



July 30, 2008

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DISTRICT MANAGER, ATLANTA DISTRICT

SUBJECT: Audit Report – Management of Delivery Point Sequencing Percentage Increases for City Delivery – Southeast Area, Atlanta District
(Report Number DR-AR-08-005)

This report presents the results of our audit of the Management of Delivery Point Sequencing (DPS) Percentage Increases for City Delivery in the Southeast Area, Atlanta District located in Georgia (Project Number 07XG040DR000).¹ Increasing the DPS percentage for city delivery is a top priority for the U.S. Postal Service and an important cost reduction strategy for delivery operations. The objective was to determine if the Postal Service had adequately implemented established processes that include key oversight controls to increase city delivery DPS percentages and reduce operating costs. Click [here](#) to go to Appendix A for additional information about this audit.

Conclusion

Although the DPS percentage for the Southeast Area has increased from 82 percent in fiscal year (FY) 2007 to 91 percent in June 2008, opportunities exist to further improve DPS percentages in the Atlanta District.

Management of DPS – City Delivery – Atlanta District

We concluded that while the Postal Service has established processes,² including oversight controls to increase city delivery DPS percentages and reduce operating costs, the delivery unit officials had not always implemented established processes for:

- Updating address databases in a timely manner.
- Monitoring M-Records.
- Reporting missent, missorted, and missequenced (3M) data.

¹ DPS is a process to sort bar-coded letter mail at the processing plants and delivery units into the carrier's Line of Travel (LOT). Mail is then taken directly to the street, with no casing time in the office. The Postal Service DPS percentages results are for city delivery only. We plan to perform a separate review of the management of DPS for rural delivery.

² In FY 2005, the Vice President, Delivery and Retail, issued a letter stating that all delivery and retail units were to officially implement Standard Operating Procedures (SOP) beginning in FY 2006 for managing all delivery and retail functions. In addition, in FY 2008, officials issued the Morning Standard Operating Procedures (AMSOP) II Guidebook, Field Operations Standardization Development, which re-emphasize the SOP.

- Reporting mail arriving late.
- Handling non-DPS mail.
- Measuring mail volume.

Officials indicated this occurred because preparing the mail for delivery took precedence over these processes. In addition, while the Atlanta District officials established an oversight team (called the DPS Improvement Team) in 2006, it was ineffective because officials did not maintain staff accountability for assigned tasks. Click [here](#) to go to Appendix B for our detailed analysis of this topic.

As a consequence, during FYs 2005 to 2007, the Atlanta District scored an average DPS of 80 percentage points, 15 points below the national goal of 95 percent.³ The Postal Service also incurred additional labor costs because city carriers had to manually case letter mail. We estimate the Atlanta District unnecessarily incurred unrecoverable labor costs of \$9,574,823, and without taking corrective actions, will incur another \$3,738,011 by 2009. We will report this monetary impact of \$13,312,834 in our *Semiannual Report to Congress*. Click [here](#) to go to Appendix C for our detail analysis of the monetary impact.

We recommended the Atlanta District Manager:

1. Require unit officials to prioritize the tasks associated with resolving specific Delivery Point Sequencing (DPS) issues in their delivery units and develop an action plan to mitigate the low city DPS percentage.
2. Require the team leader and other members to be accountable for completing tasks assigned by the DPS Improvement Team.

Management's Comments

Management agreed with our recommendations and monetary impact of \$13,312,834 that consists of \$9,574,823 in unrecoverable questioned costs and \$3,738,011 in funds put to better use over the next 2 years. Management reestablished the DPS Improvement Team for each processing plant with representatives from all the key components.⁴ The team meets regularly to establish general process improvements, accountability, and specific targets. Team members assign tasks and evaluate results in follow-up meetings. Management holds daily telecoms with low-performing delivery units, the plants, and in-plant support personnel to provide accountability. Management improved measurement systems, established policy, updated systems and processes, and enhanced reporting of DPS percentages. Management also stated they improved accountability by adding DPS goals and measures for representatives on the DPS

³ Per the 2006 - 2010 Postal Service's *Strategic Transformation Plan*, this goal is for city delivery carriers only.

⁴ Address Management, Operations Programs Support – Operations Support Specialist, In-Plant Support – Operations Support Specialist, Managers Post Office Operations (MPOO), Postal Career Executive Service, Postmaster, Plant Processing and Distribution – Managers Distribution Operations (MDO), and Marketing.

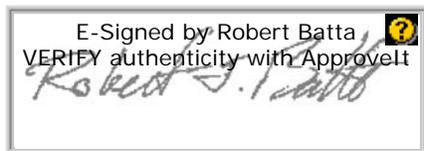
Improvement Team and for specific functional managers,⁵ and reissuing policies and procedures. We have included management's comments, in their entirety, in [Appendix D](#).

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations in the report.

We will report unrecoverable questioned costs of \$9,574,823, and \$3,738,011 of funds put to better use in our *Semiannual Report to Congress*. The OIG considers recommendation 1 significant and, therefore, it requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when management completes corrective actions. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendations can be closed. Management's corrective actions should resolve the issues identified in the report.

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, or me at (703) 248-2100.



E-Signed by Robert Batta
VERIFY authenticity with ApproveIt

Robert J. Batta
Deputy Assistant Inspector General
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Attachments

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⁵ These include the DPS Team leader, Manager, Address Management System (AMS), Plant MDO and staff, MPOOs, Postmasters, Station Managers, and other Operations Managers.

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service implemented DPS approximately 15 years ago, to change the automation environment and the way mail is processed and letters delivered. The goal of DPS is to process and sort bar-coded letter mail at the plants and units into the carrier's LOT so the carrier can take the mail directly to the street, with no casing or pull down⁶ time in the office. This process reduces operating cost, improves accuracy and speed of delivery, and contributes to improved customer satisfaction.

The DPS letter mail is sorted into the carrier's LOT with the creation and update of sort program information as part of the Sort Program System. Next, officials transfer sort program information to the Mail Processing Equipment (MPE), which consists of Delivery Barcode Sorters (DBCS) and Carrier Sequence Barcode Sorters (CSBCS).⁷ When the MPE cannot sort all of the letter mail to the carrier's LOT, unit officials receive the letter mail for carriers to manually sort and deliver to street addresses.

The Postal Service is striving to establish DPS for all city delivery routes. On average, since FY 2005, city routes have received approximately 80 percent of their letters from the processing plants in DPS, with approximately 83 percent in DPS in FY 2007. (See Chart 1.) Postal Service officials established a DPS goal of 85 percent for FY 2007 and 89 percent for FY 2008 in the National Performance Assessment (NPA).⁸ The goal increases to 95 percent by 2010.⁹

⁶ City delivery carriers "case" mail by manually sorting it into distribution slots in delivery sequence / carrier's LOT. They "pull down" mail by extracting it from the distribution slots and placing it into trays for delivery to street addresses.

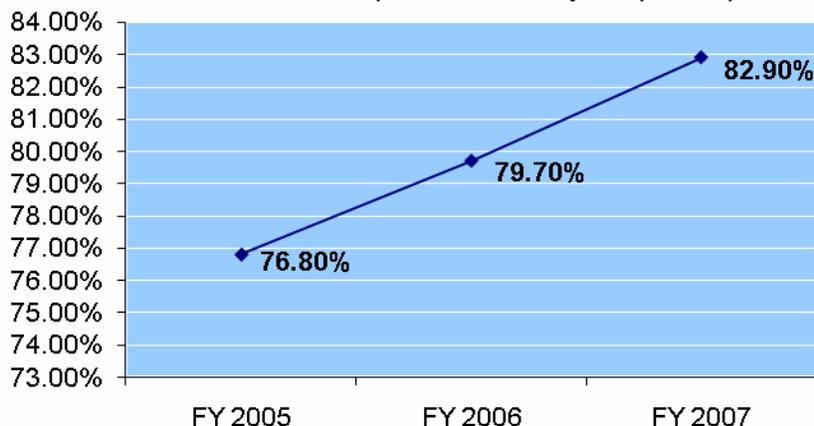
⁷ The DBCS is the central component of the Postal Service's letter automation program. Officials use the CSBCS in smaller postal facilities.

⁸ The Postal Service NPA is a web-based system that collects performance-related metrics. Officials translate these metrics into web-based balanced scorecards that can be used to monitor the performance of both the entire enterprise and of individual units across the nation. Officials did not establish a NPA until FY 2007.

⁹ Per the 2006- 2010 *Strategic Transformation Plan*, this goal is for city delivery carriers only.

**Chart 1. Postal Service DPS Percentage Nationwide
Fiscal Years 2005 to 2007**

Source: Web Enterprise Information System (Web EIS)



For FYs 2005 to 2007, officials processed over 277 billion letter mailpieces nationally, approximately 20 percent with carriers' manual casing and 80 percent through automation. The overall salary expenses accounted for approximately \$50.8 billion based on 1.4 billion workhours.¹⁰ For FY 2008, officials budgeted approximately \$16.9 billion for city delivery salary expenses based on 455 million workhours. (See Table 1.)

**Table 1. Postal Service Letter Mail Processed in Pieces, Salary and Workhours – Nationwide
FYs 2005 through 2007**

Fiscal Years	DPS Letters (Pieces)	Cased Letters (Pieces)	Total Letter (Pieces)	DPS Percent	Cased Letters Percent	Salary Expense	Workhours
2005	72,270,819,511	21,846,660,416	94,117,479,927	76.8	23.2	\$16,525,494,018	462,229,206
2006	74,404,492,341	18,929,268,976	93,333,761,317	79.7	20.3	\$17,156,481,479	465,158,153
2007	74,526,516,098	15,431,278,409	89,957,794,507	82.8	17.2	\$17,167,408,685	460,322,311
Total	221,201,827,950	56,207,207,801	277,409,035,751	79.8	20.3	\$50,849,384,182	1,387,709,670

Source: Web EIS and Postal Service Field Budget¹¹

During the same period in the Southeast Area officials processed approximately 30 billion letter mailpieces, approximately 18 percent by carrier's manual casing and 82 percent through automation. The city delivery salary expenses accounted for approximately \$5.3 billion based on 144.9 million workhours. For FY 2008, approximately \$1.8 billion was budgeted for salary expenses based on 47.8 million workhours.

¹⁰ These workhours includes straight time, overtime, penalty overtime, etc. for supervisors and employees (carriers, clerks, mailhandlers, etc).

¹¹ For Table 1 and Table 2 the DPS letters, cased letters, and DPS percentage were from WebEIS. The salary expense and workhours were from the FY 2006, FY 2007, and FY 2008 Field Budget.

Table 2. Postal Service Letter Mail Processed in Pieces, Salary and Workhours
Southeast Area for FYs 2005 through 2007

Fiscal Years	DPS Letters (Pieces)	Cased Letters (Pieces)	Total Letter (Pieces)	DPS Percent	Cased Letters Percent	Salary Expense	Workhours
2005	8,081,323,156	2,135,000,129	10,216,323,285	79%	21%	1,733,244,365	48,069,840
2006	8,423,857,074	1,932,789,775	10,356,646,849	81%	19%	1,812,426,973	48,774,591
2007	8,525,093,224	1,527,863,669	10,053,956,923	85%	15%	1,794,365,211	48,044,275
Total	25,030,273,454	5,595,653,603	30,626,927,057	82%	18%	5,340,036,549	144,888,706

Source: Web EIS and Postal Service Field Budget

Beginning in FY 2006, the Vice President, Delivery and Retail, officially implemented SOP for managing all delivery and retail functions, which were re-emphasized in FY 2008 with issuance of the *Morning Standard Operating Procedures (AMSOP) II Guidebook, Field Operations Standardization Development*. As part of these procedures, district officials were mandated to create a DPS Improvement Team, made up of functional representatives, to focus on specific issues affecting DPS percentages in delivery units and document offices visited and the results of efforts. At the unit level, officials must develop a plan to prioritize improvement opportunities and activities.

Southeast Area officials implemented several initiatives to enhance the ability to increase the area’s DPS mail percentage. The initiatives have been broad in scope, but focused on specific results. The initiatives included continuing area emphasis on, and monitoring the use of, the SOP edit book, mail volume recording, cross functional communication, and station input and backflow processes.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective was to determine if the Southeast Area’s Atlanta District had adequately implemented processes that include key oversight controls to increase city delivery DPS percentages and reduce operating costs.

We selected the Atlanta District because it had one of the lowest DPS percent averages (80 percent) for FYs 2005 to 2007 in the Southeast Area. Within the Atlanta District, we judgmentally selected the Acworth, Alpharetta, Central City, Ralph McGill, Stone Mountain MPO, Marietta Delivery Distribution Center (DDC), Forest Park, and Lagrange locations out of a total of 126 unit locations. We selected the unit locations based on similarities in the areas of DPS mail volume, type of facility, whether or not the unit had MPE, number of city routes, and DPS quality percentages for FYs 2005 to 2007.

To accomplish our objective, we:

- Conducted observations at the Crown Processing and Distribution Center (P&DC) and made site visits to delivery unit locations to evaluate the DPS process and determine what factors were contributing to low DPS percentages.

- Obtained DPS percentages from WebEIS for all Postal Service areas, all districts in the Southeast Area, and the 126 DPS delivery units in the Atlanta District for FYs 2005 through 2007 to identify high and low DPS percentages, cased letter volume and DPS letter volume.
- Reviewed missent, missorted and mis-sequence mail (referred to as 3M) reports for a 2-week period to determine if unit officials were reporting and analyzing 3M data.
- Reviewed the March 2008 High-Rise Analysis reports¹² from the Delivery Sortation Management Automated Research Tool (DSMART) to determine if unit officials were monitoring M-Records¹³ for possible removal of data from the AMS sort plan.
- Reviewed Electronic Uncoded Address Resolution Service (eUARS) data for February 2008 to determine the number of unresolved records that contribute to inaccurate database information.
- Reviewed Daily Telecon and Customer Service Daily Reporting System (CSDRS) reports for various periods in FY 2008 to determine if the units were recording and reporting late arriving mail and non-DPS mail issues using sources other than the Integrated Operating Plan (IOP) Discrepancy Report and Electronic Mail Improvement Reports (EMIRS).
- Reviewed unit workhours in labor distribution [REDACTED], Carrier Customer Support Activities to determine the number of hours allotted to update DPS support systems.
- Interviewed Postal Service officials at headquarters, the Southeast Area, the Atlanta District and eight unit locations to evaluate the DPS percentages and determine the level of DPS oversight of city delivery.

We conducted this review from September 2007 through July 2008 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances.¹⁴ 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 officials on May 30, 2008, and included their comments where appropriate. We relied on data obtained from Postal Service database systems. We did not directly audit the systems, but performed a limited data integrity review to support our data reliance.

¹² A High Rise Analysis Report is a report from DSMART used to track the total amount of M-Records in the system for a delivery point.

¹³ M-Records are used for extracting Multiple Point Deliveries from DPS mail. Many times carriers request mail deliveries to be set as an M-Record for their convenience. Too many M-Records will reduce DPS percentages. For these reasons, M-Records should be evaluated before entering SPS (Sort Program System) Station Input (SSI).

¹⁴ We performed an analysis of the SOP requirements for DPS and reviewed those areas specific to delivery operations and applicable to tasks and oversight to increase city delivery DPS percentages and reduce operating costs.

PRIOR AUDIT COVERAGE

The OIG has issued three reports related to our objective.

Report Title	Report Number	Final Report Date	Monetary Impact
Review of Postal Service First-Class Permit Reply Mail	MS-AR-08-001	November 8, 2007	\$103.4 million
Address Management System Information National Capping	DR-AR-07-012	August 29, 2007	\$26.9 million
Delivery and Retail Standard Operating Procedures National Capping	DR-MA-07-003	February 22, 2007	N/A

1. The Review of Postal Service First-Class Permit Reply Mail (PRM) Report identified that the Postal Service generally processes PRM mail pieces in accordance with their approved classification and pricing, as outlined in the *Domestic Mail Manual* (DMM). However, employees manually process approximately 70 percent of the approved First-Class two-way DVD return mail pieces from one DVD rental company because these mail pieces sustain damage, jam equipment and cause missorts during automated processing. Nonmachinable mail pieces are subject to a surcharge. However, the DMM does not currently address the characteristics of the mailer's two-way DVD return mail piece that make it nonmachinable.
2. The Address Management System Information National Capping Report identified that district officials in eight areas effectively managed delivery AMS quality review results for approximately 10 percent (8,518 of 88,418) of their routes according to Postal Service guidelines. District AMS officials did not conduct additional street reviews for the remaining routes due to limited staff and a priority on timely mail delivery. However, opportunities exist for area officials to implement best management practices from the New York Metro Area's New York District to improve the quality of AMS data to process and deliver the mail.
3. The Delivery and Retail Standard Operating Procedures National Capping Report identified that opportunities existed to improve implementation of the Delivery and Retail SOP. Although all nine Postal Service areas implemented the City Delivery Operations SOP, we identified possible improvements in AMSOP, IOPs, volume recording, DPS, and matching workhours to workload.

APPENDIX B: DETAILED ANALYSIS

Opportunities to Improve Management of DPS – City Delivery – Atlanta District

Although the DPS percentage for the Southeast Area has increased from 82 percent in FY 2007 to 91 percent in June 2008, opportunities exist to further improve the DPS percentages in the Atlanta District. District officials can improve by adhering to processes and increasing oversight to further increase its DPS percentage and reduce operating costs. These processes include updating address databases in a timely manner, monitoring M-Records, reporting 3M data, reporting mail arrival issues, handling non-DPS mail, and measuring mail volume.

Delays in Updating Address Databases

Delivery unit officials delayed updating address information in the DPS support systems,¹⁵ which contributed to low DPS percentages.¹⁶ Our review of eUARS data for the eight unit locations identified 300 unresolved records that took between 6 and 21 days to resolve, contributing to invalid delivery addresses in the AMS database sort plan used to sort the mail in the carrier's LOT. (See Table 3.) These invalid addresses result in mail arriving at the units without being processed in DPS, requiring carriers to manually case it before street delivery. Unit officials stated that delays in updating AMS database information were due to limited staff availability resulting from other assigned duties such as preparing mail for delivery. We reviewed labor distribution [REDACTED], Carrier Customer Support Activities, where officials have budgeted hours for updating address database information. Our review indicated workhours were charged to the code; however, we could not determine the specific tasks accomplished.¹⁷ During the audit, district officials conducted reviews at two units and confirmed that inaccurate and incomplete database information exist. At the two units, officials identified and corrected 42 missing delivery points in the AMS sort plan, and 1,269 business names in DSMART.¹⁸ Our review at the unit location with high DPS percentage identified that unit officials' best practices included workhours specifically allotted for a full-time staff position to focus on ensuring updates to DPS support systems.

¹⁵ The DPS support systems include the AMS, eUARS, and DSMART.

¹⁶ Our prior audit report titled, *Address Management System Information – National Capping* (Report Number DR-AR-07-012, dated August 29, 2007), identified opportunities to improve database management.

¹⁷ We plan to perform a separate review on Management of [REDACTED], Carrier Customer Support Activities.

¹⁸ DSMART is a new online Intelligent Mail and Address Quality tool implemented to identify "DPS leakage" (i.e., when mail is not processed in sequence) based on the number of "hits" of individual barcodes on live mail falling out of DPS from the DBCS and CSBCS final pass.

Table 3. Selected Units In the Atlanta District – Site Visit Results – Review of eUARS Information

Issues								
eUARS Unresolved Records	8	11	62	10	9	23	135	42
Average # of Days	6	8	19	18	8	6	21	17

Inadequate Monitoring of M-Records

Unit officials did not monitor M-Records¹⁹ for potential removal from the AMS sort plan, which contributed to low DPS percentage. Our review at the eight units identified that officials did not monitor 2,350 M-Records that could be removed from the sort plan,²⁰ resulting in increased letter volume that carriers must manually case. (See Table 4.) Unit officials stated their primary focus was daily mail delivery operations and there is no policy that specifically states a timeframe for reviewing M-Records.²¹ During the audit, district officials conducted reviews at two units and confirmed opportunities exist for removal of M-Records. Officials identified and removed 109 M-Records at one of the units visited, which accounted for a reduction in the case letter volume of approximately 500 letter mailpieces daily. Officials at the unit with a high DPS percentage implemented best practices including allotting workhours specifically to identify removable M-Record information during quarterly reviews.

Table 4. Selected Units In the Atlanta District – Site Visit Results – Monitoring M-Records

Issues									Total
M-Records Not Monitored	165	266	52	152	275	1,092	320	28	2,350

Inconsistent Daily Reporting of Missent, Missorted and Mis-sequenced Data

Delivery unit officials were not consistently reporting 3M information daily, which contributed to low DPS. The delay in reporting 3M information lowers DPS percentages because the carrier has to manually case mail to correct reoccurring errors such as mail sent to the wrong office, placed on the wrong route, or in the wrong order. At five of the units, our review of 3M Daily Reporting System data identified that unit officials were not consistently reporting 3M information over the 2-week period reviewed. (See Table 5.) Officials must report 3M problems identified to plant officials for corrective action. Unit

¹⁹ M-Records are used for extracting Multiple Point Deliveries from DPS mail. Many times carriers request mail deliveries to be set as an M-Record for their convenience. Too many M-Records will reduce DPS percentages. For these reasons, M-Records should be evaluated before entering into SSI.

²⁰ When a carrier makes a request to district officials to add an M-Record to AMS, a default is created to remove mail for a multi-point delivery without a secondary address from the DPS process. The clerk and carrier at the unit must manually case this mail.

²¹ We plan to address the issue that the current policy does not specifically state how often the M-Records should be reviewed in a capping report to headquarters officials.

officials stated that delays in daily reporting 3M mail information was due to limited staff availability because they were assigned to other duties such as preparing mail for delivery. We reviewed labor distribution [REDACTED], Carrier Customer Support Activities, where officials have budgeted hours for updating 3M data. Our review indicated workhours were charged to the code; however, we could not determine the specific tasks accomplished.

Table 5. Selected Units In the Atlanta District – Site Visit Results – Review of 3M Information

Unit Locations	[REDACTED]							
Number of Times Did Not Report 3M Over 2 Weeks	1	7	0	0	0	1	4	25

Mail Arrival Issues

Delivery unit officials inconsistently reported receiving late mail as a factor contributing to lower DPS percentages. The late mail arrival lowers the DPS percentage for units with MPE because the automated process of sorting the mail into DPS is delayed or may not occur, resulting in mail sent to the carriers for manual casing. For units without MPE, late receipt of mail increases the carrier’s office workhours due to the wait time for the mail arrival and manual casing. We observed late mail arrival from a P&DC (see Table 6) at one unit location.

We also identified officials not consistently using the IOP Discrepancy reports, per the SOP, to summarize late arriving mail. Officials at six locations reported late mail arrival issues using various mechanisms to include the CSDRS, Daily Teleconference reports, and e-mail correspondence. Unit officials stated that they are not consistently completing IOP Discrepancy reports summarizing late arriving mail issues because other officials²² do not then resolve the problems. Our review at the unit with a high DPS percentage identified best practices implemented, which included an informal system to track P&DC processing and dispatch times and continual discussions regarding late arriving mail with P&DC officials.

Table 6. Selected Units In the Atlanta District – Site Visit Results - Mail Arrival Issues

Issues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] ²³	[REDACTED]	[REDACTED]	[REDACTED]
Observation of Late Mail Arrival								2 hours
Consistent Use of the IOP to Report Late Mail Arrival Issues	No	No	No	No			No	No
Identification of Various Reporting Mechanisms	Emails	CSDRS	CSDRS	Daily Telecon Reports, Emails			Daily Telecon Reports, Emails	Emails, Daily Telecon Reports

²² Officials in the areas of AMS, Operations Programs Support, In-Plant Support, Marketing and Plant Operations.

²³ [REDACTED] and [REDACTED] DDC did not have any mail arrival issues.

Non-DPS Mail Issues

Delivery unit officials inconsistently reported problems of receiving non-DPS mail as a factor contributing to low DPS percentages. By not reporting problems, machinable mail may remain in the mail stream, but be processed manually. This contributes to a lower DPS percentage. We observed receipt of non-DPS mail pieces at three locations. Further, officials were not reporting the non-DPS mailpiece issues using the EMIRS for resolution. Officials stated they were using various reporting mechanisms to include the CSDRS, Daily Telecon reports, e-mail correspondence, and a locally developed reporting system. Our review identified there was no formal use of any reporting mechanism at two of the three units and use of a locally developed reporting tracking system at one unit. On the other hand, our review at the unit with a high DPS percentage identified best practices implemented, which included continual discussions with P&DC officials regarding non-DPS mail.

Mail Volume Measuring

Delivery unit officials used inconsistent methods to measure mail volume, potentially inflating total mail volume recorded, which could lower DPS percentages. The inflation of mail volume recorded as cased volume (requiring carriers to manually sort to the LOT) reduces DPS percentages for automated processing. At one location, unit officials measured the mail volume with a ruler, while the carriers held the mail by hand. At another location, unit officials measured the mail volume in the mail tray, without compressing the mail. During our audit, district officials conducted reviews at two units and confirmed inaccurate mail volume recording. Officials identified unit supervisors counting the mail that the MPE processed through first pass and separated by carrier route, but not in walk sequence (termed 896 mail). The unit supervisors were counting this mail with cased mail volume even though this mail volume was automatically counted on the MPE and downloaded into the Delivery Operations Information System. On the other hand, our review at the unit with a high DPS percentage identified that best practices implemented included methods for ensuring consistency in mail volume measurement, such as staging mail in designated areas to eliminate duplicate counting and correctly compressing mail for volume measurement.

District Officials Oversight to Increase City Delivery DPS Percentages

Atlanta District officials stated they created a DPS Improvement Team in FY 2006 to monitor, review, and correct specific DPS issues. Formation of the team was required by the Delivery and Retail SOP. However, early on the team was unsuccessful in increasing city delivery DPS percentages because officials could not maintain staff accountability for assigned tasks. By not fully addressing issues contributing to low city delivery DPS percentages, the Postal Service incurred additional labor costs for city carriers manually sorting the letter mail. We estimate the additional labor costs to the Atlanta District for FYs 2006 and 2007 were \$9,574,823, and will be \$3,738,011 by the end of FY 2009. We will report this monetary impact of \$13,312,834 in our *Semiannual Report to Congress* as \$9,574,823 in unrecoverable questioned costs and \$3,738,011 in funds put to better use

over the next 2 years. Click [here](#) to go to Appendix C for our detail analysis and calculation of the monetary impact.

APPENDIX C: CALCULATION OF UNRECOVERABLE QUESTIONED COST AND FUNDS PUT TO BETTER USE - MANUAL CASING AND PULL DOWN

Additional details on our methodology and assumptions can be made available upon request.

Unrecoverable Questioned Cost - Manual Casing - The OIG identified \$7,095,131 in unrecoverable questioned costs for the Atlanta District unit locations for FYs 2006 (\$4,140,245) and 2007 (\$2,954,886) for city carriers' manual casing of non-DPS mail. We used the Postal Service's 2006 National Average Labor Rate table, <http://blue.usps.gov/cape/page2.htm>, for each cost savings category. We assumed that the appropriate carrier level was CC2²⁴ on the rate table. Our calculations were based on the following methodology and assumptions:

1. **DPS Percentage Targets** - We calculated a DPS target percentage of 90.21 percent for FYs 2006 and 2007 based on the performance of the units serviced by the best practice location.
2. **Estimated Excess Minutes Used @ 18 Letters Per Minute** - We calculated this by dividing the DPS volume difference between targets by the Postal Service rate case standard for manual processing of 18 pieces per minute for each delivery unit location in the Atlanta District.
3. **Excess Workhours Used** - We calculated excess hours used for FYs 2006 and 2007 by dividing the estimated excess minutes used for manual processing by 60 minutes for each delivery unit location in the Atlanta District.

Unrecoverable Questioned Cost - Manual Pull Down -The OIG identified \$2,479,692 million in unrecoverable questioned costs for the Southeast Area Atlanta District unit locations for FYs 2006 (\$1,382,836) and 2007 (1,096,856) for manual pull down of the mail based on the following methodology and assumptions:

1. **Simulation Model** - We created a simulation to calculate savings, assuming that the mail was random and had an equal probability of going into a carrier's case slot. We ran the simulation twice for each delivery unit location, simulating the pull down activity and the random casing of mail into a carrier's case. Our objective was to determine the difference in non-empty separations between the actual DPS and the DPS goal. The first time we ran the simulation, we used the (actual) DPS percentage and the second time we used the (standard) DPS goal. Based on the simulation, increasing the DPS percentage will reduce the amount of full (non-empty) separations.
2. **Difference Between Separations** – We calculated the difference between the number of full (non-empty) separations to determine how many less separations there will be to pull down per route on average if the DPS percentage could be raised to 90.21 percent for 2006 and 2007.

Funds Put To Better Use - Manual Casing - The OIG identified \$2,863,597 million in funds put to better use for the Atlanta District unit locations for FYs 2008 (\$1,777,521) and 2009 (\$1,086,076) for manual casing of mail based on the following methodology and assumptions:

1. **Forecasted DPS Percentage Improvement** - We determined the forecasted DPS percentage Improvement for FYs 2008 and 2009 based on the historical DPS percentage increase for each unit location in the Atlanta District. We needed a way to predict the DPS percentages expected to occur in FYs 2008 and 2009 in the absence of the OIG audit (our baseline). To do this we observed that, for FYs 2005 through 2007, the improvement in DPS percentage for a given delivery unit was related to the absolute value of the DPS percentage in an inverse way. For instance, the lower the DPS percentage started out, the larger the improvement; the

²⁴ City Carrier 2.

larger the DPS percentage started out, the smaller the improvement. We plotted the relationship of the actual DPS percentages and DPS improvement and calculated a trend line equation that captures this relationship.

2. Forecasted DPS Percentage Targets - We calculated a DPS target percentage of 90.96 percent for FY 2008 and 91.46 percent for FY 2009 based on the DPS performance of the expected increase in DPS percentage of the best practice location and applied it to each delivery unit location in the Atlanta District.
3. Forecasted Minutes Questioned @ 18 Letters Per Minute - We calculated this for FYs 2008 and 2009, by dividing the forecasted DPS volume difference between targets by the Postal Service's rate case standard for manual processing of 18 pieces per minute for each delivery unit location in the Atlanta District.
4. Forecasted Workhours Questioned - We calculated this for FYs 2008 and 2009 by dividing the forecasted minutes questioned by 60 minutes for each delivery unit location in the Atlanta District.

Funds Put To Better Use - Manual Pull Down - The OIG identified \$874,414 in fund put to better use for the Atlanta District unit locations for FYs 2008 (\$610,202) and 2009 (\$264,212) for manual pull down of the mail based on the following methodology and assumptions:

1. Forecasted DPS Percentage Improvement - We determined the forecasted DPS percentage improvement for FYs 2008 and 2009 based on the historical DPS percentage increase for each delivery unit location in the Atlanta District. We needed a way to predict the DPS percentages, which are expected to occur in FYs 2008 and 2009 in the absence of the OIG audit (our baseline). To do this we observed that, for FYs 2005 through 2007, the improvement in DPS percentage for a given delivery unit was related to the absolute value of the DPS percentage in an inverse way. For instance, the lower the DPS percentage started out, the larger the improvement; the larger the DPS percentage started out, the smaller the improvement. We plotted the relationship of the actual DPS percentages and DPS improvement and calculated a trend line equation that captures this relationship.
2. Forecasted DPS Percentage Targets - We calculated a forecasted DPS target percentage of 90.96 percent for FY 2008 and 91.46 percent for FY 2009 based on the DPS performance of the expected increase in DPS percentage of the best practices location and applied it to each delivery unit location in the Atlanta District.
3. Simulation Model - We created a simulation to calculate savings, assuming the mail was random and had an equal probability of going into a carrier case slot. We ran the simulation twice for each delivery unit location, simulating the pull down activity and the random casing of mail into a carrier case. Our objective was to determine the difference in non-empty separations between the actual DPS and the DPS goal. The first time we ran the simulation, we used the (actual) DPS percentages and the second time we used the (standard) DPS goal. Based on the simulation, increasing the DPS percentage will reduce the amount of full (non-empty) separations.
4. Difference Between Separations – We calculated the difference between the number of full (non-empty) separations to determine how many less separations there will be per route to pull down on average if the DPS percentage could be raised to 90.96 percent for 2008 and 91.46 percent for 2009.
5. Total estimated Workhours Questioned - We obtained the total estimated workhours questioned by calculating the total number of routes by the estimated average pull down hours questioned per route.

APPENDIX D: MANAGEMENT'S COMMENTS

ATLANTA DISTRICT
CUSTOMER SERVICE & SALES



June 12, 2008

Lucine Willis
Director, Audit Operations
1735 North Lynn Street
Arlington, Virginia 22209-2020

SUBJECT: Updated Discussion Draft Audit Report – Management of Delivery Point Sequencing for City Delivery – Southeast Area, Atlanta District (Report Number DR-AR-08-XXX)

The Atlanta District agrees with the findings, recommendations, and \$13,312,834 of monetary impact that consist of \$9,574,823 in unrecoverable costs and \$3,738,011 in funds put to better use over the next two years. These funds will be used to improve address data and processes to improve DPS percentage. The Atlanta District in FY08 has addressed critical processes found by the OIG to be deficient.

Recommendation 1

Require unit officials to prioritize the tasks associated with resolving specific DPS issues in their delivery units and develop an action plan to mitigate the low city delivery DPS percentage.

Response

During FY08, the Atlanta leadership has implemented the following:

- a) Created a DPS Improvement Team for each processing plant consisting of Address Management, Operations Programs Support – Operations Support Specialist, In Plant Support - Operations Support Specialist, Managers Post Office Operations, PCES Postmaster, Plant Processing and Distribution - Managers Distribution Operations, Marketing
 - i) The team has met regularly to establish general process improvements accountability and establish specific targets.
 - ii) Tasks are assigned and results evaluated in follow up meetings.
 - iii) Daily telecons are performed with low performing delivery units, the Plants, and In Plant Support personnel to provide accountability from district.
 - iv) The Marketing department is developing a plan to implement eMIRs training to field delivery units to report and track improvements of sub-standard mailings.

POST OFFICE BOX 599300
NORTH METRO GA 30026-9300

- b) Implemented delivery unit mail measurement improvements
 - i) Mail measurement SOP and best practices re-issued to delivery units
 - (1) Mail measurement in inches with pieces per inch on ruler
 - (2) Eliminate double counting of 896 volume
 - (3) Correct handling of CFS return mail
 - (4) Compress and consolidation of manual letters
 - (5) Conversion of pieces per inch based on mail piece thickness
 - (6) Sequence mail delivered as 3rd bundle if non automation compatible
- c) Established M Record Policy and SOP
 - i) Implemented M Record action plan
 - (1) Removal of low impact M Records from sort plans
 - (2) Justification by delivery unit of high impact M Records
 - (a) Assess justification to remove or retain M Records
 - (b) Determine possible operational changes to eliminate M Record need
 - (c) Ensure the Delivery Sortation Management Automation Research Tool Business Names database contains sufficient data to reduce M Record volumes for business addresses and possible reclassification of the M Record to low impact for subsequent removal
 - (3) Address Management Systems database High Rise over-coding of multiple delivery point addresses where appropriate to enable DPS processing of secondary addressed delivery points containing 2 or 3 delivery points
 - ii) Resolution of 19,654 Potential Missing Delivery Points (PMDP) as identified by the Delivery Sortation Management Automation Research Tool
 - (1) Provided MeetingPlace PMDP Training Webinars to 170 delivery units
 - (2) Approximately 516,356 pieces of cased mail placed back into DPS for addresses receiving greater than 100 pieces
 - (3) Implemented automated notification process of new Potential Missing Delivery Points and resolution guidelines
- d) Compiled and maintain Delivery Sortation Management Automation Research Tool Business names database of over 39,942 business addresses receiving greater than 25 pieces
 - i) Enables MPE to spray an eleven digit barcode on mail pieces that do not contain a secondary address number where a secondary address number is necessary for DPS sortation
 - ii) Affected 2,968,238 pieces of business mail from cased to DPS
 - iii) Provided mandatory train the trainer for DSMART Business Names to 252 delivery unit Postmasters, Managers, and Supervisors
- e) Address Quality Improvement Process (AQIP)
 - i) Provided AQIP certification training for every delivery unit with carrier routes
 - ii) Street Management AQIP Review training performed for minimum one management person in every delivery unit, train the trainer
 - iii) Implemented OIG mandated AQRT Best Opportunity Routes reviews
 - (1) 699 delivery unit AQIP reviews performed FY08

- (2) 120 District AMS AQIP reviews performed FY08
- iv) Targets SE Area identified DPS exception routes and performs DPS Improvement review in conjunction with AQIP reviews
 - (1) PMDP records for each target office are analyzed and resolved
 - (2) DSMART Business Names (DBN) database is analyzed and business names are obtained from actual mail pieces in DPS and cased volume for target addresses to improve the value of the DBN
 - (3) eUARS records for the target delivery unit are resolved
- f) District has compiled and distributes reports for identification of DPS leakage for action
 - i) Daily 896 Opportunity reports volumes processed on operation 896 in excess of DPS rejects
 - ii) DPS daily plant DPS% vs. delivery unit DPS% showing DPS, 896, and Non-DPS volumes for each delivery unit
 - iii) Offices under 88% DPS report distributed daily to all Atlanta offices
 - iv) Weekly DPS% report sent to District , In Plant, and Plant personnel showing DPS performance for the District, Major Player – MPOO, PCES Postmaster, the top 5 and bottom 5 delivery units
 - v) A weekly eUARS report is sent to delivery units and MPOO, PCES Postmaster showing each delivery unit that has an excess of 25 eUARS records
 - (1) Every Monday, a preliminary report is sent to delivery units that may appear on the HQ Greater than 25 eUARS report dues to current unresolved eUARS records
 - (2) The HQ Greater than 25 eUARS report is forwarded to MPOO – PCES Postmaster and delivery units appearing on the report
 - (3) The report is sent with follow up columns throughout the week showing the action or in-action of delivery units to clear eUARS records
 - (4) Best practices eUARS presentation and instructions for access are routinely forwarded with report

Results

- Historical - District DPS percentage FY05 to FY07; DPS increased 3% per year and has out performed the National average each year

FY	ATLANTA	SE AREA	ATL Rank out of 9	NATIONAL	ATL Rank out of 80
2005	77.01	79.10	8	76.79	46
2006	80.53	81.34	7	79.72	45
2007	83.45	84.80	9	82.85	44

- DPS% Year to Date Day as of June 9, 2008. DPS% has increased **5.5%** since FY07

FY08 YTD DAY	ATLANTA	SE AREA	ATL Rank out of 9	NATIONAL	ATL Rank out of 80
June 9, 2008	88.94	89.89	8	86.84	20

- DPS% FY08 by Quarter

FY08 QUARTER	ATLANTA	SE AREA	ATL Rank out of 9	NATIONAL	ATL Rank out of 80
1	87.71	89.01	9	86.05	26
2	89.18	90.08	7	86.99	18
3 as of June 9, 2008	90.56	91.03	6	87.87	14

- DPS% Recent Trends; Weeks 28 - 36 FY08 Atlanta has moved to fourth in the SE Area and to eighth in the nation

FY08 WEEK	ATLANTA	SE AREA	ATL Rank out of 9	NATIONAL	ATL Rank out of 80
28	89.69	90.79	8	87.62	27
29	89.87	90.92	9	87.72	22
30	90.48	91.05	8	87.82	15
31	90.25	90.92	8	87.74	16
32	90.65	91.00	7	87.62	13
33	91.33	91.15	4	88.26	10
34	91.19	91.22	4	88.27	8
35	91.14	91.38	5	88.00	9
36	91.32	91.31	4	88.18	8

- Target zones increased DPS an average 3.83 percentage points above average district increase

Source: WebEIS, DSMART Performance Reports

Recommendation 2

Require the team leader and other members to be accountable for completing tasks assigned by the DPS Improvement Team.

Response

- Daily DPS telecons have been initiated to provide accountability for low performing delivery units, the Plants, and In Plant Support personnel.
- For FY08, DPS% has been added as a core goal to Manager AMS - DPS Improvement Team Leader and staff for NPA Pay for Performance.
- DPS% has been added as a core goal Plant MDO and staff, Operations Managers, MPOO, Postmasters, and Station Managers.
- The SE Area AMS Model Office program has been reissued to every delivery unit in the Atlanta District. This model program assigns specific tasks to delivery unit carriers and AMS Techs. It also provides best practices as identified by the SE Area.
- Monthly SEALOG Reports are distributed to MPOO – PCES Postmaster for action of non performing delivery units in timely submission of edit book route changes.
- The Atlanta District “Returning Standard Letters to Plant/DDC for DPS Processing” SOP of May 2007 has been re-implemented to provide accountability for letters diverted from automation processes. The Plant placards all trays of mail that are sent to the delivery unit for manual processing showing the reason for diversion, the supervisor responsible, and the operation number.
- Weekly and Bi-Weekly meetings with DPS Improvement Team members are help to provide accountability for completion of tasks assigned by the DPS Improvement Team.

The Atlanta District does not find any proprietary or other business information in the report that should be exempt from disclosure under the Freedom of Information Act.

Sincerely,


Kate F. Wiley
District Manager
Atlanta District