



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**City Delivery — Street Efficiency
San Diego District**

Audit Report

June 5, 2012

Report Number DR-AR-12-001



HIGHLIGHTS

IMPACT ON:

City Delivery Operations.

WHY THE OIG DID THE AUDIT:

Our objective was to assess the overall street efficiency of city delivery in the San Diego District and identify opportunities for efficiency and cost savings. Street delivery includes carriers delivering and collecting mail on their assigned routes.

WHAT THE OIG FOUND:

The San Diego District has opportunities for enhanced street delivery efficiency. We determined the San Diego District could use approximately 6 minutes less street time per day on each carrier route, or about 83,900 workhours annually. Our review of selected delivery units determined that management did not always reinforce U.S. Postal Service policies and procedures for supervising city delivery street operations in delivery units and eliminate inefficient practices. An increased focus on efficiency could allow management to reduce carrier street workhours and save about \$3.4 million annually.

WHAT THE OIG RECOMMENDED:

The U.S. Postal Service Office of Inspector General (OIG) recommended

the district manager, San Diego District, reduce workhours by 83,943. We also recommended he reinforce policies and procedures for supervising city delivery street operations in delivery units and eliminate inefficient practices. Further, we recommended the district manager require managers to regularly coordinate, review, and update integrated operating plans to ensure mail arrives timely to carriers units.

WHAT MANAGEMENT SAID:

Management agreed with the findings, recommendations, and monetary impact. Management also stated that ongoing plans were in place prior to the audit to address the types of issues identified and confirmed the district is moving in the right direction and plans to complete actions by October 1, 2014.

AUDITORS' COMMENTS:

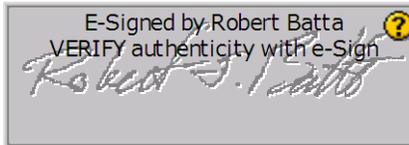
The OIG considers management's comments responsive to the findings, recommendations, and monetary impact in the report.

[Link to review the entire report](#)



June 5, 2012

MEMORANDUM FOR: LARRY P. MUNOZ
DISTRICT MANAGER, SAN DIEGO DISTRICT



FROM: Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report — City Delivery — Street Efficiency in the San
Diego District (Report Number DR-AR-12-001)

This report presents the results of our audit of city delivery street efficiency in the San Diego District (Project Number 12XG004DR000).

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.

Attachments

cc: Drew T. Aliperto
Dean J. Granholm
Elizabeth A. Schaefer
Philip K. Knoll
Martin T. Aiello
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of city delivery street¹ efficiency in the San Diego District (Project Number 12XG004DR000). This topic was discussed with the vice president, Delivery and Post Office Operations, and agreed to as a Value Proposition² audit for fiscal year (FY) 2012. Our objective was to assess the overall efficiency of city street delivery and identify opportunities for costs saving within the San Diego District. See [Appendix A](#) for additional information about this audit. The audit addresses operational risk and is one in a series to be conducted by the U.S. Postal Service Office of Inspector General (OIG).

The U.S. Postal Service faces the most difficult operating period in its 235-year history. Mail volume in FY 2011 declined by another 3 billion pieces to 168 billion, dropping total mail volume to levels not seen since 1992. Since 2007, mail volume has dropped by about 44 billion pieces. In contrast, delivery points have increased by over 2.3 million since 2008.³ The Postal Service must improve operational efficiency to reduce costs while facing financial losses from declining mail volume.

Conclusion

The San Diego District has opportunities for enhanced city street delivery efficiency and reduced workhour costs. We determined the San Diego District could use at least 6 minutes less street time per day on each carrier route, or about 83,900 workhours annually. As a consequence, the Postal Service would save about \$3.4 million annually (see [Appendix B](#)).

Street Delivery Efficiency

An increased focus on efficiency could allow management to reduce carrier street workhours. Our review of 13 randomly⁴ selected delivery units determined that management did not always reinforce Postal Service policies and procedures for supervising city delivery street operations in delivery units which allowed for some inefficient delivery practices. For example, management needs to ensure that:

- There is a consistent supervisory presence on the street.
- Supervisors set daily expectations and follow up on the previous day's street performance.

¹ Street delivery (or street time) is comprised of every duty a carrier performs from the time they load their vehicle, deliver, and collect mail along the route to their return to the delivery unit to unload their vehicle.

² An agreement between the director of Delivery and vice president of Delivery and Post Office Operations on work that will address issues of importance to the Postal Service.

³ City delivery is responsible for 1,097,020 of the 2,390,741 increase in delivery points from FYs 2007 through 2011.

⁴ We obtained the random sample from those delivery units having 15 or more routes and using 875 or more hours than projected in the Delivery Operations Information System (DOIS) during FY 2011.

- Carriers deliver mail using the most efficient habits so as not to incur unnecessarily additional street time.
- Carriers do not unnecessarily handle delivery point sequence⁵ (DPS) mailing.
- Delivery unit and processing plant management update the integrated operating plans⁶ (IOPs) for units to receive the proper mail types at scheduled times so carriers do not have to wait on mail before departing for the street and potentially delaying their return to the office.

Street Supervision

Supervisors did not provide sufficient oversight of street operations. One of the tools used to assist in conducting street supervision is a Postal Service (PS) Form 3999, Inspection of Letter Carrier Route,⁷ documenting the carrier's ability to perform their route on the street. However, our review showed that unit management often did not have up-to-date PS Forms 3999. In fact, 30 percent of these forms⁸ were more than 1 year old. Having a current PS Form 3999 allows the supervisor to know exactly the carrier's line-of-travel and where a carrier should be and at what time. A current PS Form 3999 also allows the supervisor to know how long a section of deliveries should take and that can help a supervisor monitor street performance.

Supervisors are required to complete a PS Form 3999 at least annually. Postal Service policy⁹ states that “All carriers are to be notified to expect daily supervision on the street” and “. . . accompanying carriers on the street is an essential responsibility of management.” When asked, several carriers stated they occasionally observed supervisors while on the street, but not on a regular basis. Some supervisors said they would like to spend more time observing street operations and correcting inefficient carrier habits; however, their duties in the office often prohibit them from performing these observations.

Setting Expectations and Following Up on Previous Street Performance

Supervisors must set daily expectations for carrier performance. Although we observed examples of supervisors setting expectations for carriers' street leave and return times, they usually accepted the carriers' leave and return times without validating the time based on mail volume or other factors. We also found that they did not always assess

⁵ A process for sorting bar-coded letter mail at the 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.

⁶ The IOP contract covers mail arrival from the plant and identifies the product of mail for each individual trip. The primary purpose is to stabilize mail flow.

⁷ A route examiner uses PS Form 3999 to record all pertinent information concerning the carrier's demonstrated street performance. PS Form 3999 is a primary element in establishing DOIS street time for a route. This base street sets the daily expectation for a carrier's street performance.

⁸ A review of the Enterprise Data Warehouse (EDW) showed 852 of 2,882 PS Forms 3999 older than a year as of December 16, 2011.

⁹ Postal Service Handbook M-41, *City Delivery Carriers Duties and Responsibilities* Section 134.11, *Management of Delivery Services*, March 1998.

the workload for the day by observing the mail volume at the carrier's case and have a dialogue with the carrier about expectations for the day.

Moreover, delivery unit management usually sets daily expectations for street duties but did not always follow up on the previous day's street performance. The DOIS Route Carrier Performance Report provides the supervisor with information needed to discuss carrier performance. Although supervisors printed the report, they did not always discuss it with carriers at 10 of 13 units observed. If a carrier does not meet performance standards, a supervisor must investigate and discuss performance deficiencies with the carrier.¹⁰ Furthermore, management should also take advantage of opportunities to discuss good performance with a carrier.

More Efficient Carrier Practices

The OIG observed instances of carriers not using efficient carrier practices while performing street duties at all 13 delivery units. Although we can trace some of the inefficient habits to waiting on mail or parcels, we observed opportunities for carriers to be more efficient and save street time while delivering mail. These opportunities include the following:

- More efficient loading of vehicles.
- Using satchels to hold mail.
- Fingering¹¹ mail between deliveries.
- Making multiple trips to vehicles at cluster box units¹² (CBUs).

We observed opportunities for carriers to more efficiently load vehicles before they depart for the street. These included instances such as rehandling parcels by placing them on the ground before placing them in the vehicle, going to their personal vehicles, or engaging in unnecessary conversations or telephone use (see Illustrations 1 and 2).

¹⁰ *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook*, 2007, Section 5-7.

¹¹ The final separation of mail for the next several stops along with the verification of the address for delivery.

¹² CBUs are a centralized unit of individually locked mailboxes. CBUs are commonly used in new housing neighborhoods and for a single building that houses multiple businesses and are the most efficient means of delivery for the Postal Service.

**Illustration 1: Carrier Rehandling
Parcels During Loading**



Source: OIG.

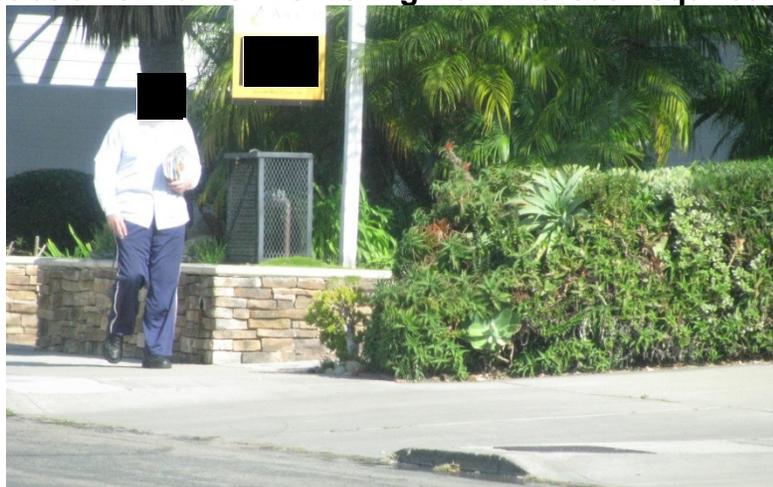
**Illustration 2: Carrier Texting on Cell
Phone During Loading**



Source: OIG.

We observed multiple instances of carriers not using satchels to deliver mail, thereby making multiple trips to and from their vehicles for more mail, incurring additional street time. Postal Service procedures require carriers delivering mail on park-and-loop routes to use their vehicles as movable relay boxes¹³ from which they withdraw a substantial amount of mail and place it into a satchel before beginning the route. Carriers are required to carry the appropriate amount of mail, up to the 35-pound limit, to complete each assigned relay without additional trips to the vehicle or relay box¹⁴ (see Illustration 3).

Illustration 3: Carrier Delivering Mail Without Required Satchel



Source: OIG.

¹³ Bundles or strapped mail the carrier prepares in sacks for delivery to boxes on the carrier's line-of-travel. When the carrier completes delivery of carry-out mail, they may pick up additional mail from relay boxes and continue this process until the entire route is served.

¹⁴ *City Delivery Carriers Duties and Responsibilities, Postal Service Handbook M-41, March 1998, Section 273.*

We also observed some carriers not “fingering” mail between deliveries to place mailpieces in the delivery order to avoid backtracking. A foot carrier routinely performs this task en route between deliveries, while a motorized carrier performs this task as he walks from the vehicle to a house box. If the delivery is a curbside box, the carrier fingers the mail in the vehicle before placing it in the box. In addition, we observed some carriers making multiple trips from the vehicle to deliver mail to CBUs.

Delivery Point Sequencing Handling

In six of the 13 delivery units observed, DPS letters processed at the plants arrived at delivery units in mail transport containers that carriers did not stage for easy retrieval. This resulted in carriers having to unload and sort through transport containers to identify their DPS while on street time.¹⁵ Postal Service policy¹⁶ states “...mail processing should stage DPS letters for transport in shelved or modified containers so individual trays do not have to be rehandled at the delivery unit” (see Illustration 4). In addition, we observed that, after unloading and sorting through the containers, carriers often handled DPS letters excessively on street time because of inefficient carrier habits that supervisors do not typically monitor and correct. Postal Service policy¹⁷ states that “DPS mail is not to be distributed to carriers but staged near the exit for transport to vehicles so it can be taken directly to the street without further handling.”

¹⁵ The OIG previously reported on the effects of DPS handling on carrier office efficiency and workhours in the report titled *National Assessment of City Delivery Efficiency 2011 – Office Performance* (Report Number DR-MA-11-002, dated July 19, 2011).

¹⁶ *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook*, Section 2-6, 2007.

¹⁷ *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook*, Section 4-5, 2007.

Illustration 4: Carrier Searching for DPS Mail in Unshelved Container



Source: OIG.

Integrated Operating Plan

Mail did not always arrive in the proper mail mix. We observed several instances in which about 80 percent of flat mail arrived with DPS mail on the last dispatch of the morning. Further, we observed parcels arriving along with DPS mail. This occurred because mail arriving from the plant did not match the agreed upon mail mixtures as outlined in the IOP. 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. Delays can prolong carriers' return time beyond 5 p.m. and in some locations it may get dark early, which also can prolong street time.¹⁸ Although the San Diego District has daily meetings to report issues to the plant, mail flow issues often remain unresolved.

Management Actions

Although these challenges exist, San Diego District management proactively began implementing their "Enabling Process" in FY 2011. This process involves senior management mentoring delivery units that are not performing efficiently. These units are provided with additional supervisory assistance to improve their operational performance.

Adjusting its operations and improved supervision during carrier street delivery would increase the San Diego District's overall efficiency by reducing 83,943 workhours. We estimated this would result in savings of more than \$3.3 million annually, or about \$6.8 million over 2 years (see [Appendix B](#)).

¹⁸ The OIG previously reported on the effects of IOP issues on carrier office efficiency and workhours in the report titled *National Assessment of City Delivery Efficiency 2011 – Office Performance* (Report Number DR-MA-11-002, dated July 19, 2011).

Recommendations

We recommend the district manager, San Diego District:

1. Reduce 83,943 workhours to achieve an associated economic impact of \$3.4 million annually, or \$6.8 million over 2 years.
2. Reinforce and ensure adherence to Postal Service policies and procedures for supervising city delivery street operations in delivery units and eliminating carrier inefficient practices during street time.
3. Require processing facility managers and delivery managers to regularly coordinate, review, and update integrated operating plans to ensure mail arrives timely and in the right mix so carriers are not delayed in departing for street delivery.

Management's Comments

Management agreed with the findings, recommendations, and monetary impact.

In response to recommendation 1, management agreed with the 83,943 workhour savings. Management emphasized that plans were already in place prior to the OIG review to reduce workhours and confirmed the district is moving in the right direction. Management's plans include completion of all PS Form 3999 for the San Diego District as well as having daily communications and actions established for the 24 best opportunity offices to increase street performance. In a subsequent discussion, management stated their plans are ongoing with an estimated completion date of October 1, 2014.

Management responded to the second recommendation by agreeing there are opportunities to save workhours associated with improving street efficiencies. The San Diego District plans to use various delivery tools to continue to monitor, communicate, and hold accountable the teams that are not working toward improving those efficiencies. Management stated their plans are ongoing with an estimated completion date of October 1, 2014.

Management responded to the third recommendation stating agreement with the finding that IOPs and Mail Arrival Profiles (MAPs) need to be updated as changes are made between the plant and Customer Service Operations. The San Diego District plans to have all MAPs updated no later than May 30, 2012. Management further stated that, as future changes occur, they will again update this information. See [Appendix C](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. The OIG discussed findings with management throughout the audit and management reported that corrective actions were taken prior to and during the audit, and will continue after it.

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.

Appendix A: Additional Information

Background

The Postal Service faces the most difficult operating period in its 235-year history. Mail volume in FY 2011 declined by another 3 billion pieces to 168 billion, dropping total mail volume to levels not seen since 1992. Since 2007, mail volume has dropped by about 44 billion pieces. The Postal Service must improve operational efficiency to reduce costs while facing financial losses from declining mail volume.

Despite a high degree of automation, mail delivery remains labor intensive. Labor costs comprise nearly 80 percent of the Postal Service's costs. Delivery operations have the highest fixed cost in the system, making up more than 30 percent of the Postal Service's operating expenses. Within the delivery carrier's function, street operations made up 264,989,254 (more than 76 percent) of the overall 349,564,154 total office and street workhours¹⁹ city carriers used in FY 2011. Street operations (or street time) is comprised of every duty a carrier performs from the time they load their vehicle, deliver, and collect mail along the route to their return to the delivery unit to unload their vehicle. The San Diego District is located in the Pacific Area and has 106 delivery units delivering mail on 3,043 routes.

Unlike the carrier office function, a supervisor is not always present to observe each carrier as they conduct deliveries along their route. This leaves opportunity for inefficiency to enter the process. To effectively manage this manual process and improve productivity, delivery supervisors strive to 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.

Objective, Scope, and Methodology

Our objective was to assess the overall efficiency of city street delivery in the San Diego District. To accomplish our objective, we:

- Determined and used DOIS street variance data to assess performance and opportunities for efficiency based on discussions with Postal Service officials and OIG experts. Street operations have no preferred measurement of efficiency.
- Reviewed DOIS street variance hours from the EDW for FY 2011 in the San Diego District to determine the opportunity for greater efficiency. The difference between the DOIS projected street hours and the actual street hours used on an individual delivery route or entire unit resulted in the number of variance hours. A positive variance means the delivery unit used more street hours than DOIS projected, which

¹⁹ DOIS workhours queried from the EDW.

- indicates there is an opportunity for greater efficiency on the street than currently being performed.
- Determined the San Diego District used more street hours than DOIS projected for October 1, 2010 through September 30, 2011.
- Randomly selected 13 delivery units in the San Diego District that used more street hours than projected to determine opportunities for greater efficiency and reduced operating costs. We projected cost savings for delivery units in the San Diego District using more actual street hours than projected.
- Reviewed and discussed procedures for street operations with management in selected delivery units. We judgmentally selected individual city routes to review and observed carrier street performance.
- Reviewed documentation and applicable policies and procedures for city delivery and Postal Service Handbooks M-39²⁰ and M-41.²¹

We conducted this performance audit from November 2011 to June 2012, 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 on March 5, 2012, and included their comments where appropriate.

We relied on data obtained from Postal Service database systems, such as DOIS and EDW. We did not directly audit the systems but performed limited data integrity review to support our data reliance. We assessed the reliability of delivery points' 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.

²⁰ *Management of Delivery Services*, March 1998.

²¹ *City Delivery Carriers Duties and Responsibilities*, March 1998.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<p><i>City Delivery Efficiency Review – San Francisco Napoleon Street Station</i></p>	<p>DR-AR-10-002</p>	<p>12/18/09</p>	<p>\$21,308,433</p>	<p>The audit concluded the San Francisco 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 more workhours than necessary. We also found that management did not adjust workhours to changes in workload. Management agreed with our findings and recommendations to correct the issues identified.</p>

Appendix B: Monetary Impact

Finding	Impact Category	Amount
Operating Efficiency	Funds Put to Better Use ²²	\$6,840,240

Source: OIG.

We estimated the monetary impact of \$6,840,240 in funds put to better use by reducing 83,943 workhours at delivery units in the San Diego District (see Table 1).

Table 1. San Diego District Workhour Savings

District	Delivery Units	Estimated City Delivery Workhours Saved	Annual Estimated Savings from Overtime Workhours	2-year Projection of Savings from Overtime Workhours
San Diego	106	83,943	\$3,392,976	\$6,840,240

Source: OIG.

We calculated funds put to better use for reducing city carrier workhours using the San Diego District city carrier overtime rate of \$39.78 for FY 2011, with an escalation factor of 1.6 percent for the 2-year projection.

The 83,943 annual workhour savings represent 5,036,580 minutes (83,943 hours multiplied by 60 minutes). Dividing the more than 5 million minutes by 2,902 routes²³ in the San Diego District and then dividing by 303 annual days equals an approximate savings of 6 minutes per route per day.

²² Funds that could be used more efficiently by implementing recommended actions.

²³ Number of routes in the San Diego District as of November 30, 2011.

Appendix C: Management's Comments

DISTRICT MANAGER
SAN DIEGO DISTRICT



May 15, 2012

SHIRIAN B. HOLLAND
ACTING DIRECTOR AUDIT OPERATIONS
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Management Response to Draft Audit Report - Fiscal Year 2012
City Street Delivery Efficiency – San Diego District
(Report Number DR-AR-12-DRAFT)

The following represents Management's response to the Draft Audit Report dated March 15, 2012, summarizing the results of the Office of Inspector Audit of City Street Delivery Efficiency in the San Diego District (Project Number 12XG004DR000).

Below are the San Diego District's responses to the three (3) recommendations from the OIG City Street Efficiency Team Audit.

Recommendation 1: Reduce 83,943 workhours to achieve an associated economic impact of more than \$3.3 million annually, or \$6.8 million over 2 years.

Response 1: We agree with the findings, recommendations, and monetary impact, but disagree that we would not have identified or taken action without the audit as these were the types of initiatives and actions the District was planning and scheduling already. The audit confirms the District is moving in the right direction.

Plans already in place prior to the OIG investigation are and were:

- San Diego completed 1,841 3999's. The District will have the remainder completed within the one year requirement.
- San Diego has daily communication, actions and timelines set up for the 24 best opportunity offices to increase street performance to base. This meeting is held with the Senior and Key Operations Managers.
- These actions, along with other strategies in line with the achievement culture of continuing improvement, will provide additional savings by driving down the hours to base and below as the volume continues to migrate and efficiencies improve.

Recommendation 2: Reinforce and ensure adherence to Postal Service policy and procedures for supervising city delivery street operations in delivery units and eliminating carrier inefficient practices during street time.

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Response 2: We agree that there are opportunities to save workhours associated with improving street efficiencies. San Diego has plans to continue to monitor, communicate, and hold accountable the teams that are not working towards improving those efficiencies. (Tools that will be used to identify opportunities to increase efficiencies are: CDV, MSP, DOIS). These plans have been and will be continual in nature as the workload continues to change.

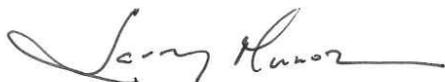
Recommendation 3: Require processing facility managers and delivery managers to regularly coordinate, review, and update all integrated operating plans to ensure mail arrives timely and in the right mix so carriers are not delayed in departing for street delivery.

Response 3: We agree with the finding that IOP's and MAP's need to be updated as changes are made between the Plant and Customer Service Operations. The District plans in place are to have all of the MAP's updated no later than May 30, 2012. As changes occur as they did this past year, they will again be updated in the future.

Freedom of Information Act (FOIA)

The District has reviewed the report and has not identified any portions that need to be exempt under FOIA.

If you have any questions, please contact Martin Aiello at (858) 674-0490.



Larry P. Munoz
District Manager

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