March 30, 2011

NANCY L. RETTINHOUSE
DISTRICT MANAGER, CHICAGO DISTRICT

SUBJECT: Audit Report – City Delivery Efficiency Review – Chicago District (Report Number DR-AR-11-004)

This report presents the results of our City Delivery Efficiency Review – Chicago District[1] (Project Number 11XG005DR000). Our objectives were to assess overall efficiency of city delivery operations and identify opportunities to reduce operating costs within the Chicago District. This self-initiated audit addresses operational risk and is the seventh in a series being conducted by the U.S. Postal Service Office of Inspector General (OIG). See Appendix A for additional information about this audit.

The U.S. Postal Service is delivering fewer pieces of mail to a growing number of addresses as new households and businesses are added to the delivery network each year. The Postal Service must achieve unprecedented levels of efficiency to accommodate this new growth while facing financial losses from declining mail volume and rising costs.

Conclusion

The Chicago District was not operating at peak efficiency and could reduce city delivery operating costs. Our benchmarking comparison determined the Chicago District's percent to standard measurement[2] was 120.04 percent (or 14.9 percentage points) above the national average of 105.14 percent. In other words, carriers in the Chicago District used approximately 16 minutes more per carrier route than carriers on the average route in the nation.

Operation Efficiency

Although numerous factors were involved, our review of 20 randomly selected delivery units determined that district management did not always (1) provide sufficient review and oversight of units' office operating efficiencies and (2) coordinate with mail processing facilities to ensure mail was received timely and in a condition that promoted office operating efficiency.

[1] The Chicago District is one of nine districts in the Great Lakes Area. It consists of 49 city delivery units that deliver mail on 2,304 city routes with more than 1,235,076 delivery points.
[2] Measures carrier office workhour performance in relation to mail volume and delivery points. A figure of 100 percent indicates the office performed at the stated performance goal. A figure greater than 100 percent indicates performance is less than the desired standard.

An increased focus on efficiency could allow management to reduce delivery operating workhours. For example, management needs to ensure that:

- Management discusses morning and afternoon office expectations with carriers.
- Units receive the proper mail mix in the proper condition from the processing facilities based on an effective integrated operating plan (IOP).[3]
- Carriers spend less time waiting for mail.
- Carriers do not unnecessarily handle delivery point sequence[4] (DPS) or other sequenced mailing.[5]
- Carriers conduct vehicle inspections and management assigns parking spaces.

See Appendix B for our detailed analysis of this topic.

Consequently, the Chicago District used more workhours than necessary to deliver the mail. Adjusting its operations would increase the district's overall efficiency by reducing 188,884 workhours, resulting in savings of more than $6.5 million annually, or about $65 million over 10 years. See Appendix C for additional information about the monetary impact.

Recommendations

We recommend the district manager, Chicago District:

1. Reduce the district's workhours by 188,884 to achieve an associated economic impact of more than $6.5 million annually, or in excess of $65 million over 10 years.
2. Reinforce Postal Service policy and procedures for supervising city delivery office operations in delivery units and eliminate inefficient practices as appropriate.
3. Require processing facility managers and delivery managers to regularly coordinate, review, and update all integrated operating plans to ensure mail arrives timely and in the condition necessary to promote office efficiency.

Management's Comments

[3] A contract that covers mail arrival from the plant and identifies the product of mail agreed for each individual trip. The primary purpose is to stabilize mail flow (for example, arrival time of DPS, auto letters, and auto flats) based on other requirements for mail arrival, such as the mail mix/unit distribution percentage.
[4] A process for sorting bar-coded letter mail at processing plants and delivery units into the carrier's line-of-travel. Mail is taken directly to the street, with no casing time in the office.
[5] One that is distributed to the carrier in delivery sequence order. It is different from DPS in that the mailer prepares it in sequence instead of the Postal Service having to sequence it.

Management agreed with the findings, recommendations, and opportunities to capture 188,884 workhours annually.

In response to recommendation 1, management agreed with the 188,884 workhour savings; however, they did not agree with the monetary value of the workhours. Management stated a variety of complex variables were excluded that impact salary and benefit expense, resulting in a higher value than can be realistically attained. Management stated that they plan to reduce workhours by continuing to focus on improving city delivery efficiencies through completing Managed Service Point training for all city delivery management personnel, capturing carryover saving from route adjustments, implementing Flat Sequence Sortation (FSS) route adjustment, and increasing DPS to 92 percent. Further, management stated they will continue ongoing actions to improve operational efficiency and capture saving by focusing on productivity improvements, pivoting opportunity, overtime reduction, and route adjustments/reductions.

Management responded to our second recommendation stating they will reinforce the requirement to use the Delivery Operations Information System (DOIS) to identify and communicate performance expectations to carriers. Chicago District management will implement random spot checks to validate improved supervisory behavior and conduct Morning (AM) Standard Operating Procedures (AMSOP) II reviews to further reinforce daily requirements and expectations. In addition, to ensure station management have the knowledge and skills needed, Postal Service provided training on DOIS and completed proper volume recording in October 2010; training in AMSOP II will be completed in April 2011 to reinforce data driven decisions; and training in editing 3999s compatible with Carrier Optimal Routing was completed in February 2011.

Management responded to our third recommendation stating that each day Chicago District operation leadership and support staff discuss late trips, root causes, and the actions necessary to correct recurrences. In addition, management stated meetings are currently scheduled to update IOP agreements with units targeted for FSS to be completed first with the remainder to be completed by the end of fiscal year (FY) 2011. See Appendix E for management's comments in their entirety.

Evaluation of Management's Comments

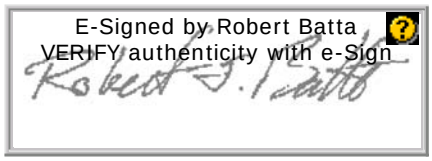
The OIG considers management's comments responsive to the recommendations and management's corrective actions should resolve the issues identified in the report.

Although management agreed with the 188,884 workhour savings, they did not agree with the associated estimated dollar value of the workhours because of excluded variables. However, in this report, as well as the six similar reports, we have consistently used the Postal Service's national average city delivery carrier labor rates established for FYs 2009 through 2011. The rates are fully loaded, and include fringe benefits, service-wide costs, and applicable lump sum payments. The workhour rate guidance states that the rates represent the cost of a productive workhour and are best

suitable for national comparisons. In addition, we used 10 years to project savings per OIG policy, which states "generally, any recommendation which will result in a perpetual cost avoidance or perpetual revenue increase justifies a discounted cash flow calculation. Generally, a 10-year cash flow analysis is reasonable." As such, we believe the estimated dollars savings are reasonable and properly computed.

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 F. Oliver, director, Delivery, or me at 703-248-2100.



Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
Megan J. Brennan
Dean J. Granholm
Elizabeth A. Schaefer
Philip F. Knoll
Jo Ann Feindt
Corporate Audit and Response Management

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. Although delivery operations used fewer workhours in FY 2010, workhour reduction has not kept pace with declining mail volume. Nationally, mail volume declined by 3.9 percent during FY 2010, ending September 30, 2010. During this same period, mail volume declined in the Great Lakes Area by 4.9 percent while workhours declined by 3.1 percent, and in the Chicago District mail volume declined by 6.5 percent while workhours declined by 3.1 percent.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to assess overall efficiency of city delivery operations and identify opportunities to reduce operating costs within the Chicago District. To accomplish our objectives, we:

- Ranked the eight Postal Service areas from highest to lowest in terms of percent to standard from October 1, 2009, through September 30, 2010. We used the eFlash[6] national percent to standard measurement of 105.14 percent as a baseline guide;
- Used our benchmarking comparison of eFlash data to determine the Chicago District's percent to standard measurement was 14.9 percentage points higher than the national average (120.04 percent compared to the national average of 105.14 percent). In other words, according to eFlash data the Chicago District used approximately 16[7] minutes more than the average route in the nation;
- Judgmentally selected the Great Lakes Area and, within that area, the Chicago District for review; and
- Randomly selected 20 delivery units within the Chicago District for review.

At the selected delivery units, we:

- Obtained, reviewed, and analyzed delivery unit data related to office operations;
- Conducted interviews on-site and obtained information on carrier operations, unit operations, processes, and procedures;

[6] A weekly operating reporting management system that combines data from delivery, mail processing, employee relations, labor relations, and finance. The information is extracted from various host systems and loaded into eFlash.
[7] 11,333,040 minutes (188,884 hours above the national average percent to standard multiplied by 60 minutes per hour) divided by 2,304 routes in the Chicago District divided by 302 annual delivery days equals approximately 16 minutes per route per day.

- Conducted physical observation of office delivery operations; and

- Reviewed documentation and applicable policies and procedures for city delivery and Postal Service Handbooks M-39[8] and M-41.[9]

We conducted this performance audit from November 2010 through March 2011 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 February 17, 2011, and included their comments where appropriate.

We relied on data obtained from Postal Service database systems, such as DOIS and eFlash. We did not directly audit the systems but performed limited data integrity review to support our data reliance. We assessed the reliability of delivery point's data by reviewing existing information about the data and the system that produced them, as well as interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG has issued six reports related to our objective in the last several years. See Appendix D for details.

[8] *Management of Delivery Services,* March 1998.
[9] *City Delivery Carriers Duties and Responsibilities*, March 1998.

APPENDIX B: DETAILED ANALYSIS

Operation Efficiency

The Chicago District used 188,884 more workhours than necessary. Our benchmarking comparison determined the Chicago District's percent to standard measurement was 14.9 percentage points above the national average (120.04 percent compared to the national average of 105.14 percent). In other words, the district used approximately 16 minutes[10] more per day on each carrier route than other districts. From October 1, 2009, through September 30, 2010, the Chicago District's percent to standard was ranked ninth among nine districts in the Great Lakes Area (see Table 1).

Table 1. Great Lakes Area Percent to Standard Comparison October 1, 2009, through September 30, 2010

		Percent to Standard	Ranking
	National Average	**105.14**	**N/A**
	Districts in Great Lakes Area		
	Greater Indiana	97.01	1
	Central Illinois	99.97	2
	Gateway	102.32	3
	Lakeland	104.26	4
	Northern Illinois	104.55	5
	Greater Michigan	105.03	6
	Detroit	108.00	7
	Southeast Michigan	114.56	8
	Chicago	120.04	9

Source: eFlash

This condition existed because management did not always (1) provide sufficient review and oversight of units' office operating efficiencies and (2) coordinate with the mail processing facility to ensure mail was timely received and in the condition necessary to promote office operating efficiency.

Setting Morning and Afternoon Office Expectations

Supervisors did not always set expectations for morning office operations or review the previous day's performance with carriers.

- Supervisors often printed the *DOIS Route/Carrier Daily Performance/Analysis Report* but did not discuss the report with carriers in 16 of 20 delivery units observed. This report would help eliminate time-wasting practices. If a carrier does

[10] 11,333,040 minutes (188,884 hours multiplied by 60 minutes per hour) divided by 2,304 routes in the Chicago District divided by 302 annual delivery days equal approximately 16 minutes per route per day.

not meet performance standards, supervisors must investigate and discuss performance deficiencies with the carrier.

- In 18 of 20 delivery units, we found that monitoring of carrier afternoon office time needed improvement. We observed some carriers spending more time than the standard 5 minutes allowed in the office after returning from their routes. Further, review of the *Route/Carrier Daily Performance/Analysis Report* often showed a number of routes with zero minutes for 'PM office time.' This indicated carriers were not clocking back to the office upon returning to the unit in the afternoon, resulting in much of this additional office time being included in street operations time. This occurred because supervisors did not always provide appropriate oversight of carriers in the afternoon.

Mail Arrival

Mail arrived late in 12 of 20 delivery units we observed, resulting in some carriers having to wait up to 1 hour for the mail. This occurred because mail arriving from the plant did not always match the agreed upon time and mail mixture outlined in the IOP. In some cases, the IOP was incomplete or not found in the unit. The IOP is designed to help stabilize mail flow and is critical in establishing appropriate staffing and reporting times to ensure carriers are not delayed. Examples include:

- In several instances, unit management required carriers to either wait for Express Mail to arrive before leaving the office or return to the unit from the street to obtain Express Mail. Chicago District management agreed that Express Mail processing needs improvement and they are considering various solutions.

- In 15 of 20 units, some carriers waited additional time to obtain accountable items, such as certified or Registered Mail™. Postal Service policy[11] states that accountable items must be available to carriers in a timely manner to avoid delays. Because carrier time should be minimized in accountable operations, management encourages use of mobile accountable carts[12] (see Illustration 1).

[11] *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook*, Section 3-1, 2007.
[12] Clerks use accountable carts to transport items from the accountable cage to carriers.

Illustration 1: Carriers Waiting in Line to Obtain Accountables

Source: OIG

Mail Condition

In five of the 20 delivery units observed, DPS letters processed by the plants arrived at delivery units in mail transport containers that were not staged for easy retrieval by the carriers. This required clerks and sometimes carriers to unload and sort through transport containers, which delayed carriers unnecessarily. Postal Service policy[13] states that mail processing plants should stage DPS letters for transport in shelved or modified containers so individual trays do not have to be re-handled at the delivery unit (see Illustration 2).

Illustration 2: DPS Mail in Unshelved Container

Source: OIG

Additionally, letter mailpieces were sometimes processed as flat mailpieces at the processing and distribution centers. When letters are processed as flats, the route is

[13] *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook*, 2007, Section 2-6.

given more than twice the amount of earned workhours per letter.[14] In other words, each letter that is processed as a flat takes twice the normal casing time than when it is correctly processed as a letter. This can cause a delivery unit to appear more efficient by artificially lowering the percent to standard. Letters are sometimes processed by the plant this way because of potential rejection of letter mailpieces processed with letter processing equipment versus flat mail equipment (see Illustration 3).

Illustration 3: Letters Processed as Flats

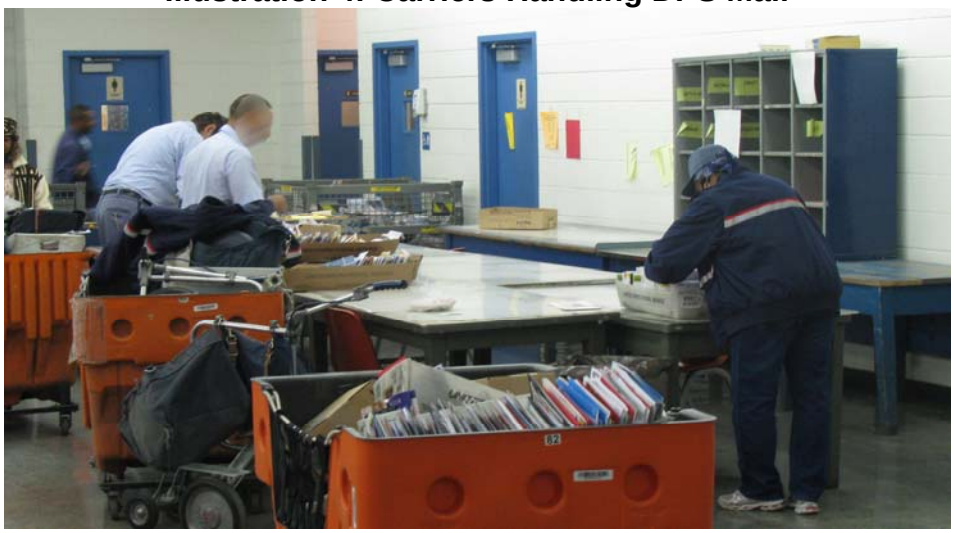
Source: OIG

[14] Postal Service Handbook M-39, Section 222.214a(4), states that standard processing time is 18 letters in 1 minute and eight flats in 1 minute.

Carriers Handling DPS and Sequenced Mailings

Carriers often handled DPS letters and cased other walk sequenced mail on office time rather than take directly to the street for delivery.[15] During our site visits, 18 of the 20 units received sequenced mailings. Of these, 17 had carriers that were observed handling or casing these mailings incorrectly (see Illustrations 4 and 5).

Illustration 4: Carriers Handling DPS Mail



Source: OIG

Illustration 5: Carrier Casing Sequenced Mailings

Source: OIG

[15] Handbook M-41, *City Delivery Carriers Duties and Responsibilities*, Section 222(a) ". . .sequenced mailings shall not be cased but shall be handled as additional bundles. . ."

These conditions occurred because delivery unit personnel were unaware of the removal of a temporary directive requiring a review of the sortation of DPS mailings in the office. Postal Service policy[16] states that DPS mail is not to be distributed to carriers but staged near the exit for transport to vehicles and that walk sequenced mailings[17] should be isolated by clerks and placed in parcel hampers so they can be taken directly to the street without further handling.

Vehicle Inspections

Supervisors did not provide sufficient oversight of morning vehicle inspections. Specifically, in all 20 locations observed, vehicle inspections were not conducted. In addition, parking spaces were unassigned in 16 of the 20 delivery units. Postal Service policy states that employees should park vehicles near the dock in assigned spaces identified by individual route numbers and conduct vehicle inspections promptly after clocking in for the morning. Carriers can incur unnecessary delays by not conducting vehicle inspections to identify mechanical issues before start of route and having to search for their vehicle.

By reviewing workhour and workload utilization and improving oversight of office processes, management would increase Chicago District efficiency, thereby saving approximately $6.5 million annually, or more than $65 million over 10 years (see Appendix C).

[16] Field Operations Standardization Development, *Morning* (AM) *Standard Operating Procedures* (AMSOP) *II Guidebook*, 2007.
[17] Field Operations Standardization Development, *AMSOP II Guidebook*, 2007, Section 3-13.

APPENDIX C: MONETARY IMPACT

Finding	Impact Category	Amount
Operating Efficiency	Funds Put to Better Use[18]	$65,362,706

We estimated the monetary impact of $65,362,706 in funds put to better use by reducing 188,884 workhours at delivery units in the Chicago District. This amount included an estimated cost savings of $62,906,657 from reducing city letter carrier positions over 10 years and $2,456,049 in reduction of delivery office overtime workhours over 2 years (see Table 2).

Table 2. Chicago District Delivery Units Workhour Savings

District	Delivery Units	Estimated City Delivery Workhours Saved[19]	10-Year Projection of Savings from Full FTEs Workhour Reduction	2-Year Projection of Savings from Partial FTEs Overtime Workhours	Estimated Total Savings
Chicago	49	188,884	$62,906,657	$2,456,049	$65,362,706

Source: OIG

- We calculated funds put to better use of full-time equivalents (FTEs) over 10 years using the FY 2011 city carrier level 2 fully loaded labor rate with an escalation factor of 1.017 percent.

- To determine the reduction of city carrier FTE positions, we used a cash flow analysis based on city carrier complement and attrition from Webcoins Information for October 1, 2005, through September 30, 2010. We used this to determine how many city letter carriers are estimated to leave in future years.

- We used the discount rate of 3.875 percent based on the Postal Service's decision analysis report factors (cost of borrowing rate).

- We calculated funds put to better use for reducing city carrier workhours not equivalent to a FTE using the city carrier overtime rate for FY 2011 with an escalation factor of 1.017 percent for the 2-year projection.

[18] Funds that could be used more efficiently by implementing recommended actions.
[19] The reduction of these hours results in a projected FTE reduction of 89 positions over 10 years and a reduction of 33,134 overtime workhours over 2 years.

APPENDIX D: PRIOR AUDIT COVERAGE

The OIG identified six audits related to our objective that were issued over several years:

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
City Delivery Efficiency Review-New York District	DR-AR-11-002	1/18/2011	$93,143,986	The New York District has opportunities for enhanced efficiency and reduced workhours. Our benchmarking comparison determined the New York District's percent to standard measurement was 127.05 (or 21.1 percentage points) above the national average of 105.95 percent. In other words, the district used approximately 37 minutes more than the average carrier route in the nation. However, because of unique delivery issues specific to the New York District, we used 25 minutes per carrier route. Management agreed with the findings, recommendations, and monetary impact.
City Delivery Efficiency-Northern Virginia District	DR-AR-11-003	1/20/2010	$32,171,718	The Northern Virginia District was not operating at peak efficiency and could reduce city delivery operating costs. Our benchmarking comparison determined the Northern Virginia District percent to standard measurement was 123.24 (or 17 percentage points) above the national average of 105.05 percent. In other words, the district used approximately 16 minutes more than the average carrier route in the nation used. Management agreed with the findings, recommendations, and monetary impact.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
City Delivery Efficiency Review-Atlanta District	DR-AR-10-009	9/24/2010	$27,374,309	The Atlanta District was not operating at peak efficiency and could reduce city delivery operating costs. Our benchmarking comparison determined the Atlanta District used approximately 9 minutes more per day than the national average for each carrier route, compared to the standard for that route. The measurement for this factor, called percent to standard, was 111.18, about 5 percentage points above the national average of 106.49 percent. Management agreed with the findings, recommendations, and monetary impact.
City Delivery Efficiency Review-Bay Valley District	DR-AR-10-007	8/26/2010	$79,016,988	The Bay Valley District was not operating at peak efficiency and could reduce city delivery operating costs. Our benchmarking comparison determined the Bay Valley District used approximately 13 minutes more per day than the national average for each carrier route, compared to the standard for that route. The measurement for this, called percent to standard, was 115.93, 9 percentage points above the national average of 106.49. Management agreed with the findings, recommendations, and monetary impact.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
City Delivery Efficiency Review-Los Angeles District	DR-AR-10-006	7/1/2010	$105,056,064	The Los Angeles District was not operating at peak efficiency and could save workhours and reduce city delivery operating costs. Our benchmarking comparison determined the Los Angeles District used approximately 26 minutes more per day than the national average for each carrier route as compared to the standard for that route. The measurement for this, called percent to standard was 124.17, about 17 percentage points above the national average of 107.19 percent. Management agreed with the findings, recommendations, and monetary impact.
City Delivery Efficiency Review – San Francisco Napoleon Street Station	DR-AR-10-002	12/18/2009	$21,308,433	The audit concluded 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 this station used 54,975 hours more than necessary. We also found management did not adjust workhours to the changes in workload. Management agreed with our findings and recommendations to correct the issues identified.

APPENDIX E: MANAGEMENT'S COMMENTS

DISTRICT MANAGER/POSTMASTER
CHICAGO DISTRICT

UNITED STATES POSTAL SERVICE

March 11, 2011

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: City Delivery Efficiency Review – Chicago District (Report Number DR-AR-11-DRAFT)

The following management responses are presented in response to the recent subject review.

Recommendation 1: Reduce the district's work hours by 188,884 to achieve an associated economic impact of more than $6.5 million annually, or in excess of $65 million over 10 years.

Management Response: We agree with the potential LDC 21 office work hour savings identified during this review. We do not agree with the value of the monetary impact because it excludes a variety of complex variables that impact salary and benefit expense thus resulting in a higher value than can be realistically attained.

Our plan to address this recommendation is to continue improving our city delivery efficiencies and reducing work hours and cost through the following actions:

- Completing Managed Service Point (MSP) training for all city delivery management personnel and monitoring compliance.
- Capturing carryover savings from completed JARAP route adjustments (Joint Alternate Route Adjustment Process)
- Implementing the FSS route adjustment process to further reduce the number of routes and related work hour savings.
- Increasing DPS to 92% from current Week 24 year to date achievement of 89.28%.

Chicago District has had ongoing actions to improve operational efficiency and capture savings. We have focused on productivity improvements, pivoting opportunity, overtime reduction and route adjustments/reductions. These actions have resulted in improved work hour performance as noted in the following table.

433 W. HARRISON ST. 2ND FLOOR
CHICAGO, IL 60699-9998
TEL: 312.983.8030
VISIT WWW. USPS.COM

CHICAGO PFC – CITY DELIVERY HISTORICAL PERFORMANCE

Performance Data	FY08	FY09	FY10	Wk 24 YTD	Cumulative Savings
Fcn 2 Hours	7,223,751	6,824,453	6,494,654	2,799,327	
Var to Prev FY	(186,816)	(399,298)	(329,799)	(144,570)	(1,060,483)
% Var to Prev FY	(2.5)	(5.5)	(4.8)	(2.2)	
Fcn 2 OT Hours	1,170,270	858,034	855,955	433,397	
Var to Prev FY	(358,089)	(312,236)	(2,079)	22,482	(649,922)
% Var to Prev FY	(23.4)	(26.7)	(0.2)	2.6	
LDC 21 Hours	2,266,191	1,863,750	1,550,970	654,242	
Var to Prev FY	(201,740)	(402,441)	(312,780)	(71,047)	(988,008)
% Var to Prev FY	(8.2)	(17.8)	(16.8)	(4.6)	
% to Standard	117.22	124.63	120.08	115.46	
Var to Prev FY	(0.51)	7.41	(4.55)	(3.73)	(1.38)
% Var to Prev FY	(0.4)	6.3	(3.7)	(3.1)	
Possible Deliveries	1,210,799	1,222,352	1,230,280	1,236,287	
Var to Prev FY	9,699	11,553	7,928	7,940	37,120
% Var to Prev FY	0.8	1.0	0.6	0.6	
City Routes	2,483	2,432	2,304	2,293	
Var to Prev FY	25	(51)	(128)	(18)	(172)
% Var to Prev FY	1.0	(2.1)	(5.3)	(0.8)	
City Delivery S&B $	$ 279,658,609	$ 275,672,119	$ 270,097,037	$ 111,872,361	
Var to Prev FY	$ 311,457	$ (3,986,490)	$ (5,575,082)	$ (762,827)	$ (10,012,942)
% Var to Prev FY	0.1	(1.4)	(2.0)	(0.3)	

During each of the last 3 ½ fiscal years, Chicago District has consistently reduced work hours when compared to the prior year even as our delivery network increased steadily. During this period of time the cumulative work hour reduction for total city delivery hours is over one million hours while salary and benefit expense is over ten million dollars. The reduction for LDC 21 office hours alone is almost one million hours which is the majority of the total savings achieved during this period. This has led to a steady improvement in our percent to standard.

This information is provided to illustrate our steady focus on improving efficiencies and reducing cost as well as the relationship between work hour savings versus salary and benefit savings the latter of which is inclusive of the many variables impacting these operations. As of last week, week 24, LDC 21 hours were 71,047 below same period last year while total city delivery hours were 144,570 below. The salary and benefit expense reduction for this same period is $762,827.

It is important to note that one major change scheduled to be implemented this April is where our eighty-four NRP (National Reassessment Program) carriers will work and how their hours are to be charged. To date they have performed duties within their restrictions in Function 4 Customer Service operations. Effective in April they are to work in a city delivery operation and charge their hours accordingly. This will have a significant impact that will limit some of the work hour savings we are targeting.

Recommendation 2: Reinforce Postal Service policy and procedures for supervising city delivery office operations in delivery units and eliminate inefficient practices as appropriate.

Management Response: We agree with this recommendation. Customer Service Station management are required to utilize DOIS as the primary management tool to identify and communicate performance expectations to carriers. CSOMs (Customer Service Operations Managers) will reinforce this requirement in discussions with their respective station management teams and will provide written certification to the Manager, Post Office Operations of its completion. Random spot-checks by District Operations Support staff will be implemented to validate improved supervisory behavior and performance and AMSOP II reviews will be conducted to further reinforce daily supervisor requirements and the expectations that must be given to employees.

In order to ensure our station management has the knowledge and skills needed to expand our effort to eliminate inefficient practices the following activities are planned or have been completed:

- Training on DOIS utilization and proper volume recording was completed in September and October of 2010 but will be ongoing as circumstances deem it necessary.
- Training in AMSOP II will be completed to reinforce data driven decisions
- Training in editing of 3999s compatible with Carrier Optimal Routing (COR) was completed in February 2011.
- AMSOP II has been completed for the 13 FSS sites but will continue until every unit achieves AMSOP II Certification. Estimated completion date is April 1, 2011.

Recommendation 3: Require processing facility managers and delivery managers to regularly coordinate, review, and update all integrated operating plans to ensure mail arrives timely and in the condition necessary to promote office efficiency.

Management Response: Management agrees with this recommendation. Each day our District operations leadership and operations support staff discuss late trips, their root causes, their operational impacts and the actions necessary to correct recurrences.

Meetings are currently scheduled to update our integrated operating plan agreements. The units targeted for Flats Sequencing Sortation (FSS) will be completed first with the remainder to be completed by the end of FY 2011.

We believe that these collective actions, our focused attention to our ongoing performance improvements and our history of demonstrated continuous improvement will enable us to achieve the savings identified in this review. Please let us know if you have any questions.

for **Nancy L. Rettinhouse**