



March 16, 2010

DEAN J. GRANHOLM  
VICE PRESIDENT, DELIVERY AND POST OFFICE OPERATIONS

DOUGLAS A. TULINO  
VICE PRESIDENT, LABOR RELATIONS

SUBJECT: Rural Delivery Christmas Operations (Report Number DR-AR-10-003)

This report presents the results of our review of Rural Delivery Christmas Operations (Project Number 10XG002DR000). Our objective was to evaluate rural delivery supplemental<sup>1</sup> Christmas overtime utilization. This audit addresses operational risk and was self-initiated by the U.S. Postal Service Office of Inspector General (OIG). See [Appendix A](#) for additional information about this audit.

## Conclusion

Although the U.S. Postal Service significantly reduced supplemental Christmas overtime hour utilization from fiscal years (FY) 2008 through 2009, these overtime hours were no longer necessary to ensure timely delivery of mail. The following factors contributed to the need to eliminate the Christmas overtime hours:

- Except for parcels, Christmas mail volume over the last 5 years has not been greater than mail volume during non-Christmas season months.
- Mail volume has declined on average about 3 percent per month since the Postal Service implemented the results of the 2009 National Rural Mail Count. Most rural carriers used less time to deliver mail on their routes than the evaluated time established at the National Rural Mail Count ending in March 2009. See [Appendix B](#) for our detailed analysis on these topics.

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<sup>1</sup> The supplemental Christmas overtime pay provision in the National Rural Letter Carriers' Association (NRLCA) agreement provides for regular rural carriers to receive supplemental overtime pay when they exceed the route's established time during the Christmas mailing season. Per the current NRLCA agreement, Christmas overtime pay is in effect December 5 through 25, 2009. Also in the agreement, rural letter carriers also entitled to Fair Labor Standards Act (FLSA) overtime carriers receive FLSA overtime any time they work in excess of 12 hours in a day or in excess of 56 hours in a week.

Eliminating the NRLCA agreement's supplemental Christmas overtime pay provision will eliminate 70,465 rural delivery overtime hours and save the Postal Service almost \$3 million in FYs 2011 and 2012.<sup>2</sup> See [Appendix C](#) for our detailed analysis of the monetary impact.

We recommend the vice president, Delivery and Post Office Operations; coordinate with the vice president, Labor Relations, to:

[REDACTED]

We recommend the vice president, Delivery and Post Office Operations:

2. Reduce Christmas overtime hours to match mail volume as necessary [REDACTED].

### Management's Comments

Management stated that collective bargaining with the NRLCA is complicated by the evaluated compensation system [REDACTED]

[REDACTED]

Management also agreed with recommendation 2 and stated they could reduce overtime hours during the Christmas mailing season and will make adjustments as necessary to the Christmas overtime plan to maximize future reductions in overtime use. See [Appendix D](#) for management's comments in their entirety.

### Evaluation of Management's Comments

Management agreed in principal with recommendation 1 as it plans to review all contract provisions. We agree that it is not realistic to conclude that simply identifying a potential costly provision and [REDACTED] will eliminate it. However, the fact that the mail volume is so low and the overtime provision no longer needed should be a consideration [REDACTED]

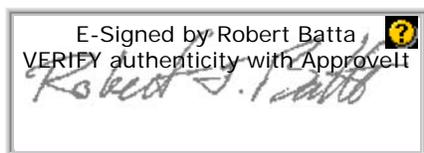
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<sup>2</sup> The NRLCA agreement expires in November 2010, [REDACTED]. The NRLCA agreement also states that if either party desires to terminate or modify the NRLCA agreement for successive annual periods, the party demanding such termination or modification must serve written notice of such intent to the other party, not less than 90 or more than 120 days before the expiration date of the agreement.

Regarding recommendation 2, the OIG considers management's comments responsive to the recommendation. Management's corrective actions should resolve the issues identified in the report.

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



Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

Attachments

- cc: Patrick R. Donahoe
- Elizabeth A. Schaefer
- James J. Boldt
- William D. Daigneault
- Sally K. Haring

## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

Rural letter carriers perform a vital function in the Postal Service, serving thousands of families and businesses in rural and suburban areas. Rural mail delivery accounts for approximately 28 percent of the Postal Service's total deliveries.

Each year the Postal Service implements procedures to manage Christmas overtime usage for increased mail volume.<sup>3</sup> The Postal Service implemented the supplemental Christmas Overtime Pay Provision in 1975. Current Christmas allowances and procedure provisions are outlined in Article 9.2(K) of the 2006-2010 agreement between the Postal Service and the NRLCA. The provision was established to ensure timely delivery of the extraordinary volume of mail received during the Christmas mailing season.

The Postal Service completed the National Rural Mail Count in March 2009. This count established the workhours for each rural route and remains in effect until another count is completed.<sup>4</sup> Rural letter carriers are compensated based on workload evaluations established during the National Mail Count. In addition, the labor agreement states that regular rural carriers are entitled to two types of overtime compensation during the Christmas period, FLSA and supplemental Christmas overtime. Carriers receive FLSA overtime at all times during the year, including Christmas, when they work in excess of 12 hours in a day or in excess of 56 hours in a week. Rural carriers receive supplemental Christmas overtime pay when they exceed the route's established hours<sup>5</sup> during the designated 2 weeks in December<sup>6</sup> of each year or the regular carrier provides assistance on their relief day. Rural Carriers record their workhours during Christmas using Postal Service (PS) 1314, Regular Rural Carrier Time Certificate, to record FLSA hours; and PS 1314-A Auxiliary Rural Carrier Time Certificate, for assistance provided on routes during the Christmas period.<sup>7</sup>

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<sup>3</sup> Mail volume has declined an average of 15 percent with Christmas mail volume declining by 16 percent. The Postal Service reduced rural carrier Christmas overtime hours by 13 percent in FY 2008 and approximately 33 percent in FY 2009.

<sup>4</sup> In FY 2010, the mail count begins February 27, 2010, and ends March 12, 2010. During the mail count, officials identify the number and type of pieces of mail delivered, collected, or handled on rural routes.

<sup>5</sup> Rural Routes are classified as follows: H Routes - carrier works 6 days a week; J Routes - carrier has a relief day every other week; K Routes - carrier has a relief day every week; Auxiliary Routes - carriers works 6 days a week, normally evaluated at less than 39 hours per week; Mileage Routes - carrier salary is based on the length of the route as determined by the official measurement; and High Density L Routes – carrier has a density of 12 boxes or more per mile, as verified by a mail count.

<sup>6</sup> Christmas supplemental overtime pay was in effect December 5 through 25, 2009

<sup>7</sup> During the 2 weeks in December, headquarters provides two tools to the areas/districts to track overtime during this period. The Overtime and Auxiliary Assistance Decision Tree to assist rural managers in their decision to use overtime or not. Another tool is the PS Form 3921-RDX, Volume Recording Worksheet, which is used to record volume.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

Our objective was to evaluate rural delivery supplemental Christmas overtime use. To accomplish this objective, we reviewed documentation and applicable policies and procedures pertaining to rural delivery Christmas overtime operations from October 2005 through November 2009. We analyzed national and area Christmas rural delivery operations documentation for 46 routes in 41 Postal Service rural delivery units. Specifically, we analyzed volume and overtime hour data from eFlash, Web Enterprise Information System and Enterprise Data Warehouse. We conducted interviews with appropriate officials in rural delivery operations at headquarters, area, district, and unit levels.

We relied on Postal Service data systems. We did not test controls over these systems; 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 October 2009 through March 2010 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on January 27, 2010, and included their comments where appropriate.

### **Prior Audit Coverage**

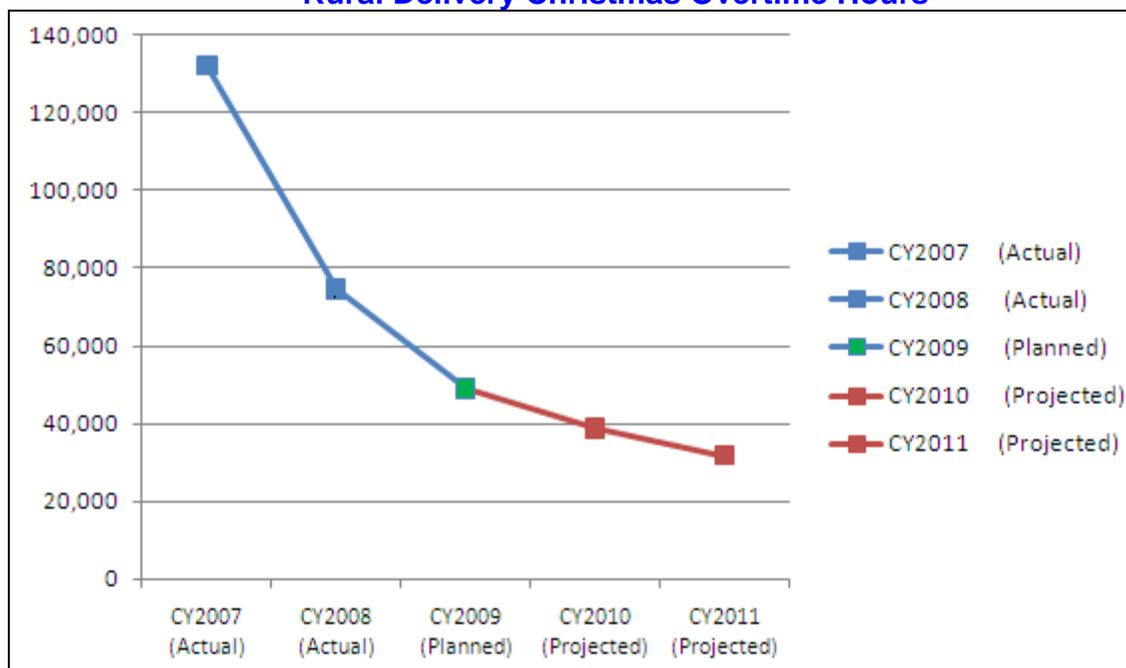
The OIG did not identify any prior audits or reviews related to our objective of this audit.

**APPENDIX B: DETAILED ANALYSIS**

**Rural Delivery Christmas Operations**

The Postal Service has significantly reduced supplemental Christmas overtime hour utilization from 132,072 hours in Calendar Year (CY) 2007 to 49,037 overtime hours planned for 2009. This is a 63 percent reduction from 2007 and 25,496 hours less than they used during the previous Christmas season in CY 2008. (See Chart 1.)

**Chart 1  
Rural Delivery Christmas Overtime Hours**

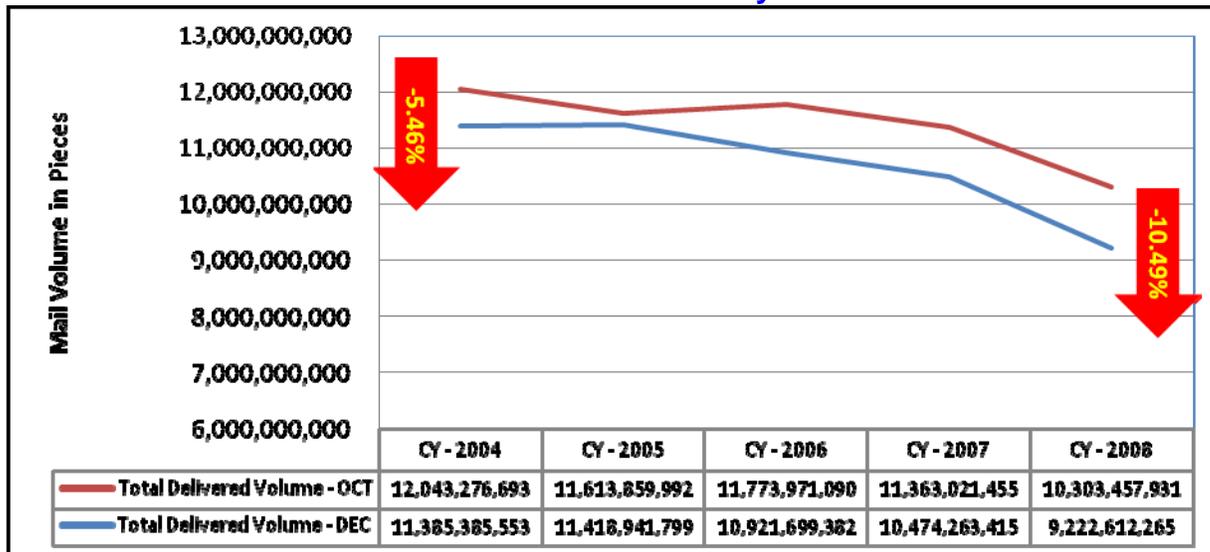


Source: eFlash

Our analyses revealed that the Christmas overtime hours are no longer necessary to ensure timely delivery of mail for the following reasons:

- Christmas mail volume no longer supports the need for overtime and the associated NRLCA agreement supplemental Christmas overtime pay provision. Specifically, for five consecutive years, the December total delivered mail volume has been less than total delivered mail volume in the months of October, which had the highest mail volume for each of the years. In fact, during October 2004, total delivered mail volume was 5.4 percent higher than in December 2004. Four years later, the percentage difference had risen to approximately 10.5 percent. (See Chart 2.)

**Chart 2**  
**December Total Delivered Mail Volume Versus**  
**October Total Delivered Mail Volume by Calendar Year**



Source: eFlash

Further, Chart 2 shows total delivered mail volume during the month of October, over the last four calendar years consistently exceeded total delivery mail volume during the month of December. However, overtime hours for the October months were consistently less than overtime hours for the December months. For example, even though volume was 10.49 percent less in December 2008, the Postal Service used over 74,000 overtime hours in that month than in October 2008.<sup>8</sup>

- Our analysis of mail volume over the 7 months since the Postal Service implemented the results of the 2009 National Rural Mail Count showed a further decrease in mail volume on average per month of 2.99 percent. (See Table 1.)

<sup>8</sup> The Postal Service used 1,788 FLSA overtime hours in October, but used 1,460 FLSA overtime hours plus an additional 75,534 Christmas overtime hours in December even though volume was more than 10 percent lower.

**Table 1:  
Changes in Mail Volume Since 2009 National Mail Count**

Month	Actual Delivered Volume	Percent Change In Mail Volume From the Average Mail Count Volume
<b>Mail Count 2009 Average<sup>9</sup></b>	8,131,238,300	
<b>April 2009</b>	8,303,534,467	<b>2.12</b>
<b>May 2009</b>	7,777,264,126	<b>-4.35</b>
<b>June 2009</b>	7,524,791,459	<b>-7.46</b>
<b>July 2009</b>	7,508,636,770	<b>-7.66</b>
<b>August 2009</b>	7,693,405,209	<b>-5.38</b>
<b>September 2009</b>	7,930,857,867	<b>-2.46</b>
<b>October 2009</b>	8,805,159,147	<b>8.29</b>
<b>November 2009</b>	7,563,218,440	<b>-6.99</b>
<b>Total Percentage Change Per Month</b>		<b>-2.99</b>

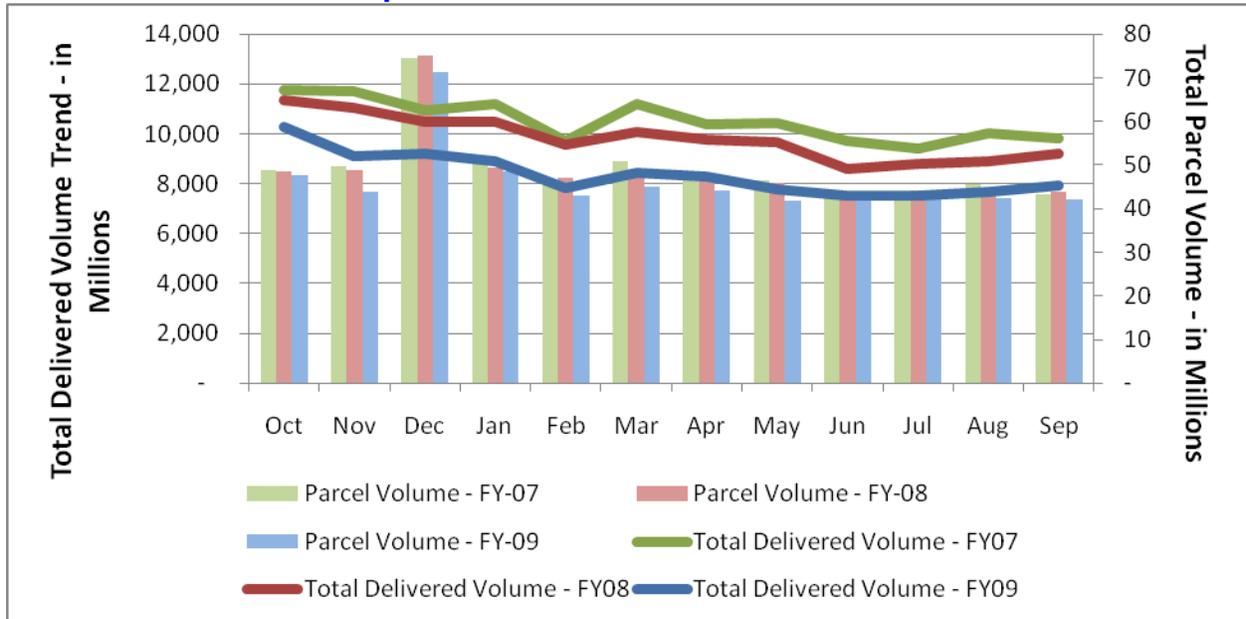
Source: eFlash

Since mail volume has continued to decline, most rural carriers use less time to deliver mail on their routes than the time established at the completion of the National Rural Mail Count in March 2009. Specifically, as of December, 2009 rural carriers routes were averaging approximately 1 hour less per day to deliver their routes than established at the mail count.

- Finally, our analysis of mail classes showed parcel mail volume as the only class of mail that incurred a noticeable increase during the Christmas mailing season. (See Chart 3.) Based on the above facts, we concluded carriers could absorb any increase in parcel volume with their regular hours during the Christmas mailing season.

<sup>9</sup> Approximate mail volume based on the average of the February and March 2009 mail count volume.

**Chart 3**  
**Parcel Volume for Christmas (December)**  
**Compared to Total Delivered Mail Volume**



Source: eFlash

Considering these conditions, the Postal Service no longer needs the Christmas overtime hours and the associated pay provision in the NRLCA agreement. Elimination of [REDACTED] can save an estimated 70,465 overtime hours, reducing rural delivery operating cost by \$2,955,524. (See [Appendix C.](#))

**APPENDIX C: MONETARY IMPACT**

We estimated<sup>10</sup> a monetary impact of \$2,955,524. Based on the overtime hours used, planned, and projected, we calculated the savings as shown in Table 2:

**Table 2: Savings from Elimination of Supplemental Christmas Overtime Pay [REDACTED]**

<b>Fiscal Year<sup>11</sup></b>	<b>Estimated Overtime Hours to be Used During the Christmas Season</b>	<b>Overtime Rate for Regular Rural Carrier</b>	<b>Annual Estimated Savings<sup>12</sup></b>
2011	38,735	\$41.70	\$1,615,249 <sup>13</sup>
2012	31,730	\$42.24	1,340,275 <sup>14</sup>
<b>Total</b>	<b>70,465</b>		<b>\$2,955,524<sup>15</sup></b>

Source: OIG Analysis

<sup>10</sup> We based the methodology for cost savings on exponential regression analysis of Christmas overtime used, planned, and projected from CYs 2007 through 2012.

<sup>11</sup> [REDACTED]

<sup>12</sup> Funds Put to Better Use – Funds that can be used more efficiently by implementing recommended actions.

<sup>13</sup> We multiplied the 2010 rural carrier overtime rate of \$41.70 by the 38,735 overtime hours to calculate a savings of \$1,615,249.

<sup>14</sup> We multiplied the 2011 rural carrier overtime rate of \$42.24 by the 31,730 overtime hours to calculate the savings of \$1,340,275.

<sup>15</sup> We calculated the FYs 2011 and 2012 savings by adding each fiscal year's savings for a total of \$2,955,524.70 over 2 years.

## APPENDIX D. MANAGEMENT'S COMMENTS



March 1, 2010

LUCINE WILLIS  
DIRECTOR, AUDIT OPERATIONS  
1735 NORTH LYNN STREET  
ARLINGTON, VA 22209-2020

SUBJECT: Draft Audit Report Rural – Rural Delivery Christmas Operations  
(Report Number DR-AR-10-Draft)

Thank you for the opportunity to review and comment on the subject draft audit report.

**Recommendation 1:**

[REDACTED]

**Response**

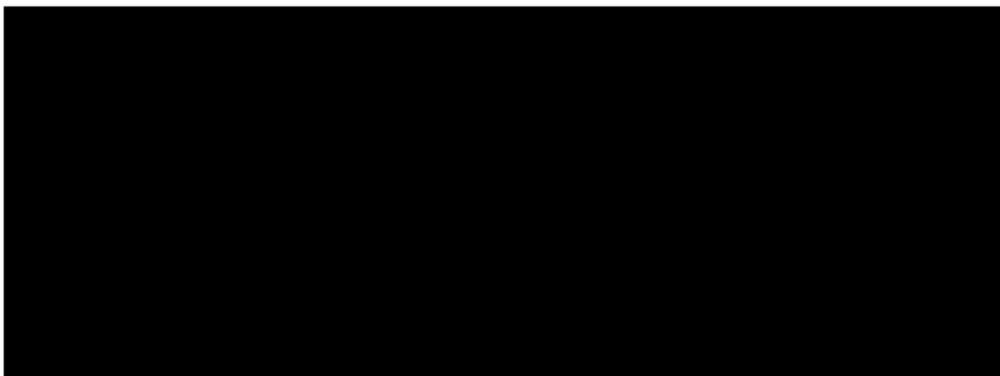
The above referenced provision regarding the Christmas period has been in each collective bargaining agreement applicable to rural carriers since 1973. If sufficient auxiliary assistance is not provided to the rural carrier during the Christmas period in order to keep the rural carrier's work hours within the route's weekly evaluation, FLSA overtime pay is provided for the additional work performed over the route's evaluation (if over 40 hours).

While the Postal Service recognizes that any language in the USPS/NRLCA collective bargaining agreement that provides overtime pay creates a potential cost to the Postal Service, we also recognize that a collective bargaining agreement is a complex document consisting of many interrelated provisions. It is not realistic to conclude that simply identifying a potential costly provision and

[REDACTED]

The process of collective bargaining with the NRLCA is complicated by the evaluated compensation system. It is a collective bargaining agreement that has evolved over many years of bargaining, where provisions have been agreed to because of compromises and concessions by both parties.

[REDACTED]



We agree with the finding and potential monetary impact of recommendation 2.

**Recommendation 2:**

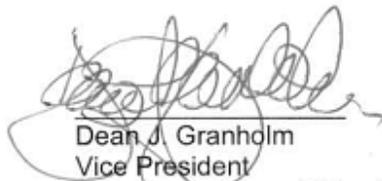
*Reduce Christmas overtime hours to match mail volume as necessary*

**Response**

The Postal Service realized that overtime hours during the Christmas mailing season could be reduced. Our actions since 2007 have reduced 46,363 overtime hours, or 1.36 overtime hours per route, under the Overtime Pay Provision Article 9.2(k).

Although we did not achieve the planned overtime reduction for the 2009 Christmas mailing season, as stated above, management has reduced Christmas overtime hours an average of 23,181 each year since 2007. We will make adjustments as necessary to the Christmas overtime plan to maximize future reductions in overtime use.

If you have any questions concerning this matter, feel free to contact Bill Daigneault, Manager, Contract Administration (NRLCA) at (202)268-5125 or James Boldt, Manager, Rural Delivery at (202) 268-6799.

  
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