrough Productivity Initiative Awards  
Program (Product Number CQ-OT-02-001)

The results of our fact-finding on the Postal Service's Breakthrough Productivity Initiative Awards Program are attached.

If you have any questions or need additional information, please contact me at (703) 248-2300.

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Attachment

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## ***Introduction***

In response to questions raised at the March 2002 Board of Governors meeting, the Office of Inspector General (OIG) gathered the following information on the Postal Service's Breakthrough Productivity Initiative Awards Program.

The program's goal is to identify opportunities for productivity improvement and reduced expenditures for mail processing, delivery, transportation, procurement, customer service, and overhead by approximately \$4.5 billion over a 5 - 6 year period. In addition, the program is to identify common causes for poor productivity, provide a methodical approach to implementing improved practices, provide diagnostic and corrective tools, and require "opportunity" based budgets.

The program is relatively new, beginning in October 1999. It is administered under the senior vice president, Operations. In January and February of 2002, the first awards under the program were given out to 5,696 recipients. The awards totaled approximately \$4.9 million and were for fiscal year (FY) 2001 performance.

## ***Facts***

- Awards paid out this year totaled approximately \$4.9 million, averaged \$868, and ranged from \$35 to \$7,500 each. See Appendix I for further details on award payout by category, number of awardees per category, and amount awarded per category.
- Fifty-three percent of award recipients received 61 percent of the awards for performance achievements. Forty-seven percent of recipients were awarded 39 percent of the awards for operational improvements.
- Managers of awarded entities were responsible for distributions limited to no more than \$7,500 per individual. Only executive and administrative schedule and Postal Career Executive Service employees were eligible for these awards. This is a separate awards program from the Economic Value Added Program.
- A number of existing systems, such as the Management Operating Data System which tracks labor hours, were used to develop performance measures and track performance achievements.

- The Employee and Labor Relations Manual sets policy guidance for incentive awards programs. See Appendix II for further details on the Postal Service's incentive awards policy guidance.

## ***Summary***

Processing and delivery entities that met or surpassed performance measures based on work hour savings were eligible for awards.

In June 2001, Postal Service executives recognized that current award procedures must be revised to better match the behavior required for breakthrough performance.

The OIG has started an audit of the Postal Service's breakthrough productivity initiative awards program.

# **APPENDIX I** **FY 2001 BPI AWARD BREAKDOWN**

<b>Award Category</b>	<b># Awardees</b>	<b>Amount Awarded (Thousands)</b>
Actual Delivery Performance Achievement		
<i>Achieved or surpassed delivery productivity goals</i>	990	\$699
Actual Mail Processing Performance Achievement		
<i>Achieved or surpassed processing productivity goals</i>	986	\$1,211
Most Improved Delivery Operation		
<i>Achieved or surpassed cost and workload reduction goals for delivery</i>	947	\$488
Most Improved Mail Processing Operations		
<i>Achieved or surpassed cost and workload reduction goals for processing</i>	987	\$900
Best in Class		
<i>Achieved or surpassed productivity goals beyond all others in same class</i>	296	\$331
Function 1 and 2		
<i>Achieved or surpassed productivity goals for plant processing and delivery operations</i>	430	\$475
Large Plant		
<i>Achieved or surpassed productivity goals for large plant class</i>	107	\$174
Medium Large Plant		
<i>Achieved or surpassed productivity goals for medium plant class</i>	69	\$41
Small Plants		
<i>Achieved or surpassed productivity goals for small plant class</i>	105	\$62
Very Small Plant		
<i>Achieved or surpassed productivity goals for very small plant class</i>	11	\$17
BPI General		
<i>Award category not specifically stated</i>	156	\$377
Unknown		
<i>Documentation did not state award category</i>	612	\$170
Total	5,696	\$4,945

## APPENDIX II

### ELM AWARD BREAKDOWN

#### Executive and Administrative Schedule Recognition and Awards Program and Postal Career Executive Service Noncash Recognition Only

	TYPE	AWARD	APPROVAL AUTHORITY	REQUIREMENTS
1.	Informal Award	Noncash: less than \$50 value; cash equivalent; noncash tangible, or a letter of appreciation	Immediate supervisors	<p>Nonmonetary award. Provides immediate positive feedback and a special thanks for a job well done and for exemplifying noteworthy role modeling behavior.</p> <p>No limit on number.</p> <p>Eligibility: All career executive and administrative schedule and Postal Career Executive Service employees.</p>
2.	Spot Award	Cash: \$50 to \$2,000; cash equivalent: \$50 to \$2,000; or noncash tangible: \$50 to \$2,000	Postmasters, Managers grade executive and administrative schedule-22 and above, and Postal Career Executive Service	<p>Provides immediate recognition for a specific action or achievement beyond what is normally expected of an employee. No limit on number, but maximum of \$2,000 cash per employee per fiscal year (independent of Team Award dollar limit).</p> <p>Eligibility: All career executive and administrative schedule employees.</p>
3.	Vice President's Award	Cash: up to \$5,000	Vice Presidents	<p>Acknowledges and rewards superior individual contribution or achievement deserving of system-wide recognition.</p> <p>Eligibility: All career executive and administrative schedule employees and Postal Career Executive Service employees in executive administrative schedule positions.</p>
4.	Team Award	Cash: \$50 to \$2,000; cash equivalent: \$50 to \$2,000; or noncash tangible: \$50 to \$2,000	Vice Presidents	<p>Rewards superior team contribution or achievement deserving of system-wide recognition. The amount of an award should be commensurate with the magnitude of the effort or achievement.</p> <p>An executive and administrative schedule employee may receive up to \$2,000 in cash Team Awards in a fiscal year. (Independent of Spot Award dollar limit.)</p> <p>Eligibility: All career executive and administrative schedule employees. (Note: Postal Career Executive Service and Postal Career Executive Service in executive and administrative schedule positions are eligible for noncash awards only.)</p>
5.	Exceptional Performance Award	Cash: Up to \$7,500	Management committee officers or Senior Vice President	<p>Acknowledges and awards exceptional individual contribution and achievement deserving of system-wide recognition.</p> <p>Eligibility: All career executive and administrative schedule employees and Postal Career Executive Service employees in executive and administrative schedule positions.</p>