



December 18, 2009

WINIFRED G. GROUX
DISTRICT MANAGER, SAN FRANCISCO DISTRICT

SUBJECT: Audit Report – City Delivery Efficiency Review – San Francisco Napoleon Street Station (Report Number DR-AR-10-002)

This report presents the results of our City Delivery Efficiency Review of the San Francisco, CA Napoleon Street Station¹ (Project Number 09XG006DR000). Our objectives were to assess the overall station efficiency and identify cost savings opportunities. This self-initiated audit addresses operational risk and is the first in a series of city delivery efficiency reviews. See [Appendix A](#) for additional information about this audit.

Conclusion

The Napoleon Street Station was not operating at peak efficiency and management could reduce city delivery costs. Our benchmarking comparison of five similar delivery units showed the Napoleon Street Station used 54,975 more workhours than necessary. We also found management did not adjust workhours to the changes in workload. For example, the Napoleon Street Station volume declined by 31 percent from fiscal year (FY) 2006 through 2008 while workhours decreased only by approximately 4 percent.²

These conditions occurred because management (1) did not periodically evaluate operating efficiency and staffing at the Napoleon Street Station and (2) oversight of office and street processes were sometimes insufficient. Elimination of time-wasting practices and increased focus on efficiency could allow management to reduce workhours. Some examples include ensuring:

- Cased mail is available when carriers arrived for duty.
- Mail handling equipment is sufficient and available.
- Vehicle inspection process is efficient.

¹ The Napoleon Street Station is located in the Pacific Area of the San Francisco District. The Napoleon Street Station delivers mail on 151 city routes with more than 71,000 delivery points. During FY 2008, the Napoleon Street Station used over 400,000 office and street workhours. The Napoleon Street Station has the following five-city delivery units located within the Station: The delivery units are Station J (Clayton), Station F (Excelsior), StoneTown, Visistacion, and West Portal.

² While we do not expect the Napoleon Street Station to adjust workhours in proportion to the drop in workload, it should be able to reduce workhours over time similar to decreases at other units as well as the district.

- Electronic badge reader (time clock) is optimally located.
- Mail satchels are loaded before they arrive at first delivery point.
- Carriers are timely and correctly clocking into afternoon (p.m.) office time.
- Carrier start times are properly scheduled to prevent time delays and work floor congestion.
- Floor plan configuration allows visibility during office operations. See [Appendix B](#) for additional information about this issue.

Consequently, the Napoleon Street Station employees were using more workhours than necessary to deliver the mail. By making adjustments to its operations, the Napoleon Street Station's overall productivity would increase, thereby saving approximately \$2.1 million annually, or \$21,308,433 over 10 years. See [Appendix C](#) for additional information about this issue.

We recommend the manager, San Francisco District:

1. Reduce workhours by 54,975 at the Napoleon Street Station to achieve an associated economic impact of \$21,308,433 over 10 years.
2. Periodically evaluate operating efficiency and staffing at the Napoleon Street Station to determine whether further workhour adjustments are necessary based on workload.
3. Reinforce Postal Service policies and procedures for supervising city and street operations in delivery units and eliminate time-wasting practices as appropriate.

Management's Comments

Management agreed with the findings and recommendations in our report. In response to recommendation 1, management stated they began making improvements that will increase overall efficiency. For example, in week 7 of FY 2010, they reduced workhours at the Napoleon Street Station by 7,000 hours. They indicated the FY 2010 strategy for the station was to achieve a 40,000-workhour reduction for its carriers. Assuming workload conditions remain the same, management indicated they anticipate balancing the recommended workhour reduction in subsequent years. Management also stated they changed reporting times, acquired and located key containers to reduce congestions around carrier operations, changed start times to reduce time spent waiting for mail, and improved mail flows from the plant.

In response to recommendation 2, management stated that the District will conduct a quarterly review of Function 2 (Delivery) staffing and operational efficiencies consistent

with Morning Standard Operating Procedures (AM SOP) reviews and Modified Interim Alternate Route Adjustment Process (MIARAP).

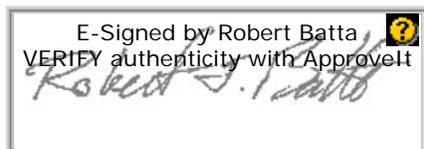
In response to recommendation 3, management stated they recently selected a new manager well versed in day-to-day operations, delivery and services processes, and supervisor development. The postmaster, San Francisco District, and staff increased their visits to the Napoleon Street Station and reminded employees and managers to adhere to policies and procedures, established work methods, and earned workhours. See [Appendix D](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and findings. Management's corrective actions taken and planned should resolve the issues identified in the report.

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

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



E-Signed by Robert Batta
VERIFY authenticity with ApproveIt
Robert J. Batta

Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
Steven J. Forte
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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Delivery operations are the Postal Service's largest operational function, accounting for approximately 45 percent of salary expenses and workhours. Despite an annual increase of f approximately 1 million delivery points, delivery operations used 36.5 million fewer workhours in FY 2009 because of effective growth management, increased use of automation, standardization of best practices, improved productivities, and complement controls. Although delivery used fewer workhours, workhour reduction has not kept pace with declining mail volume. During FY2009, mail volume declined by 12.7 percent compared to FY 2008. Postal Service officials are expecting a future decline in mail volume of 10 million pieces.

Although the Postal Service has achieved significant gains in automated mail processing plants, mail delivery remains primarily a manual process. To effectively manage this process and improve productivity, delivery managers must eliminate process inefficiencies and manage costs by accurately matching workload to workhours, adjusting or eliminating unnecessary routes, managing staff resources, and following a rigorous standardization of best practices.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to assess the overall efficiency of the Napoleon Street Station and identify cost-saving opportunities. To accomplish our objectives we:

- Identified all units expending more than 250,000 delivery hours in FY 2008.
- Selected 16 similar units in terms of the number and type of routes and deliveries.
- Computed office and street productivity for each of the 16 delivery units selected.
- Ranked each of the 16 delivery units from the highest to the lowest in terms of office and street productivity.
- Selected the top five of the 16 delivery units and computed the average productivity to be used as a benchmark against the unit selected for review.
- Selected the Napoleon Street Station as the review unit because the Pacific Area had a strong history of proactively reducing workhours, and the San Francisco District was among the less productive units in the area.

After selecting units for review, we used the average of the top five comparable 16 units to benchmark productivity that should be achieved by the selected units. At the selected units, we:

- Obtained, reviewed, and analyzed delivery unit data related to office and street operations.
- Conducted interviews on-site and obtained information on carrier operations, unit operations, processes, and procedures.
- Conducted physical observation of office and street delivery operations.
- Reviewed documentation and applicable policies and procedures for city delivery, including Handbook M-39, *Management of Delivery Services* and Handbook M- 41, *City Delivery Carriers Duties and Responsibilities*.

We relied on data primarily from the Delivery Operations Information System (DOIS) and obtained data from October 1, 2005, through May 31, 2009, but did not test controls over this system. However, we checked the reasonableness of results by confirming our analysis and results with management and multiple data sources.

We conducted this performance audit from April through December 2009 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on November 18, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

The OIG identified four audits related to our objective that were issued over the past 5 years.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Timely City Delivery – Chicago District</i>	DR-AR-08-001	10/11/2007	N/A	The audit confirmed that the Chicago District had difficulty with timely mail delivery. Specifically, delivery performance indicators showed office performance was well below standards and street performance was at an all-time low. Management agreed with our findings and recommendations to correct the problems.
<i>Capping Report City Letter Carrier Operations</i>	DR-AR-06-004	3/31/ 2006	\$7,061,060	This report summarized a series of five reports on city letter carrier operations. Opportunities existed to improve the management of city letter carrier operations within the U.S. Postal Service. Specifically, we determined delivery facility supervisors and managers could more effectively match workhours with workload and improve delivery efficiency by consistently using operational data from the DOIS. Management agreed with our findings and recommendations to correct these problems.
<i>City Letter Carrier Operations – Rio Grande District</i>	DR-AR-05-009	12/2/2004	\$92,726	The report outlined opportunities to improve management of city letter carrier operations in the Rio Grande District. Delivery facility supervisors and managers did not adequately match workhours with workload. Also, supervisors and 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 managed service points to monitor city letter carriers' street time to correct negative trends. Management agreed with our findings and recommendations to correct these problems.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<p><i>City Letter Carrier Office Preparation in the Dallas District</i></p>	<p>DR-AR-04-005</p>	<p>7/26/2004</p>	<p>N/A</p>	<p>The report found that opportunities exist to improve Dallas District city letter carrier office preparation operations. Specifically, there were impediments that adversely impacted delivery supervisors'/managers' ability to adequately match workhours with workload. In addition, city letter carriers' work activities were not always appropriate to ensure they departed the delivery units as scheduled. Further, supervisors/managers did not effectively use DOIS to assist in managing office activities. Management disagreed with our findings and recommendations to correct these problems. We met with management on June 29, 2004 to address their disagreement. Further discussions with management resulted in report revisions to reflect findings at the specific delivery units visited in the Dallas District. Management's action taken or planned should correct the issues identified in the report.</p>

APPENDIX B: DETAILED ANALYSIS

Operation Efficiency

The Napoleon Street Station was not operating at peak efficiency and could reduce city delivery costs. The Napoleon Street Station used 54,975 workhours more than necessary. Our benchmarking comparison revealed the Napoleon Street Station’s productivity was 288.51 mailpieces per hour compared to 348.05 mailpieces per hour for the average of the top five similar units. In other words, the Napoleon Street Station processed approximately 60 pieces of mail per hour less than other similar units. Similarly, street productivity for the Napoleon Street Station was 80.81 mailpieces per hour compared to the average of 93.84 mailpieces per hour for the top 5 similar units (or 13 fewer deliveries per hour). See Table 1 below.

Table 1. Napoleon Street Station Productivity Compared to Average Productivity of Top Five Units

	Napoleon Productivity Factor	Average Productivity Top Five Comparable Units	Productivity Variance	Workhour Savings
Office Productivity	288.51	348.05	59.54	17,772
Street Productivity	80.81	93.84	13.03	37,203
Productivity Savings				54,975

Source: OIG

Furthermore, the Napoleon Street Station’s workhour utilization was excessive in relation to the cased³ mail volume workload. For example, our trend analysis of the Napoleon Street Station’s workload (cased mail volume) showed a decrease by 31 percent from FYs 2006 through 2008. See Table 2. However, over this same timeframe, the Napoleon Street Station only reduced its workhours by 4 percent. While we do not expect the Napoleon Street Station to adjust workhours in proportion to the drop in workload, it should be able to reduce workhours over time similar to decreases at other units as well as the district.

³ Manual sorting that separates mail by a scheme or ZIP Code range.

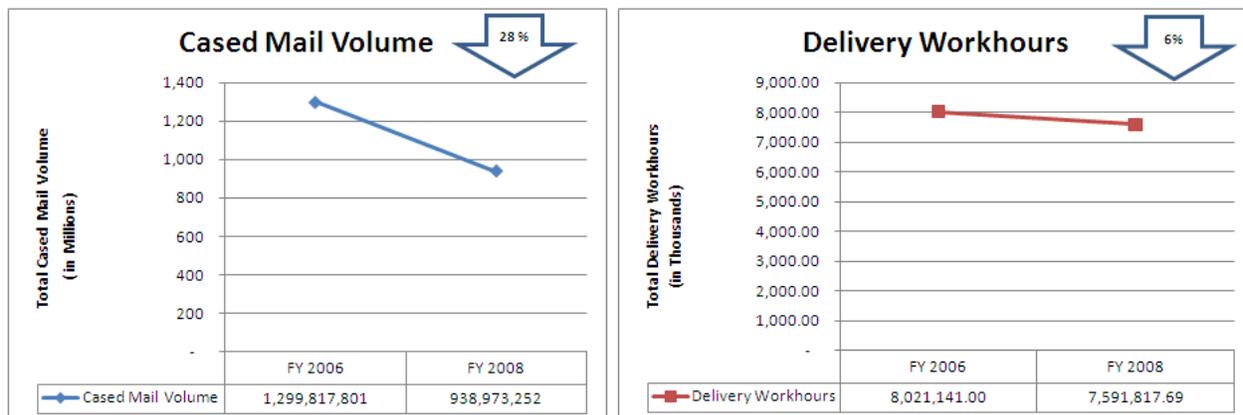
Table 2. Napoleon Street Station Cased Mail Volume and Workhours



Source: OIG analysis

The San Francisco District’s workload decreased by 28 percent, which is 3 percent less than the Napoleon Street Station’s workload. However, over this same time, the San Francisco District reduced its workhours by 6 percent, which is 2 percent more than the Napoleon Street Station’s decrease. See Table 3.

Table 3. San Francisco District Cased Mail Volume and Workhours



Source: OIG

Conservatively, the Napoleon Street Station reduced its workhours by 2 percent to match workload in proportion to the San Francisco District’s workhour reduction.⁴

⁴ Unit reductions in workhours are impacted by the National Association of Letter Carriers Agreement, 2006-2011. This agreement requires that 88 percent of the staff for postal installations include full-time city carriers. Because full-time regular carriers are paid for 40 hours per week, workhours may not decline in proportion to mail volume. We performed a staffing analysis for the Napoleon Street Station that showed that 88 percent of the staff were full-time regular carriers.

These conditions occurred because management (1) did not periodically evaluate operating efficiency and staffing at the Napoleon Street Station and (2) oversight of office and street processes were sometimes insufficient. Elimination of time-wasting practices and increased focus on efficiency could allow management to reduce workhours.

Mail Availability

Some mail was not available and routed to carriers cases in a timely manner. For example, Express Mail did not always arrive timely and distribution mail clerks did not route mail timely to cases. Supervisors did not always track and coordinate mail arrival time with the plant to ensure mail was available when carriers arrived for duty. Also, mail was not always efficiently routed. For example, some clerks were not scheme-trained⁵ and not always familiar with the street numbers or addresses for certain city blocks to distribute mail timely.

Mail Handling Equipment

Insufficient mail-handling equipment also contributed to the Napoleon Street Station's efficiency problems. Carriers often had to search for or use inappropriate mail-handling equipment, thereby increasing office and truck loading time between 5 and 15 minutes. For example, hampers⁶ — the preferred mail-handling equipment — allow carriers to load mail for each vehicle at the street level; however, they were only available for about 40 percent of the routes. Circumstances often forced carriers to use "Nutting Trucks."⁷ The nutting truck by design allows loading of mail from the loading docks bays instead of at the street level. This practice wasted time because these bays can only accommodate the simultaneous loading of two vehicles.⁸ See Illustration 1.

⁵ Knowledge demonstrated by a letter carrier or distribution clerk concerning an address that belongs to a specific carrier route in a specific ZIP Code area.

⁶ Postal Service Handbook M-39, *Management of City Delivery*, Section 3-1-98,117.1(i) states that sufficient equipment — such as sacks, trays, and hampers that carriers need — must be readily accessible.

⁷ A wheeled container used to move or store small quantities of mail within a Postal Service facility. The container, which consists of a platform and two slatted ends to restrain loads, can be moved by hand or by tractor. The container is named after its designer, Elijah Nutting.

⁸ The size, shape, and design of nutting trucks do not permit the use of doors at street level.

Illustration 1. Carrier Waiting to Load Vehicle from Rear Dock Bay



Source: OIG

Morning Vehicle Inspections

Carriers often waited in line to obtain keys to accomplish morning vehicle inspections. Specifically, 30 minutes after carriers began their tours; all carriers at the Napoleon Street Station ceased casing mail and proceeded to the supervisor's desk to wait in line up to 5 minutes to sign for delivery vehicle keys. Postal Service policy⁹ requires keys to be located adjacent to time-recording equipment. See Illustration 2.

⁹ Postal Service Handbook M-39, *Management of Delivery Services*, Section 117.1(b), dated March 1, 1998.

Illustration 2. Carriers Waiting to Obtain Keys for Vehicle Inspections



Source: OIG

Electronic Badge Reader

Placement of the time clock or electronic badge reader for the West Portal Unit was located at the rear of the Napoleon Street Station. Carriers returning from street delivery had to:

- Spend 2 to 3 minutes walking to the rear of the Napoleon Street Station to clock into p.m. office time;
- Return to the front of the Napoleon Street Station to turn in equipment and scanners; and
- Return to the rear of the Napoleon Street Station again to clock out for the end of their tour.

Because carriers are still on street time during this process, the practice inflated street time between 7 and 10 minutes.

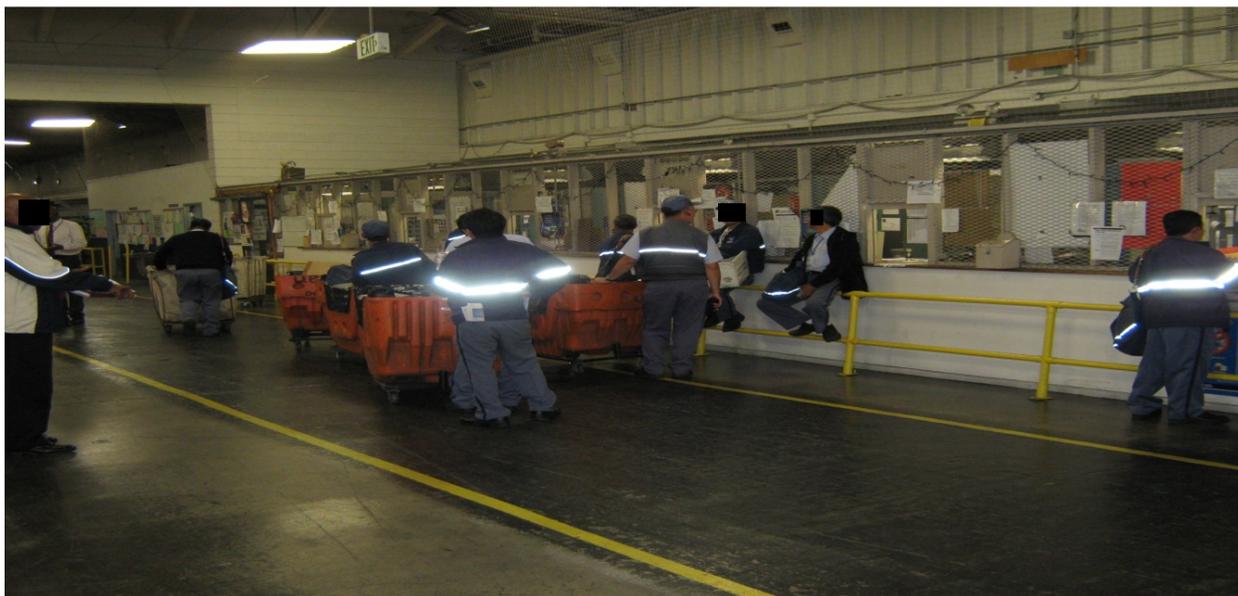
Loading Satchels for First Deliveries

Carriers did not consistently load mail in satchels at the office for their first delivery. On several occasions, we observed carriers loading satchels after arriving at the first delivery point. This activity on the street averaged approximately 7 minutes. Postal Service policy requires employees to load mail in the office before delivery.

Afternoon (P.M.) Office Time

Postal Service policy allows a standard 5 minutes for carriers to clock into p.m. office time. We observed some carriers waiting in line up to 10 minutes to clock into p.m. office time after returning from their routes. Because most of these carriers returned to the office by 3:35 p.m., they usually spent the remainder of their time – about 15 minutes – at their cases before clocking out for the day. See Illustration 3.

Illustration 3. Carriers Waiting to Clock In After Completing Routes



Source: OIG

Carrier Work Start Time

Napoleon Street Station management routinely scheduled the 151 carriers to start office operations at the same time. This created congestion on the office floor and contributed to the shortage of mail-handling equipment. It also contributed to inefficient use of between 15 and 30 minutes for carriers waiting to accomplish key office functions.

Floor Plan Configuration

The current floor plan configuration for one location was congested because of space constraints, causing carriers to use extra time to load mail for transporting to delivery trucks. The Station J (Clayton) Unit located at the Napoleon Street Station was the most congested with the least favorable floor plan. The supervisor did not have a clear line-of-sight to all carriers during office operations. The congestion also caused some carriers to load their mail-handling equipment outside of their casing area, thereby, using more time than was otherwise needed. During the audit, management initiated action to change

the floor configuration so we are not making a recommendation. Postal Service policy requires that workroom floors are arranged to minimize walking and to facilitate the orderly flow of mail and equipment. It requires aisles wide enough for passage by the carrier and any necessary equipment.”¹⁰ See Illustration 4.

Illustration 4: Congestion at Station J (Clayton) Due to Space Constraints



Source: OIG

By reviewing workhour and workload use and improving oversight of office and street processes, management can increase Napoleon Street Station productivity, thereby saving approximately \$2.1 million annually, or \$21,308,433 over 10 years. See [Appendix C](#).

¹⁰ Handbook M-39, Section 117.1(f), dated March 1, 1998.

APPENDIX C: OIG CALCULATION OF MONETARY IMPACT

We estimated the monetary impact for the Napoleon Street Station to be \$21,308,433¹¹ in funds put to better use, discounted over 10 years. The Napoleon Street Station can save 54,975 workhours, which is the equivalent of about 30 positions that could be eliminated through attrition. We calculated savings using the average office and street productivity level¹² for the top five similar units.¹³

Table 4. Napoleon Street Station Workhour Savings

	Year									
	1	2	3	4	5	6	7	8	9	10
Reduce 54,975 annual workhours over 10 years.										
	\$1,282,859	\$2,599,073	\$2,632,861	\$2,667,088	\$2,701,761	\$2,736,883	\$2,772,463	\$2,808,505	\$2,845,016	\$2,882,001
Total	\$1,282,859	\$2,599,073	\$2,632,861	\$2,667,088	\$2,701,761	\$2,736,883	\$2,772,463	\$2,808,505	\$2,845,016	\$2,882,001
Discounted at 3.5%	\$1,282,859	\$2,599,073	\$2,632,861	\$2,667,088	\$2,701,761	\$2,736,883	\$2,772,463	\$2,808,505	\$2,845,016	\$2,882,001
Present Value Savings over 10 years										\$21,308,433

Source: OIG

¹¹ Workhours savings are calculated by multiplying the number of workhours saved by the Postal Service's published city carrier labor rate of \$46.67 for FY 2010.

¹² We calculated office and street productivity for all units identified as using more than 250,000 workhours. We determined office productivity by adding cased letters and cased flats volume and dividing that by carrier hours in the office using Labor Distribution Code (LDC) 21. We calculated street productivity by dividing total possible deliveries by total carrier hours on the street (LDC 22) and multiplying the results by 302 delivery days within a year.

¹³ We reviewed similar units with at least 85 percent concentration of "park and loop" deliveries having 250,000 city delivery hours in Function 2B and at least 75 routes.

**APPENDIX D: MANAGEMENT'S
COMMENTS**

SAN FRANCISCO DISTRICT MANAGER



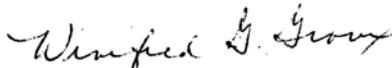
November 20, 2009

Lucine M. Willis
Director, Audit Operations
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SUBJECT: The City Delivery Efficiency Reviews – San Francisco Napoleon Street Station (Report Number DR-AR-10-DRAFT)

We've received the draft OIG Report of November 9, 2009 re: The City Delivery Efficiency Reviews – San Francisco Napoleon Street Station (Report Number DR-AR-10-DRAFT). We agree with the findings and recommendations in the report. The Napoleon Street Station can operate more efficiently. Based on discussion with the auditors and subsequent review of the draft report, we have already begun to make improvements that will increase overall efficiency. For example, we changed reporting times, acquired and located key containers to reduce congestion around the carrier operation, changed start times to reduce waiting for mail, and improved mail flows from the plant.

1. In Week 7 of FY2010 we reduced workhours at Napoleon (to the audited unit) by 7,000 hours. The FY2010 strategies for Napoleon indicate we should achieve a 40,000 carrier workhour reduction. Assuming workload conditions remain the same, we anticipate we can achieve the recommended savings.
2. No less than quarterly the District will review F2 staffing and operational efficiencies consistent with AM SOP reviews and the Modified Interim Alternate Route Adjustment Process (MIARAP).
3. A new manager was recently selected who is well versed in Day to Day Management, delivery and service processes, and supervisor development. The Postmaster, San Francisco and staff increased visits to this unit engaging employees and managers to adhere to policy and procedures, established work methods, and earned workhours.


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