



August 8, 2005

EDUARDO H. RUIZ  
DISTRICT MANAGER, SANTA ANA DISTRICT

SUBJECT: Audit Report – City Letter Carrier Operations –  
Santa Ana District (Report Number DR-AR-05-013)

This report presents the results of our self-initiated audit of City Letter Carrier Operations in the Santa Ana District (Project Number 05YG005DR001). This is the first in a series of six reports on city letter carrier operations issued under the Value Proposition Agreement between the vice president, Delivery and Retail, and the Office of Inspector General's (OIG) Delivery and Retail directorate. The overall objective was to assess the management of city letter carrier operations.

Opportunities exist to improve the management of city letter carrier operations in the district. Specifically:

- Delivery facility supervisors and managers did not adequately match workhours with workload when approving Postal Service Forms 3996, Carrier – Auxiliary Control. We projected the sample results for a total of 83,864 unjustified hours over the five-month period May 1 through September 30, 2004. We agreed with headquarters and Pacific Area delivery management to unrecoverable costs of \$2,127,852 and we will report it as such in our Semiannual Report to Congress.
- Delivery facility supervisors and managers did not always timely view the Delivery Operations Information System (DOIS) Reports to manage daily operations.
- Delivery facility supervisors and managers did not effectively use the Managed Service Points (MSP) base information to monitor carrier performance.
- Delivery facility supervisors and managers did not always properly document letter carriers' unauthorized overtime occurrences and take appropriate corrective action.

We recommended the manager, Santa Ana District, direct delivery facility supervisors and managers to enforce the policy for carriers to properly complete required forms and

instruct supervisors to only authorize time carriers request. In addition, we recommended the manager require supervisors and managers to use DOIS Reports in a timely manner to manage daily operations. We also recommended the manager require supervisors and managers to use MSP more effectively, consistently document unauthorized overtime on required forms, and take appropriate corrective action.

Management agreed with our findings and recommendations and has initiatives completed and planned addressing the issues in this report. Management's comments and our evaluation of these are included in this report.

The OIG considers recommendations 1 and 2 significant and requires OIG concurrence before closure. The OIG considers the support provided by management detailing corrective actions to be sufficient to close the recommendations.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information please contact Rita Oliver, Director, Delivery and Retail, or me at (703) 248-2300.

/s/ Mary W. Demory

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## EXECUTIVE SUMMARY

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### Introduction

This report presents the results of our self-initiated audit of city letter carrier operations in the Santa Ana District. The overall objective was to assess the management of city letter carrier operations.

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### Results in Brief

Opportunities exist to improve the management of city letter carrier operations in the Santa Ana District. Specifically:

- Delivery facility supervisors and managers did not effectively match workhours with workload. This occurred primarily because carriers did not always submit a Postal Service (PS) Form 3996, Carrier – Auxiliary Control, to document their requests for additional time. As a result, we projected the six delivery facilities had 13,599 unjustified hours that were not supported by volume or workload from May 1 through September 30, 2004. We projected the sample results to all 37 similarly sized delivery facilities in the district for a total of 83,864 unjustified hours. We agreed to unrecoverable costs of 50 percent<sup>1</sup> of the total variance in the Web Enabled Enterprise Information System, which amounts to \$2,127,852.
- Supervisors and managers did not always timely view Delivery Operations Information System (DOIS) Reports such as the Workload Status, Route/Carrier Daily Performance, and Managed Service Points (MSP) Overview Reports to manage daily operations effectively. This occurred because supervisors felt rushed in the morning so relied on their management experience.
- Supervisors and managers did not consistently use the MSP base information to monitor carrier performance effectively. This occurred because they were not using PS Form 3999, Inspection of Letter Carrier Route, or another current form to update the route pivot plan.

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<sup>1</sup>Postal Service Headquarters and Pacific Area Delivery management stated that more than 50 percent of the variance would be too high because managers cannot capture that much in a reasonable amount of time. However, Postal Service officials thought 50 percent of the variance was a reasonable figure.

- Supervisors and managers did not always properly document letter carriers' unauthorized overtime and take corrective action to assist in managing overtime issues. Supervisors said documenting unauthorized overtime was a lower priority.

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**Summary of  
Recommendations**

We recommended the manager, Santa Ana District, direct delivery facility supervisors and managers to enforce the policy for carriers to submit a PS Form 3996 when workload or volume indicates the carrier will need additional time for the route and require them to properly document the reasons for the requests. The manager should also instruct the supervisors to only authorize time that carriers request and keep route base information readily available. In addition, the manager should direct supervisors and managers to use DOIS Reports timely to manage daily delivery operations and review MSP base information to monitor carrier performance.

Finally, the manager, Santa Ana District, should require supervisors and managers to consistently document unauthorized overtime on required forms and take appropriate corrective action.

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**Summary of  
Management's  
Comments**

Management agreed with our findings and recommendations. Management detailed the actions already taken such as providing critical hour training, implementing a PS Form 3996 Web site, and conducting Pacific Area effectiveness reviews. Also, management conducted additional training in MSP and unauthorized overtime procedures. Management's comments, in their entirety, are included in Appendix E of this report.

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**Overall Evaluation of  
Management's  
Comments**

Management's actions taken or planned are responsive to our findings and recommendations and should correct the issues identified in our findings.

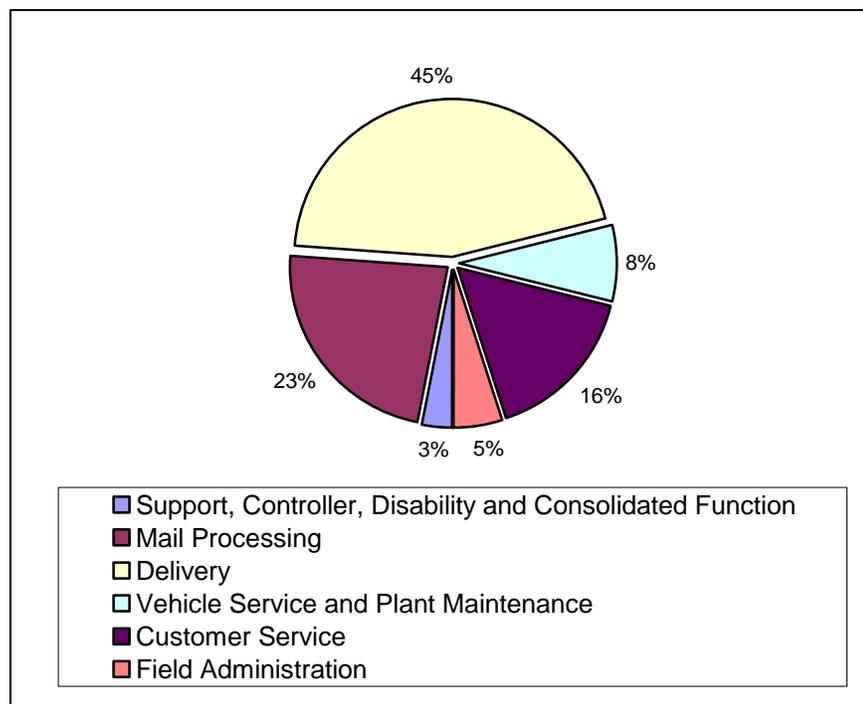
## INTRODUCTION

### Background

The Postal Service delivered over 200 billion pieces of mail to more than 143 million addresses in fiscal year (FY) 2004 and expects to deliver to an additional 1.6 million addresses in FY 2005. The Delivery Operations Information System (DOIS), deployed in FY 2002, provides operational data to the delivery facility supervisors and managers to assist them in managing daily carrier operations and reducing costs. This data includes mail volume, mail arrival and dispatch times, and projected office and street hours for routes.

As shown in Figure 1, delivery operations constitute 45 percent of the workhours in the FY 2005 field operating budget, which is mainly attributable to office and street workhours. Salary and benefits for rural and city carriers totaled approximately \$21 billion. Also, in the FY 2005 field budget, the Postal Service established a goal to reduce delivery workhours by 6.2 million. City delivery hours are budgeted as 73 percent of total delivery workhours.<sup>2</sup>

**Figure 1. FY 2005 Field Budget Workhours**



<sup>2</sup>Total delivery workhours for FY 2005 were budgeted at 631,731,535. Of the total delivery workhours, 458,064,595 (or 73 percent) were charged to the city delivery function code (2B).

The Pacific Area consists of 753 delivery facilities<sup>3</sup> in ten districts. The Pacific Area's FY 2005 budget performance goal is to reduce city delivery workhours by 721,889, representing cost savings of \$25,413,240. The Santa Ana District—with 100 delivery facilities—is the largest district in the Pacific Area.

Each delivery facility's mail volume, mail arrival and dispatch times, and office and street hours vary and are managed by the delivery facility supervisor or manager. In addition, routes in a city delivery facility have an established office and street time (usually eight hours) based on the last route inspection. One aspect of daily delivery facility operations is preparation and submission of Postal Service (PS) Form 3996, Carrier – Auxiliary Control, by city letter carriers requesting overtime or assistance on their routes. The supervisor reviews each request and either approves the additional time, decreases the time, or denies the carrier's request. The supervisor bases this decision on the daily workload or mail volume received in the delivery facility.

Unauthorized time is time worked that is not authorized by the supervisor/manager. For example, when a carrier requests 1 hour of additional time, but uses 1 hour and 30 minutes, the extra 30 minutes is unauthorized time. Unjustified time occurs when the workload or volume does not support the hours used. Using the above example, if the carrier worked 1 hour and 30 minutes of extra time, but the workload only supported 30 minutes, the extra 1 hour would be classified as unjustified time. A carrier can have both unauthorized and unjustified time, simultaneously.

To determine the amount of unauthorized and unjustified overtime on routes, a "3996 audit" of a delivery facility's activities can be performed. Using the DOIS Workload Status Report,<sup>4</sup> PS Form 3996,<sup>5</sup> Route/Carrier Daily

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<sup>3</sup>A delivery facility is a building with one or more delivery units. A delivery unit is a group of routes that usually belong to a ZIP Code. However, some ZIP Codes with a few routes can be combined to form one delivery unit and a ZIP Code with a large number of routes may be split into more than one delivery unit.

<sup>4</sup>Workload Status Reports provide management with data such as volume, parcel, and delivery point sequenced mail to make effective decisions in matching workhours to workload.

<sup>5</sup>Carriers complete a PS Form 3996 to request overtime or auxiliary assistance on their route for a day when they estimate the route will exceed eight hours because of workload and volume.

Performance Report,<sup>6</sup> and Carrier Control Workload Sheet,<sup>7</sup> several factors are reviewed:

- The amount of time the carrier requests for the route.
- The amount of time the supervisor approves for the route.
- The total time the carrier uses on the route.
- The justified and unjustified time.

In addition to reviewing PS Forms 3996, an analysis of the completed PS Forms 1017-B, Unauthorized Overtime Record, can be conducted to determine if supervisors are correcting carrier performance issues.

Managed Service Points (MSP) is a computerized tool designed to monitor consistency of delivery time and enhance street management using mobile data collection devices. Letter carriers scan barcodes placed at service points reflecting key elements of the employee workday. Seven basic scan points are required:

1. Hot Case<sup>8</sup>
2. Depart to Route
3. First Delivery
4. Last Delivery Before Lunch
5. First Delivery After Lunch
6. Last Delivery
7. Return to Office

At the conclusion of each workday, the carrier downloads the MSP data collected into DOIS. Management compares this data to the MSP base information employees store in DOIS to generate reports supervisors can use to better understand the carrier's performance.

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<sup>6</sup>The Route/Carrier Daily Performance Report assists supervisors in evaluating the performances of all routes within a delivery unit for a single day.

<sup>7</sup>The Carrier Workload Control Sheet contains the base statistics for a route such as volume, deliveries, street factor, and accountables as determined by the last route inspection.

<sup>8</sup>A hot case is a location within the delivery facility where employees resort mail missent from the processing plant and give it to the assigned carrier.

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**Objectives, Scope,  
and Methodology**

Our overall objective was to assess the management of city letter carrier operations. Specifically, we determined whether delivery supervisors and managers adequately matched workhours with workload, used DOIS Reports in a timely manner to manage operations, and effectively used MSP base information to monitor carrier performance.

Additionally, we assessed whether delivery facility supervisors/managers properly tracked unauthorized time by documenting a letter carrier's unauthorized time and taking corrective action. Our audit scope reviewed city letter carrier operations for the five-month period May 1 through September 30, 2004.

To accomplish our objectives, we randomly selected six delivery [REDACTED]

[REDACTED] To determine whether delivery facility supervisors/managers adequately matched workhours with workload, we randomly selected 20 days at each delivery facility and conducted "3996 audits" for each day to quantify the amount of unjustified time. We also observed the delivery facility supervisors' and station managers' morning activities of measuring and recording mail volume, reviewing Workload Status Reports, and approving overtime.

To determine whether delivery facility supervisors and managers effectively used DOIS Reports in a timely manner, we analyzed the time each day that supervisors reviewed data from the Workload Status, Route/Carrier Daily Performance, and MSP Overview Reports. Additionally, we reviewed the base MSP information for all routes at the six delivery facilities and reviewed the use of the log for PS Forms 1017-B.

This audit was conducted from December 2004 through August 2005, in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We relied on data obtained from the Web Enabled Enterprise Information System (WebEIS) and DOIS. We did not directly audit these systems, but

performed a limited data integrity review to support our data reliance. We discussed our observations and conclusions with appropriate management officials and included their comments where appropriate.

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**Prior Audit Coverage**

The Office of Inspector General (OIG) has issued three audits related to our objectives.

City Letter Carrier Operations – Rio Grande District (Report Number DR-AR-05-009, December 2, 2004). The report outlined opportunities to improve the management of city letter carrier operations in the Rio Grande District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the three delivery facilities had 5,318 unjustified hours (at an estimated cost of \$193,947) not supported by volume or workload over the five-month period October 1, 2003, through February 29, 2004. We reported 2,543 of the unjustified hours—or \$92,762—as unrecoverable costs. We also noted that supervisors/managers did not effectively use DOIS to manage daily operations and delivery unit supervisors and managers did not consistently perform street management or effectively use MSP to monitor city letter carriers’ street time to correct negative trends.

City Letter Carrier Office Preparation in the Dallas District (Report Number DR-AR-04-005, July 26, 2004). The report stated that opportunities exist to improve the Dallas District’s city letter carrier office preparation operations. Specifically, impediments existed that adversely impacted delivery supervisors’/managers’ ability to adequately match workhours with workload. In addition, city letter carriers’ work activities did not always ensure they departed the delivery facility as scheduled and supervisors/managers did not use the DOIS to assist in managing office activities.

City Carrier Productivity – Letter Carrier Delays in the Baltimore District (Report Number TD-AR-03-011, July 28, 2003). The report stated that early reporting wasted carriers’ morning time and exposed the Baltimore District to potential unnecessary evening overtime costs. It was noted supervisors/managers were not using DOIS to manage

carrier schedules and, consequently, could not use the system to evaluate carrier scheduling or take corrective action.

## AUDIT RESULTS

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### City Letter Carrier Operations

Opportunities exist to improve the management of city letter carrier operations in the Santa Ana District. Specifically:

- Delivery facility supervisors and managers did not effectively match workhours with workload. As a result, we projected the six delivery facilities had 13,599 unjustified hours that were not supported by volume or workload from May 1 through September 30, 2004. We projected the sample results to all 37 similarly sized delivery facilities in the district for a total of 83,864 unjustified hours. Headquarters and Pacific Area delivery management and the OIG agreed to unrecoverable costs of 50 percent of the total variance in WebEIS, which amounts to \$2,127,852. (See Appendix D.)
- Supervisors and managers did not always timely use DOIS Reports such as Workload Status, Route/Carrier Daily Performance, and MSP Overview Reports to manage daily operations effectively.
- Supervisors and managers did not consistently use the MSP base information to effectively monitor carrier performance.
- Supervisors and managers did not always properly document letter carriers' unauthorized overtime occurrences and take appropriate corrective action.

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### Workhours to Workload Not Adequately Matched

Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results in the 37 similarly sized delivery facilities in the district for a total of 83,864 unjustified hours with unrecoverable costs of \$2,127,852 over the five-month period May 1 through September 30, 2004. The unjustified hours occurred primarily because carriers did not always submit a PS Form 3996 to document their requests for additional time. In addition, carriers did not properly complete PS Forms 3996 and supervisors authorized time carriers did not request and/or did not take action on PS Forms 3996. Delivery facility supervisors also did not keep route base information readily available.

Postal Service Handbook M-41, City Delivery Carrier Duties and Responsibilities, Section 131.41 (updated with Postal Bulletin revisions through April 2001), states that it is the carrier's responsibility to complete items on PS Form 3996 if overtime or auxiliary assistance is authorized for the office or the street.

Management Instruction PO-610-2000-1, Piece Count Recording System, dated December 2000, states that effective day-to-day management of a delivery facility requires evaluation of the facility's daily mail volume. The Postal Service uses volume data daily to assess the workhours needed for any given day.

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Unjustified Time

We analyzed delivery facility information<sup>9</sup> and conducted "3996 audits" for 119<sup>10</sup> days at six randomly sampled delivery facilities from May 1 through September 30, 2004. The "3996 audits" identified 2,127 unjustified hours (or 97 percent) of the total 2,204 hours that were expended on routes with time used over 8 hours. We projected the sample results to all 37 similarly sized delivery facilities in the district for a total of 83,864.41 unjustified hours at a projected cost of over \$3 million.<sup>11</sup>

The "3996 audit" process assesses individual route time used over eight hours. The audit process cannot differentiate between time that is truly unjustified and time that is simply not supported by documentation. The Total Variance Factor in the Postal Service's WebEIS shows the difference between projected workhours for the workload identified in DOIS and the actual workhours used by the carriers. Pacific Area delivery management and the OIG agreed to 50 percent of the WebEIS variance from May 1 through September 30, 2004, as unrecoverable costs, which amounts to \$2,127,852.<sup>12</sup>

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<sup>9</sup>DOIS Workload Status Reports, PS Forms 3996, and Route/Carrier Daily Performance Reports.

<sup>10</sup>We randomly selected 20 days at each of the 6 facilities to conduct "3996 audits," but 1 day selected at [REDACTED] was a California state holiday for Ronald Reagan's funeral, so 119 "3996 audits" were completed.

<sup>11</sup>Postal Service Finance memorandum dated March 5, 2004, shows the national average labor rate for city letter carriers in FY 2004 was \$36.47. The 83,864.41 hours multiplied by \$36.47 equals \$3,058,535.

<sup>12</sup>The WebEIS shows the total variance between projected workhours for the workload identified in DOIS and the actual workhours used by the carriers. The total variance for the 37 similarly sized delivery facilities is \$4,255,704 for May 1 through September 30, 2004.

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PS Form 3996,  
Carrier – Auxiliary  
Control

Carriers did not always submit PS Forms 3996 to request additional time on routes. Of the days we reviewed, 1,641 of the 2,204 total unjustified hours (or 74 percent) were the result of carriers not submitting the form. This occurred because delivery facility management did not emphasize to carriers the importance of using the form. Further, supervisors often verbally approved overtime with carriers.

When carriers submitted PS Forms 3996, they did not always properly document their request for additional time. For example, carriers requested time with no reasons listed or listed reasons with no corresponding amount of time.

Postal Service Handbook M-41, City Delivery Carrier Duties and Responsibilities, Chapter 2, Section 28 (updated with Postal Bulletin revisions through April 2001), states that the carrier must show the reason for requesting assistance on his/her route in detail on PS Form 3996.

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Supervisors Authorized  
Additional Time

Supervisors authorized time that was not requested by the carrier on PS Form 3996. For example, a carrier listed “a lot of mail” as a factor with no time requested and the supervisor authorized two hours of overtime. In addition, supervisors did not always properly approve or disapprove submitted PS Forms 3996. This occurred because delivery facility management did not establish expectations that directed delivery supervisors to approve only time requested by the carrier and justified by the workload.

The sampled delivery facilities did not keep route information readily available for parcels, accountables,<sup>13</sup> and full coverage times.<sup>14</sup> This data is critical because the volume for these items may increase or decrease each day on carriers’ routes. Without this information, supervisors do not have objective data to approve overtime requests. We also noted that carriers combined their requests for multiple factors instead of separating each factor with the specific amount of additional time needed on PS Form 3996. Therefore, it was not obvious how much time the carrier requested for volume, meeting time, and full coverage. Supervisors also approved time with combined factors and

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<sup>13</sup>Accountable mailpieces include Express Mail and certified mail packages the carrier must deliver and usually require the customer’s signature.

<sup>14</sup>Full coverage is the additional time granted to a city letter carrier to deliver mail on a particular day to all possible delivery points on a route.

did not make any notes about how much they approved for each factor. This also made it difficult to objectively justify time.

The delivery facilities incurred unjustified workhours as a result of carriers not submitting PS Forms 3996 or submitting incomplete documentation and supervisors/managers approving time that was not justified by the workload.

We noted significant improvement in the submission of PS Forms 3996 by carriers after our audit scope period. We judgmentally sampled 11 days in November and December 2004, and found delivery facility supervisors were directing carriers to complete PS Forms 3996 when requesting additional time on a route.

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**Recommendations**

We recommend the manager, Santa Ana District:

1. Direct station managers and supervisors to enforce the policy for carriers to complete a Postal Service Form 3996, Carrier – Auxiliary Control, when workload or volume indicates the carrier will need additional time for the route and require carriers to properly document reasons for their request of additional time.
2. Instruct station managers and delivery facility supervisors to only authorize time requested by carriers and justified by the workload.
3. Require station managers and delivery facility supervisors to keep route base information readily available that shows base parcels, accountables, and full coverage times.

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**Management's  
Comments**

Management agreed with our findings, unrecoverable costs, and recommendations 1, 2, and 3 and has taken actions to ensure compliance. Management conducted "Critical Hour" management training for customer service supervisors during April and May 2005. This training included proper scheduling of employees and proper completion and authorization of PS Forms 3996. In addition, management implemented a Web site to monitor both the quantity and quality of PS Forms 3996.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to our findings and recommendations 1, 2, and 3. Management's actions taken should correct the issues identified in the finding.

**Supervisors Did Not Always Timely View DOIS Reports**

Supervisors and managers did not timely view DOIS operational reports to assist in managing delivery operations. This occurred because supervisors felt rushed in the morning and relied on their delivery experience. Although supervisors received DOIS training, they did not always consider viewing DOIS Reports to be a priority. According to the Delivery Operations Information System Quality Assessment, September 9, 2002, it is critical that supervisors use DOIS to manage daily facility operations.

Supervisors and managers did not always review the Workload Status, Route/Carrier Daily Performance, and MSP Overview Reports at the appropriate time. As illustrated in Table 1, supervisors were not using the operational delivery data available to manage their delivery facilities.

**Table 1. Supervisors' DOIS Activity  
May 1 Through September 30, 2004  
(127 workdays)**

Six Randomly Sampled Delivery Facilities	Days Workload Status Report NOT Viewed Before 8 a.m.	Days Route/Carrier Daily Performance Report NOT Viewed Before 8 a.m.	Days MSP Overview Report NOT Viewed
	76	81	77
	23	102	22
	46	23	68
	50	83	21
	73	27	124
	23	30	26
<b>TOTAL</b>	<b>291</b>	<b>346</b>	<b>338</b>

The Workload Status Report was viewed after 8:00 a.m. in 291 of 762<sup>15</sup> instances (38 percent) and the Route/Carrier Daily Performance Report was viewed after 8:00 a.m. in 346 of 762 instances (45 percent). The MSP Overview Report was not viewed in 338 of 762 instances (44 percent). This occurred because supervisors felt rushed in the morning and relied more on their delivery experience.

<sup>15</sup>127 workdays x 6 delivery facilities = 762.

Delivery Operations Information System Quality Assessment, September 2002, and Pacific Area AM Standard Operating Procedures (AM SOP), October 29, 2004, states it is critical that supervisors use DOIS to manage daily facility operations and review reports timely.

As a result, supervisors impact their ability to make effective decisions in matching workhours to workload by not reviewing operational and critical data such as mail volume, carrier performance, and street delivery activities in DOIS. In addition, by not reviewing the data, supervisors may not take timely corrective action to address carrier performance issues.

The AM SOP procedures are currently being instituted in all delivery facilities with a reemphasis on the use of DOIS Reports. We reviewed the use of DOIS Reports again after our audit scope period and found the delivery facilities were improving their timely reviewing of operational data.

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**Recommendations**

We recommend the manager, Santa Ana District:

4. Direct station managers and supervisors to review Workload Status and Route/Carrier Daily Performance Reports by 8:00 a.m. so that workload can be accurately matched to workhours.
5. Direct station managers and supervisors to comply with the Pacific Area's AM Standard Operating Procedures, which require daily review of the Managed Service Points Overview Report.

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**Management's  
Comments**

Management agreed with the finding and recommendations 4 and 5 and has taken actions to ensure compliance. Management conducted critical hour training to ensure all supervisors were retrained in pulling, reviewing, and analyzing DOIS reports.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to our finding and recommendations 4 and 5. Management's actions taken should correct the issues identified in the finding.

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**Managed Service  
Points Base  
Information**

Delivery facility managers did not consistently use MSP base information in DOIS to effectively monitor carrier street performance. We reviewed the base MSP information for all routes at the six randomly sampled delivery facilities and identified 66 routes where office and street times were out of sequence.<sup>16</sup>

Examples of out-of-sequence conditions included:

- Return to office time before the last delivery.
- Delivery times defaulted to 12:00 a.m.
- Different streets with the same scan time.

The out-of-sequence times were the result of supervisors not having a current PS Form 3999, Inspection of Letter Carrier Route,<sup>17</sup> or not using a current form to update the route pivot plan. The route pivot plan is a detailed description of the route that the city delivery carrier should follow while delivering mail on the street. However, even with a current PS Form 3999, the manager or supervisor must update the form and the pivot plan to reflect any changes to the route.

Also, the delivery supervisors we spoke with said they had not received any MSP training. District officials said they had conducted MSP training for most staff during the last two years. In addition, as part of the new AM SOP procedures, delivery facility management stated that they were beginning to train supervisors to update PS Forms 3999.

The Santa Ana District MSP policy requires supervisors to view the MSP Overview Report daily to help identify variance issues. Supervisors and managers who did not review this report daily (as illustrated in Table 1) were unable to determine variances between the actual and scheduled times of MSP scan points that could identify carrier performance issues or identify inaccurate MSP base information.

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<sup>16</sup>Out-of-sequence occurs when the scheduled times for the route do not occur in chronological order.

<sup>17</sup>PS Form 3999 records all pertinent information concerning a carrier's office and street performance, including line of travel details, listing office leave time, first delivery time, lunch time, and last delivery time.

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**Recommendations**

We recommend the manager, Santa Ana District:

6. Require employees to update base information when any changes are made to a route.
7. Provide additional training to station supervisors and managers in using Managed Service Points more effectively.

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**Management's  
Comments**

Management agreed with the finding and recommendations 6 and 7 and has implemented or will be implementing actions to ensure compliance with MSP. Management conducted additional MSP training in late April through early May 2005 and an intensified MSP training class is scheduled for August 2005. In addition, management has developed a new street management plan with tentative implementation in August 2005.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to our finding and recommendations 6 and 7. Management's action taken or planned should correct the issues identified in the finding.

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**Unauthorized Time**

Supervisors/managers did not always properly document letter carriers' unauthorized overtime occurrences. There were only two entries where a PS Form 1017-B was recorded for any of the 119 sampled days for the five-month period May 1 through September 30, 2004. Three of the randomly sampled delivery facilities had no PS Form 1017-B log entries for the entire five-month period and the three other delivery facilities had a total of only 18 entries. Supervisors said completing PS Forms 1017-B was a low priority and they informally discussed unauthorized overtime occurrences with carriers.

The supervisor should have documented the discussion with the carrier regarding the reasons for unauthorized overtime after returning from the route in the remarks section of PS Form 1017-B.

Handbook F-401, Supervisor's Guide to Scheduling and Premium Pay, Chapter 5, Section F, August 2000, states "employees are responsible for adhering to their assigned work schedules. A variance from the assigned work schedule will result in unauthorized overtime. Supervisors must document these occurrences on PS Form 1017-B and take corrective action."

As a result of not documenting unauthorized overtime, supervisors were not able to effectively consult and correct carrier performance issues to assist in managing overtime hours.

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**Recommendation**

We recommend the manager, Santa Ana District:

8. Reinforce the policy in Handbook F-401, Supervisor's Guide to Scheduling and Premium Pay, to properly complete PS Form 1017-B, Unauthorized Overtime Record, to document unauthorized overtime and take appropriate corrective action.

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**Management's  
Comments**

Management agreed with our finding and recommendation. Management provided training on unauthorized overtime to supervisors during April and May 2005.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to our recommendation. Management's actions taken should correct the issue identified in the finding.

**APPENDIX A. SUMMARY OF 119 “3996 AUDITS”**

Number	Delivery Facility	Date	Day of Week	Total Time Used Greater Than Eight Hours in Minutes	Total Unjustified Time in Minutes	Total Unjustified Percent	Total Routes Greater Than Eight Hours	No PS Form 3996 but Route Greater Than Eight Hours
1		05/04/04	T	846	846	100%	20	20
2		05/07/04	F	460	428	93%	13	11
3		05/28/04	F	128	128	100%	5	5
4		05/29/04	S	96	96	100%	2	2
5		06/02/04	W	708	683	96%	16	13
6		06/12/04	S	1,052	1,052	100%	16	15
7		06/21/04	M	308	303	98%	10	8
8		07/01/04	Th	518	518	100%	10	10
9		07/10/04	S	34	34	100%	1	1
10		07/28/04	W	590	590	100%	13	13
11		07/29/04	W	306	306	100%	8	8
12		07/30/04	F	636	636	100%	12	12
13		08/11/04	W	1,056	1,056	100%	19	19
14		08/18/04	W	761	761	100%	15	15
15		09/01/04	W	826	826	100%	15	15
16		09/14/04	T	1,310	1,310	100%	23	22
17		09/15/04	W	1,506	1,465	97%	20	19
18		09/18/04	S	602	602	100%	10	9
19		09/22/04	W	1,259	1,217	97%	19	16
20		09/25/04	S	79	79	100%	5	5
21		05/07/04	F	901	894	99%	23	17
22		05/08/04	S	1,963	1,778	91%	25	19
23		05/14/04	F	567	536	95%	13	8
24		05/18/04	T	1,808	1,716	95%	28	14
25		05/20/04	Th	946	565	60%	25	12
26		06/01/04	T	2,817	2,149	76%	35	22
27		06/10/04	Th	1,671	1,617	97%	28	21
28		06/16/04	W	1,899	1,729	91%	23	12
29		06/28/04	M	620	607	98%	15	14

Number	Delivery Facility	Date	Day of Week	Total Time Used Greater Than Eight Hours in Minutes	Total Unjustified Time in Minutes	Total Unjustified Percent	Total Routes Greater Than Eight Hours	No PS Form 3996 but Route Greater Than Eight Hours
30		07/01/04	Th	687	685	100%	15	13
31		07/07/04	W	1,710	1,632	95%	27	20
32		07/15/04	Th	1,030	933	91%	16	8
33		07/26/04	M	943	760	81%	12	8
34		08/09/04	M	666	653	98%	11	10
35		08/11/04	W	254	251	99%	7	5
36		08/19/04	Th	627	591	94%	16	15
37		08/23/04	M	280	269	96%	9	8
38		08/28/04	S	934	934	100%	15	15
39		09/22/04	W	2,374	1,910	80%	36	21
40		09/27/04	M	680	548	81%	12	7
41		05/07/04	F	922	922	100%	15	15
42		06/07/04	M	597	597	100%	12	11
43		06/12/04	S	1,291	1,264	98%	18	17
44		06/18/04	F	534	534	100%	11	10
45		06/01/04	M	791	791	100%	8	8
46		06/26/04	S	620	620	100%	6	5
47		06/28/04	M	917	917	100%	18	18
48		07/02/04	F	327	327	100%	8	7
49		07/15/04	Th	384	384	100%	8	8
50		07/16/04	F	408	408	100%	10	9
51		07/24/04	S	587	587	100%	11	11
52		07/27/04	T	493	493	100%	17	17
53		07/30/04	F	431	431	100%	10	10
54		07/31/04	S	400	400	100%	9	9
55		08/05/04	Th	564	564	100%	7	7
56		08/12/04	Th	112	112	100%	4	4
57		08/17/04	T	888	888	100%	17	17
58		08/18/04	W	737	737	100%	16	16
59		09/08/04	W	1,444	1,444	100%	21	20
60		09/23/04	Th	1,093	1,070	100%	21	20

Number	Delivery Facility	Date	Day of Week	Total Time Used Greater Than Eight Hours in Minutes	Total Unjustified Time in Minutes	Total Unjustified Percent	Total Routes Greater Than Eight Hours	No PS Form 3996 but Route Greater Than Eight Hours
61		05/05/04	W	1,950	1,950	100%	28	21
62		05/07/04	F	1,810	1,810	100%	25	17
63		05/10/04	M	2,395	2,395	100%	29	29
64		05/20/04	Th	2,002	1,997	100%	25	21
65		05/25/04	T	1,498	1,498	100%	27	22
66		06/10/04	Th	2,902	2,902	100%	31	24
67		06/18/04	Th	1,599	1,599	100%	26	21
68		06/21/04	M	1,468	1,468	100%	21	18
69		06/23/04	W	2,326	2,326	100%	30	26
70		07/08/04	Th	1,358	1,358	100%	24	24
71		07/10/04	S	1,753	1,753	100%	26	25
72		07/12/04	M	2,209	2,166	98%	26	23
73		07/31/04	S	2,735	2,735	100%	26	26
74		08/03/04	T	2,260	2,202	97%	26	21
75		08/04/04	W	2,116	2,116	100%	30	27
76		08/24/04	T	2,606	2,606	100%	28	23
77		09/02/04	Th	3,103	3,103	100%	32	30
78		09/13/04	M	3,427	3,427	100%	33	28
79		09/16/04	Th	3,010	3,010	100%	32	27
80		09/21/04	T	2,653	2,653	100%	30	29
81		05/19/04	W	872	855	98%	18	15
82		05/21/04	F	28	28	100%	1	1
83		06/07/04	M	837	837	100%	13	12
84		06/08/04	T	755	755	100%	16	13
85		07/10/04	T	372	372	100%	8	7
86		07/12/04	M	666	666	100%	12	12
87		07/15/04	Th	743	688	93%	11	9
88		07/24/04	S	638	634	99%	8	7
89		07/26/04	M	629	629	100%	14	13
90		07/28/04	W	898	879	98%	15	12
91		08/02/04	M	1,378	1,378	100%	12	12

Number	Delivery Facility	Date	Day of Week	Total Time Used Greater Than Eight Hours in Minutes	Total Unjustified Time in Minutes	Total Unjustified Percent	Total Routes Greater Than Eight Hours	No PS Form 3996 but Route Greater Than Eight Hours
92		08/06/04	F	1,544	1,544	100%	8	6
93		08/11/04	W	833	714	86%	16	12
94		08/12/04	Th	466	466	100%	10	6
95		08/26/04	Th	955	955	100%	17	15
96		08/27/04	F	899	899	100%	12	12
97		09/13/04	M	1,184	1,055	89%	15	8
98		09/18/04	S	1,107	1,076	97%	11	8
99		09/20/04	M	2,380	2,153	90%	17	9
100		09/27/04	M	1,615	1,391	86%	21	15
101		05/01/04	S	1,178	1,172	99%	14	7
102		05/06/04	Th	933	898	96%	14	9
103		05/14/04	F	979	979	100%	14	5
104		05/29/04	S	397	396	100%	8	6
105		06/07/04	S	822	681	83%	16	4
106		06/12/04	S	1,513	1,217	80%	24	12
107		06/15/04	T	575	523	91%	18	12
108		06/18/04	F	675	639	95%	22	13
109		06/30/04	W	663	650	98%	18	12
110		07/02/04	F	1,139	1,115	98%	27	16
111		07/06/04	T	2,493	2,338	93%	31	19
112		07/16/04	F	1,408	1,404	99%	19	9
113		07/21/04	W	889	853	96%	20	5
114		08/05/04	Th	520	502	97%	12	6
115		08/07/04	S	822	815	99%	16	10
116		08/18/04	W	1,278	1,230	96%	20	10
117		08/23/04	M	908	890	98%	19	6
118		08/27/22	F	434	426	98%	12	4
119		09/01/04	W	648	628	97%	15	9
<b>TOTALS</b>				<b>132,251</b>	<b>127,587</b>		<b>2,039</b>	<b>1,606</b>

**APPENDIX B**

**PROJECTION OF “3996 AUDIT” RESULTS OVER FIVE-MONTH PERIOD**

<b>Delivery Facility</b>	<b>Projection of Unjustified Time (Point Estimate) in Minutes</b>	<b>95 Percent Confidence Interval Lower Bound in Minutes</b>	<b>95 Percent Confidence Interval Upper Bound in Minutes</b>	<b>Relative Precision</b>	<b>Projected Hours Not Justified by Workload in Five-Month Period (May Through Sept. 2004)</b>
██████████	131,807	101,081	162,533	27.1%	2,196.78
██████████	286,220	255,915	316,524	12.3%	4,770.33
██████████	82,144	60,446	103,841	30.7%	1,369.06
██████████	114,135	90,560	137,710	24.0%	1,902.25
██████████	85,662	68,725	102,598	23.0%	1,427.69
██████████	116,011	92,150	139,873	23.2%	1,933.52
Total of six Facilities					13,599.63
					<b>Overall</b>
<b>Santa Ana: 37 Facilities</b>	<b>5,031,864</b>	<b>2,322,248</b>	<b>7,741,481</b>		<b>83,864</b>

## APPENDIX C. TECHNICAL DOCUMENTATION

### Sampling

An objective of the audit was to quantify the amount of unjustified time in the Santa Ana District in the Pacific Area. In support of this objective, the audit team employed a two-stage sample of carrier time, selecting delivery units and delivery days randomly. The sample design allows statistical projection of the minutes of unjustified time total, unjustified office time, unjustified street time, and unexplained unjustified time.

### Audit Universe

The team judgmentally selected the Santa Ana District, which had 37 delivery units with 30 to 50 carrier routes. The audit universe consisted of 127 working days from May 1 through September 30, 2004. In the Pacific Area, Postal Service facilities were closed the day of Ronald Reagan's funeral.

### Sample Design and Modifications

We chose a two-stage sample design, with simple random selection of delivery units at the first stage and a simple random sample of delivery days at the second stage. We examined all delivery routes on the days selected. We had no information regarding the variability we might see between delivery units. To size the sample, we considered each delivery unit and delivery day combination as a universe element (a total of 4,699 unit days). We selected a desired confidence level of 95 percent and, for sample size calculation purposes, a desired relative precision for a variable estimate of 20 percent. We considered coefficient of variation (CV) values of 100 percent and 125 percent. With application of the finite population correction, these CVs generated sample sizes of 95 to 145, respectively. We chose to use a total of 120 delivery unit days, randomly selecting six delivery units at the first stage and then randomly selecting 20 delivery days at each of the units.

### Results

The value assigned to each delivery unit day is the total number of unjustified minutes in a particular category. Using the total time value as the variable, we applied the equations for the projection of a variable in a two-stage sample using the equations from Chapter 9 of Scheaffer, Mendenhall, and Ott, Elementary Survey Sampling, c. 1996. The results for total unjustified time are summarized in Appendix B.

## APPENDIX D

### OIG CALCULATION OF UNRECOVERABLE COSTS

As shown in the table below, the OIG identified \$3,058,535<sup>18</sup> in unjustified (unrecoverable) costs. The OIG calculated the unjustified costs through a random sample analysis of PS Form 3996. The “3996 audit” process is an assessment of individual route time greater than eight hours. The audit process cannot differentiate between time that is truly unjustified and time that is simply not supported by documentation. The Total Variance Factor in the Postal Service’s WebEIS data system shows the difference between projected workhours for the workload identified in DOIS and the actual workhours used by the carriers. Pacific Area Delivery management and the OIG agreed to 50 percent of the WebEIS variance from May 1 through September 30, 2004, as the unrecoverable costs, which amounts to \$2,127,852.<sup>19</sup>

	<b>Workhours</b>	<b>Labor Rate</b>	<b>Cost</b>
Unjustified workhours projected by the OIG from “3996 audits” during May 1 through September 30, 2004, for 37 delivery facilities with 30 to 50 routes	83,864.41	\$36.47	\$3,058,535
Workhours using Total Variance Factor in WebEIS for May 1 through September 30, 2004, for the 37 delivery facilities with 30 to 50 routes	116,690.55	\$36.47	\$4,255,704
Unrecoverable workhours identified by using 50 percent of WebEIS variance	58,345.28	\$36.47	\$2,127,852

<sup>18</sup>Postal Service Finance memorandum dated March 5, 2004, shows the national average labor rate for city letter carriers in FY 2004 was \$36.47. The 83,864.41 hours multiplied by \$36.47 equals \$3,058,535.

<sup>19</sup>Postal Service Finance memorandum dated March 5, 2004, shows the national average labor rate for city letter carriers in FY 2004 was \$36.47. The 58,345.28 hours multiplied by \$36.47 equals \$2,127,852.

## APPENDIX E. MANAGEMENT'S COMMENTS

DISTRICT MANAGER  
SANTA ANA PERFORMANCE CLUSTER



July 26, 2005

**MEMORANDUM FOR:** Kim H. Stroud  
Director, Audit Reporting  
Office of Inspector General

**Subject:** DR-AR-05-DRAFT

Please find the following information in response to the Office of Inspector General Draft Report #DR-AR-05-DRAFT) dated June 29, 2005. The response is broken into individual sections for each finding and recommendation made in the report.

**1. Delivery facility supervisors and managers did not effectively match workhours with workload.**

*The report discloses 13,599 sample hours that were projected to a district total of 83,864 hours. USPS Headquarters, Pacific Area Delivery Management, and the OIG agreed that the amount of \$2,127,852 would be identified as "unrecoverable costs."*

Response: The Santa Ana Performance Cluster agrees with the finding listed above. We also agree with the recommendations made and have taken the following actions to ensure compliance with these recommendations:

- A. Critical Hour Training - We have provided "Critical Hour" management training for approximately 700 Supervisors of Customer Service. This was completed from April 27, 2005 through May 6, 2005. This training consisted of proper scheduling of employees, proper completion and authorization of overtime/ auxiliary assistance requests (3996's), documentation and follow up actions for unauthorized overtime, and Managed Service Points (MSP) usage.
- B. 3996 Website - We have created and implemented a 3996 reporting website that is used by all delivery offices every delivery day. The installation head is required to submit the number of 3996's that are needed in their facilities each day by using their DOIS Route/Carrier Daily Performance Report, compared to the 3996's that have been submitted and authorized. This report is then rolled up by Operations Program Support for review and follow up activities by the Managers, Post Office, Operations and the District Manager. Although implementation of this project focused on the "quantity" of 3996's,

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the emphasis of "quality" is being addressed through our subsequent reviews (see #C). This Website was fully functional as of March 1, 2005.

- C. Pacific Area Effectiveness Reviews - We have embraced and implemented the Pacific Area Effectiveness Reviews. Phase I of this process began 5/10/05, and included ten (10) delivery offices. The intensified process was completed within a 3 week period with all ten (10) offices not only attaining a 100% final audit score, but with virtually all offices trending in a positive direction in their city carrier functions. Phase II began on 6/08/05, with the next ten (10) opportunity offices selecting using the Pacific Area Earned Route Report as our methodology for selection. Phase II will be completed by 7/24/05, with Phase III beginning on 7/25/05. Additionally, all offices are required to conduct and submit a self audit to Operations Program Support every 30 days. Their performance scores are tracked for improvement.

**2. Supervisors and managers did not timely view DOIS operational reports to assist in managing delivery operations.**

*The report discloses that the DOIS Workload Status Report, and the Routes/Carrier Daily Performance Report were not consistently reviewed prior to 8:00 am, and the MSP Overview Reports were not consistently reviewed.*

Response: The Santa Ana Performance Cluster agrees with the finding listed above. We also agree with the recommendations made and have taken the following actions to ensure compliance with these recommendations:

- A. Critical Hour Training (see 1A above) was conducted to ensure all supervisors were re-trained not only in the fundamentals of pulling and reviewing these reports, but in the analysis of these reports.
- B. The District Manager has directed all managers and supervisors to comply with the Pacific Area's AM Standard Operating Procedures. This directive was communicated through a letter of instruction on 5/20/05.
- C. Review of the DOIS workload status report is measured on WebEIS under the Delivery Performance Review tab. For the past several months, Santa Ana has been in the high and exceptional contributor category for this indicator, scoring in the mid to high 90's for compliance.

**3. Delivery Facility Managers did not consistently use MSP base information in DOIS to effectively monitor carrier street performance.**

*The report discloses that many routes had "out of sequence" errors on their MSP base information. The report also indicates that delivery supervisors had stated that they had received no MSP training.*

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Response: The Santa Ana Performance Cluster agrees with the findings as indicated above. We also agree with the recommendations made and have or will be implementing the following to ensure compliance with MSP.

- A. Pacific Area Effectiveness Reviews focus on not only MSP base data, but on the usage of the overview report. Offices must be at 100% to be certified under this process. We have conducted self audits at 109 facilities for the months of May, June, and July. Additionally, we have conducted 24 official audits by the Operations Program Support staff. We are in the process of selecting the next phase of official audits to be conducted.
- B. MSP training was conducted for the entire cluster during the period of 10/02/03 through 10/10/03. Additional MSP training was conducted via the Critical Hour training sessions in late April through early May 2005. To ensure that ALL supervisors are trained and receive the training tools necessary to successfully manage using MSP, an intensified MSP training class will be rolled out in August through September 2005. This training will include a test of the subject matter along with a graduate certification.
- C. Street Management Plan – The basis for a new street management plan is currently under development. While the basic plan has been formulated, feedback session with the Managers, Post Office Operations will be taking place during the week of July 25, 2005. Tentative implementation dates for this plan are mid August 2005.

**4. Supervisors/managers did not always properly document letter carriers' unauthorized overtime occurrences.**

*The report discloses that unauthorized overtime entries were not being made on PS form 1017B.*

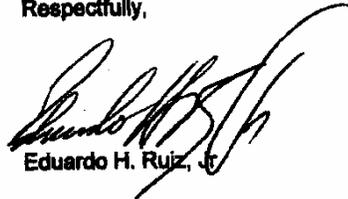
Response: The Santa Ana Performance Cluster agrees with the finding listed above. We also agree with the recommendations made and have taken the following actions to ensure compliance with these recommendations:

- A. The critical hour training that was conducted in late April and early May of 2005, focused on ensuring that unauthorized overtime was properly documented and that the appropriate corrective action was taken where warranted.
- B. The Operations Programs Support department provides a weekly report of all unauthorized overtime that is used in the district for the prior week. This report is rolled up by office, MPOO area and District.

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While the Santa Ana Performance Cluster understands that it has substantial opportunity for improvement in the areas listed above, we believe that we have implemented programs that will assist us in the improvement of workhour performance and the reduction of unwarranted and unauthorized overtime. We feel confident that we are proceeding in the right direction with the use of our "Effectiveness Reviews" in the office, and will continue to explore opportunities for improvement with our efficiencies on the street.

Respectfully,



Eduardo H. Ruiz, Jr.

cc: Kim H. Stroud  
Steven R. Phelps  
Al Iniguez  
Kerry Wolny  
Richard Ordonez