



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

City Delivery Staffing

Audit Report

August 24, 2012

Report Number DR-AR-12-006



HIGHLIGHTS

BACKGROUND:

Managing labor costs is critical since city delivery is the largest cost center in the U.S. Postal Service and the agency does not have, or expect to have, sufficient revenue to cover costs without making fundamental changes. Moreover, with an outlook that does not forecast a significant rebound for mail volume, the decrease directly affects carrier workloads. Therefore, having proper staffing levels at city delivery installations enhances efficient use of carrier resources and costs.

To develop staffing levels, officials use a budget-based process to determine the number of workhours needed (for route coverage) for labor costs to match the fiscal year budget. In fiscal year 2011, the Postal Service employed 183,774 city delivery carriers to deliver mail on 145,385 city routes, using over 317.1 million workhours at the installations reviewed.

Our objective was to evaluate whether Postal Service city delivery carrier staffing was at maximum levels at city delivery installations. The maximum level represents a staffing ceiling and does not imply that management needs to hire employees but, instead, manage at an established level.

WHAT THE OIG FOUND:

The Postal Service's city delivery

full-time (FT) carrier staffing varied at installations, consisting of excesses and shortages. This occurred because the Postal Service did not establish a maximum number of carriers needed per route in the budget process or at each installation based on need.

These conditions contributed to installations exceeding their budgeted overtime by 10.4 million hours. Managing with maximum staffing levels and employing part-time resources would give the Postal Service options for reducing city delivery labor costs by over \$116.8 million annually.

WHAT THE OIG RECOMMENDED:

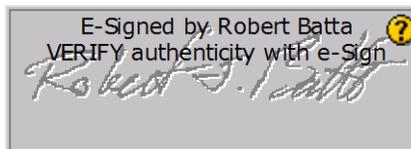
We recommended the vice president, Delivery and Post Office Operations, balance the number of FT carriers per route and manage labor costs within established budgets. We also recommended coordinating with the vice president, Labor Relations, to continue pursuing the ability to increase the number of part-time, non-career flexible employees in the city letter craft to reduce labor costs.

[Link to review the entire report.](#)



August 24, 2012

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



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

SUBJECT: Audit Report – City Delivery Staffing
(Report Number DR-AR-12-006)

This report presents the results of our audit of City Delivery Staffing (Project Number 11XG036DR000).

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: Douglas A. Tulino
Elizabeth A. Schaefer
Philip F. Knoll
Vice Presidents, Area Operations
Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction 1

Conclusion 1

City Delivery Staffing 2

Recommendations 4

Management’s Comments 4

Evaluation of Management’s Comments 5

Appendix A: Additional Information 7

 Background 7

 Objective, Scope, and Methodology 7

 Prior Audit Coverage 8

Appendix B: Office of Inspector General Analysis Results for Full-Time Carriers 9

Appendix C: Office of Inspector General Developed Maximum Staffing Level Model ... 11

Appendix D: Monetary Impact 12

Appendix E: Management’s Comments 14

Introduction

This report presents the results of our nationwide audit of city delivery staffing (Project Number 11XG036DR000). Our objective was to evaluate whether U.S. Postal Service city delivery carrier staffing was at maximum levels at city delivery installations. This is a self-initiated audit based on concerns received from Postal Service Headquarters officials during a prior audit.¹ It addresses operational and financial risks. See [Appendix A](#) for additional information about this audit.

City delivery is the largest cost center in the Postal Service, using the most workhours to deliver the mail. Postal Service officials must ensure sufficient staffing levels are in place to deliver the mail, which is important for achieving operational efficiency and cost savings. The Postal Service has staffing situations such as excesses, shortages, and attrition that affect productivity and fiscal year (FY) budgets. The Postal Service has also identified workforce optimization (adjusting the workforce size and mix) as one of their 36 initiatives designed to improve its business strategy.² In FY 2011, the Postal Service employed 183,774 city delivery carriers to deliver mail on 145,385 city routes, using over 317.1 million workhours.³

Conclusion

The Postal Service's city delivery full-time (FT) carrier staffing varied at some installations with carrier excess and shortages. This occurred because the Postal Service did not:

- Establish a maximum number of carriers needed per route because of each installation's operational variables.
- Incorporate a maximum number of carriers needed per route in the budget process.

These conditions contributed to installations exceeding their overtime budgets by 10.4 million workhours. Having FT carriers work overtime hours can be costly, but management can reduce overtime workhours by adjusting and balancing staff and increasing the use of non-career flexible employees. Managing with maximum staffing levels and employing part-time (PT) resources would give the Postal Service options to reduce city delivery costs by over \$116.8 million annually.

¹ Headquarters officials stated in their management response to a U.S. Postal Service Office of Inspector General (OIG) report *City Delivery Operations Workforce Planning* (Report Number DR-AR-11-001, dated November 22, 2010) that staffing shortages are the primary cause of overtime and that, for a quantitative conclusion, there should be a comparison of staffing to the number of routes and workload. This audit addresses their concern by identifying maximum staffing levels, which will result in reassignment opportunities aimed at reducing overtime workhours generated at units experiencing excess, shortages, and attrition.

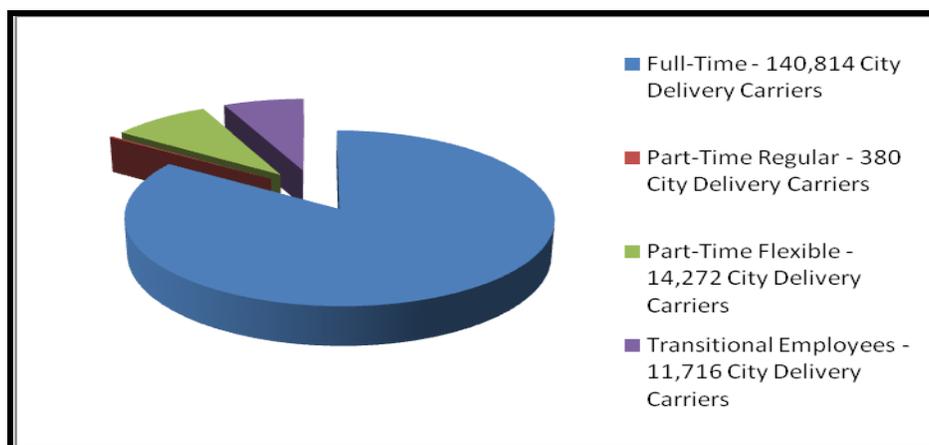
² "Delivering Results, Innovation, Value, and Efficiency" initiative number eight, *Workforce Optimization*.

³ For our review, we excluded installations (and the associated carriers, routes, and workhours) with fewer than 10 routes, or that were part of our office and street efficiency reviews.

City Delivery Staffing

We found that Postal Service city delivery FT carrier staffing levels varied at installations with either excesses or shortages (see [Appendix B](#)). We analyzed FY 2011 city delivery workhours, staffing, and route data for 2,064 city delivery installations and developed a carrier per route maximum level/staffing ratio⁴ to determine whether staffing was appropriate for the workload, city delivery routes, and other city delivery operations supporting office and street functions. During FY 2011, the Postal Service's actual city delivery staffing level totaled 167,182 carriers for the 2,064 installations reviewed (see Figure 1 for allocation by carrier type).

Figure 1. Actual FY 2011 City Delivery Carrier Staffing Levels



Source: OIG Analysis.

Postal Service regulations⁵ state that the central organizational thrust is to standardize structures to the greatest extent possible. It further states that the amount and type of work are the primary determinants of authorized staffing.⁶ However, we found that these conditions occurred because:

- There is no Carrier Maximum Staffing Level per Route. Headquarters officials stated that they did not establish a standard staffing ratio for the maximum number of FT carriers needed per route for all locations because of the variables associated with operations at installations, such as annual leave, sick leave, training, and limited/light-duty staff. Therefore, they allowed area officials' flexibility in determining staffing levels per route based on their familiarity with the varying staffing needs of their installations. However, we agree that managers need some flexibility in this area, but it needs to be part of a sound methodology. As part of our data analysis for the 2,064 installations, we allowed a 5 percent increase in workload for all routes to account for these operational variables, including other city delivery operations —

⁴ We used the FT staffing ratio based on route coverage requirements and guaranteed workhours data to determine the maximum number of FT carriers needed per route.

⁵ *Employee and Labor Relations Manual* (ELM), Section 121.

⁶ ELM, Sections 121 and 125.2.

such as collections and relays — and FT carriers who are on the employee rolls, but not available for work.

- Maximum Carriers per Route Data not Included in Budgeting Tools. To manage staffing, area officials use the *Budget Management Guide* (BMG)⁷, the Delivery Service Staffing Analysis⁸ tool, the City Delivery Variance (CDV)⁹ model, and locally developed spreadsheets to determine the number of hours needed for labor costs based on the fiscal year budget. Headquarters officials felt these tools were sufficient for determining staffing needs based on budgeted workhours; however, the budgeting tools used to develop annual workhours did not incorporate a maximum number of carriers needed per route.

In the analysis of city delivery operations, FT carriers generated 27,380,547 in overtime workhours in FY 2011. These hours exceeded the annual budgeted overtime hours¹⁰ by 10,389,143. Overtime paid to FT carriers is 150 percent of their hourly rate, or a rate of 200 percent for penalty overtime.¹¹ Using our computed maximum level/staffing ratio and the process shown in Appendix C, we identified the following short- and long-term actions for reducing FT carrier workhours.

- Reassign 334 FT Carriers Within Assigned Installations (see Appendix D for an explanation of our computation). This reduces 458,362 overtime workhours (about 4 percent) through FT reassignments, by moving excess FT carriers to fill FT shortages within assigned installations and balancing the number of FT carriers per route. Management can implement these reassignments where cost effective and manage based on current local and national labor agreements.
- Use Non-Career Flexible Carriers for Attrition of 3,529 FT Carriers (see Appendix D for an explanation of our computation). This reduces workhours by 3,900,173 through FT employee attrition and use of non-career staff to replace productive workhours removed through FT employee attrition over the next 2 years or longer.¹² Additionally, non-career PT staff members receive a lower hourly rate and are not guaranteed the 8 hours per day required for FT carriers. Additionally, FT workers receive employee benefits, such as leave, health insurance, and more. PT workers, however, receive benefits based on their career designation code.¹³ This

⁷ A budget-based process used to determine the number of workhours for route coverage needed to match total city delivery labor costs to fiscal year budget.

⁸ A tool that computes staffing needs based on routes, leave, and overtime usage at the time of the analysis.

⁹ A Function 2B (city delivery) management model that provides complement, workhours, productivity, workload, routes, and delivery analysis data. The CDV produces a full-time equivalent (FTE) ratio based on earned workload over the most recent 13-week period, but there is no mandatory requirement to use CDV or the FTE ratio it produces.

¹⁰ FT overtime workhours that exceeded the Postal Service's FY 2011 budgeted overtime of 6.2 percent. For FY 2011, the Postal Service budgeted 16, 991,404 overtime workhours for city delivery.

¹¹ FT carriers receive penalty overtime pay for any overtime worked in contravention of the restrictions in Handbook EL-901, *Agreement Between United States Postal Service and National Association of Letter Carriers AFL-CIO*, Article 8, Section 5.F.

¹² 6,129,873 workhours removed through FT attrition minus 2,229,700 PT workhours needed to replace productive workhours removed through FT attrition equals, 3,900,173 net saved FT workhours.

¹³ A two-digit number code that indicates the type of position and workforce designation to which an employee is assigned to allow the proper salary account to be charged.

option is the most cost effective and can be used easily by management nationwide where non-carrier staff is available. This is also a concept that the Postal Service can use in either a 6- or 5-day delivery operation. FY 2011 PT staffing consisted of 26,368 employees (PT regular, PT flexible, and transitional) for the locations reviewed, which management can use either short-term or long-term based on local and national labor agreements.

As significant changes occur in mail volume, managing labor costs is critical to managing FT carrier overtime costs. Managing with maximum staffing levels and employing PT resources would give the Postal Service options that would reduce city delivery costs by over \$116.8 million annually. See [Appendix D](#) for additional information about the monetary impact.

Recommendations

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

1. Balance the number of full-time carriers per route and manage labor costs within established fiscal year budgets.

We recommend the vice president, Delivery and Post Office Operations, in coordination with the vice president, Labor Relations:

2. Continue pursuing the ability to increase the number of part-time, non-career flexible employees at installations nationwide in the city letter carrier craft to reduce labor costs.

Management's Comments

Management generally agreed with the findings, recommendations, and monetary impact. Management expressed concerns with some of the factors used in our cost-saving calculations.

For recommendation 1, management generally agreed and stated that, with a national 1.28 carrier-to-route ratio, they feel that they already manage FT carriers to the number of routes. Management stated that, while it is certainly their goal to standardize structures to the greatest extent possible, it is not always prudent and local knowledge at the area and district levels would best determine appropriate carrier-to-route ratios. Management provided no implementation date due to ongoing labor negotiations and upcoming arbitration with the union.

For recommendation 2, management agreed and stated that each area already has a Human Resource Management Board in place that works closely with each district's Complement Committee to review all hiring requests for each installation. Management also stated that this recommendation is their desire and that they commit to continuing to strive to achieve more flexibility by working with their unions through their Labor

Relations team. Management provided no implementation date due to ongoing labor negotiations and upcoming arbitration with the union.

Management stated that they did not agree with the 5 percent allowance we used in our formula for city delivery carriers performing other duties, such as mailbox collections, Parcel Post, and relay deliveries, Express Mail[®] deliveries and intern station runs, router time, tertiary distribution, and case label work. They stated the hours for these duties totaled 41,680 and, when divided by 8, it represents 5,210 routes.

Management contested the 6.2 percent overtime rate factor used because overtime has steadily increased. They stated that their current overtime rate is about 12.85 percent, due mainly to their anticipation of workload reductions under a 5-day delivery environment.

Finally, management stated they constantly reassign carriers, guided by their negotiated agreement with the National Association of Letter Carriers (NALC), which includes bid management and the Principles of Seniority, Posting, and Reassignments. 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 corrective actions should resolve the issues identified in the report.

In response to management's concerns related to some of the factors used in our calculations, OIG used a 5 percent allowance for workhours expended by city delivery carriers performing duties other than those for the office and street, such as mailbox collections, Parcel Post and relay, and Express Mail deliveries. For FY 2011, the total hours for these other duties represented 3.9 percent of total city delivery workhours. We increased the allowance for these duties to 5 percent for each of the 2,064 installations we reviewed. We agree that 5 percent is a macro number, however, by applying this to each installation, we balanced the usage of these hours among the locations. We discussed this percentage with management during the exit conference and they expressed concerns with the percentage, but did not know of an alternative percentage allowance to use in our formulas. Management stated that, due to the uniqueness of each unit's workload, demands vary. The 5,210 routes based on the 41,680 hours divided by 8 does not account for the uniqueness of each unit's workload demands because some units will use more or less than 8 hours.

Regarding the overtime percentage, management stated that their current overtime rate is about 12.85 percent, due mainly to their anticipation of workload reductions under a 5-day delivery environment. We based the 6.2 percent overtime rate we used in the cost-savings calculation on the FY 2011 budgeted or planned city delivery overtime hours used. The rate changes each fiscal year, based on planned workhours. In our calculation for excess and shortage staff, we used the 6.2 percent overtime rate as the acceptable overtime rate to benchmark installations' overtime usage. We claimed no

savings for overtime hours at installations that met their 6.2 percent planned target. We believe that increased overtime and reduced workload provides an excellent opportunity to balance the number of carriers needed per route to help manage workload and labor costs within established budgets.

The report acknowledged carrier reassignments. Specifically, the report indicated that reassignments could occur within each assigned installation, where cost effective, and be managed based on current local and national labor agreements.

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

Appendix A: Additional Information

Background

Delivering mail is the Postal Service's largest operation and it continues to deliver fewer mailpieces to a growing number of addresses. As this occurs, having proper staffing levels at city delivery installations enhances efficient use of carrier resources and lowers costs. These costs include compensation and benefits for the city delivery carrier workforce, which were about \$16.9 billion in FY 2010, \$17.1 billion in FY 2011, and are budgeted at about \$16.4 billion for FY 2012. Managing labor costs is critical since city delivery is the largest cost center and the Postal Service does not have, or expect to have, sufficient revenue to cover costs without making fundamental changes.¹⁴

Postal Service guidance states, ". . . most field operations have common characteristics that can be assessed based on relative size, complexity, and accountability for the work to be performed, accommodating the application of standard organizational structure, and staffing determinations." It further states, ". . . having established an effective structure, the organizational design process identifies appropriate staffing levels."¹⁵ Officials use their BMG budget-based process to determine the number of workhours for route coverage¹⁶ needed to match total city delivery labor costs to fiscal year budget. They consider the BMG a blueprint tied to salaries and benefits, allowing officials to make informed decisions regarding workhours and leave. In FY 2011, this resulted in a total staffing level of 167,182 city delivery carriers for the installations included in our review.

Objective, Scope, and Methodology

Our objective was to evaluate whether Postal Service city delivery carrier staffing levels were at their maximum at city delivery installations. To accomplish our objective, we:

- Analyzed FY 2011 city delivery carriers' performance data from the Enterprise Data Warehouse (EDW) and eFlash¹⁷ related to carriers, routes, and workhours to compute maximum staffing levels and identify reassignment opportunities for 2,064 city delivery installations.
- Analyzed attrition data for FYs 2009, 2010, and 2011 to identify the FT attrition trend over a 3-year period.
- Interviewed Postal Service Headquarters officials on issues related to city delivery carrier staffing.

¹⁴ *Ensuring a Viable Postal Service for America, An Action Plan for the Future.*

¹⁵ *ELM*, Sections 123.1 and 125.1.

¹⁶ With adjustments for leave, overtime, and employee utilization projections.

¹⁷ A weekly operating reporting management system that combines data from delivery, mail processing, employee relations, labor relations, and finance.

- Visited all seven postal areas and judgmentally selected eight districts and seven installations to discuss their staffing levels.

We conducted this performance audit from May 2011 through August 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 July 9, 2012, and included their comments where appropriate.

We used computer-processed data from EDW and eFlash. We retrieved data for FYs 2009, 2010, and 2011, but we did not test controls over these systems; however, we checked the reasonableness of results by reviewing existing information about the data and the system that produced them. We also assessed the reliability of data by 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 conducted one related prior audit report titled *City Delivery Operations Workforce Planning* (Report Number [DR-AR-11-001](#), dated November 22, 2010). We reported that the Postal Service's workforce planning process for city letter carriers did not always optimize available resources. Management agreed in principle with the recommendation but disagreed with the findings and monetary impact of \$550,322,614.

Appendix B: Office of Inspector General Analysis Results for Full-Time Carriers

Area	District	Number of Installations We Analyzed Data for	Actual FT Carriers	FT Carrier Excesses	FT Carrier Shortages	Total FT Workhours	FT Overtime Budget	Total FT OT workhours	FT OT Workhours Above Budget
Capital Metro	Baltimore	26	1,955	47	124	3,540,664	257,345	437,353	180,008
Capital Metro	Greater South Carolina	20	847	0	119	1,577,260	115,542	185,629	70,087
Capital Metro	Greensboro	29	1,456	65	102	2,722,995	207,716	356,813	149,097
Capital Metro	Mid Carolinas	23	1,249	30	127	2,346,950	172,473	279,544	107,071
Capital Metro	Richmond	18	1,557	41	92	3,081,014	227,314	422,113	194,799
	Capital Metro Sub-Totals	116	7,064	183	564	13,268,883	980,390	1,681,452	701,062
Eastern	Appalachian	17	705	3	87	1,285,978	97,111	148,050	50,939
Eastern	Central Pennsylvania	37	1,651	0	176	3,083,223	226,893	358,922	132,029
Eastern	Cincinnati	44	3,012	31	257	5,522,117	399,174	558,097	158,923
Eastern	Kentuckiana	20	1,318	1	136	2,409,131	177,006	272,970	95,964
Eastern	N Ohio	59	3,806	48	373	7,136,026	523,768	916,818	393,050
Eastern	Philadelphia	58	3,208	272	129	5,676,227	427,292	585,883	158,591
Eastern	S Jersey	69	2,628	168	123	4,661,486	326,174	442,889	116,715
Eastern	Tennessee	29	1,767	12	192	3,235,179	230,886	363,526	132,640
Eastern	W New York	24	1,652	69	43	3,066,812	218,648	374,144	155,496
Eastern	W Pennsylvania	45	1,976	32	288	3,711,194	277,273	419,643	142,370
	Eastern Sub-Totals	402	21,723	636	1,804	39,787,373	2,904,225	4,440,942	1,536,717
Great Lakes	Central Illinois	69	2,861	120	200	5,215,341	378,749	615,392	236,643
Great Lakes	Detroit	48	4,445	265	91	7,876,726	560,145	846,146	286,001
Great Lakes	Gateway	39	2,648	37	233	4,960,420	346,950	663,134	316,184
Great Lakes	Greater Indiana	44	2,246	25	229	4,274,472	306,017	551,001	244,984
Great Lakes	Greater Michigan	24	1,317	8	109	2,415,364	177,009	247,821	70,812
Great Lakes	Lakeland	73	3,961	127	205	7,385,646	521,837	847,658	325,821
	Great Lakes Sub-Totals	297	17,478	582	1,067	32,127,969	2,290,707	3,771,152	1,480,445
Northeast	Albany	28	1,081	5	136	2,011,645	147,756	211,814	64,058
Northeast	Carribbean	11	602	30	51	1,036,703	80,293	107,654	27,361
Northeast	Connecticut Valley	87	4,231	104	321	8,068,070	593,474	1,055,904	462,430
Northeast	Greater Boston	71	4,347	245	177	7,968,581	579,234	814,874	235,640
Northeast	Long Island	76	2,460	87	89	4,435,654	314,311	499,373	185,062
Northeast	N New England	25	876	17	72	1,643,248	116,437	189,750	73,313
Northeast	N New Jersey	104	4,132	159	214	7,314,475	489,120	660,873	171,753
Northeast	Triboro	12	3,766	358	158	6,853,276	503,238	897,886	394,648
Northeast	Westchester	34	1,217	37	71	2,266,977	171,193	262,725	91,532
	Northeast Sub-Totals	448	22,712	1,042	1,289	41,598,629	2,995,056	4,700,853	1,705,797
Pacific	Honolulu	13	781	38	16	1,422,012	89,042	101,080	12,038
Pacific	Sacramento	40	2,431	88	106	4,323,185	293,222	349,075	55,853
Pacific	San Francisco	30	2,745	184	40	4,843,880	329,988	380,405	50,417
Pacific	Santa Ana	65	5,334	335	107	9,209,954	584,622	665,045	80,423
Pacific	Sierra Coastal	49	3,308	164	61	5,937,878	405,614	506,918	101,304
	Pacific Sub-Totals	197	14,599	809	330	25,736,909	1,702,488	2,002,523	300,035

Source: OIG Analysis.

Area	District	Number of Installations We Analyzed Data for	Actual FT Carriers	FT Carrier Excesses	FT Carrier Shortages	Total FT Workhours	FT Overtime Budget	Total FT OT workhours	FT OT Workhours Above Budget
Southern	Alabama	21	1,179	7	171	2,201,224	163,431	259,266	95,835
Southern	Arkansas	19	654	3	75	1,197,502	88,797	142,331	53,534
Southern	Dallas	29	2,322	57	122	4,262,129	300,163	594,999	294,836
Southern	Fort Worth	20	1,463	4	116	2,681,695	193,815	343,103	149,288
Southern	Houston	38	3,476	66	180	6,701,123	463,663	1,113,751	650,088
Southern	Mississippi	18	439	0	64	785,342	50,238	65,778	15,540
Southern	North Florida	33	1,903	5	211	3,530,778	256,217	404,531	148,314
Southern	Oklahoma	24	1,251	5	123	2,349,031	168,324	317,360	149,036
Southern	Rio Grande	32	2,639	7	322	4,921,939	368,995	522,692	153,697
Southern	S Florida	23	4,438	36	318	8,380,023	621,833	1,082,713	460,880
Southern	Sun Coast	59	3,659	14	424	6,990,293	483,572	719,377	235,805
	Southern Sub-Totals	316	23,423	204	2,126	44,001,079	3,159,048	5,565,901	2,406,853
Western	Alaska	4	315	31	12	575,903	38,317	51,303	12,986
Western	Arizona	32	3,347	52	179	6,157,312	432,017	673,213	241,196
Western	Central Plains	25	1,460	15	87	2,803,593	186,946	321,721	134,775
Western	Colorado/Wyoming	32	2,997	42	183	5,644,778	410,957	757,716	346,759
Western	Dakotas	21	773	12	34	1,493,140	103,466	178,117	74,651
Western	Hawkeye	24	1,128	9	189	2,198,602	159,914	334,967	175,053
Western	Mid America	20	1,560	14	182	3,033,512	212,371	419,800	207,429
Western	Nevada Sierra	8	1,568	18	36	2,961,517	200,729	340,364	139,635
Western	Northland	31	2,672	65	149	5,226,575	362,929	710,600	347,671
Western	Portland	29	1,993	57	55	3,745,903	253,230	426,640	173,410
Western	Salt Lake	26	1,433	10	76	2,690,979	185,493	298,204	112,711
Western	Seattle	36	3,289	82	82	6,166,571	413,121	705,079	291,958
	Western Sub-Totals	288	22,535	407	1,264	42,698,385	2,959,490	5,217,724	2,258,234
	Grand Total	2,064	129,534	3,863	8,444	239,219,227	16,991,404	27,380,547	10,389,143

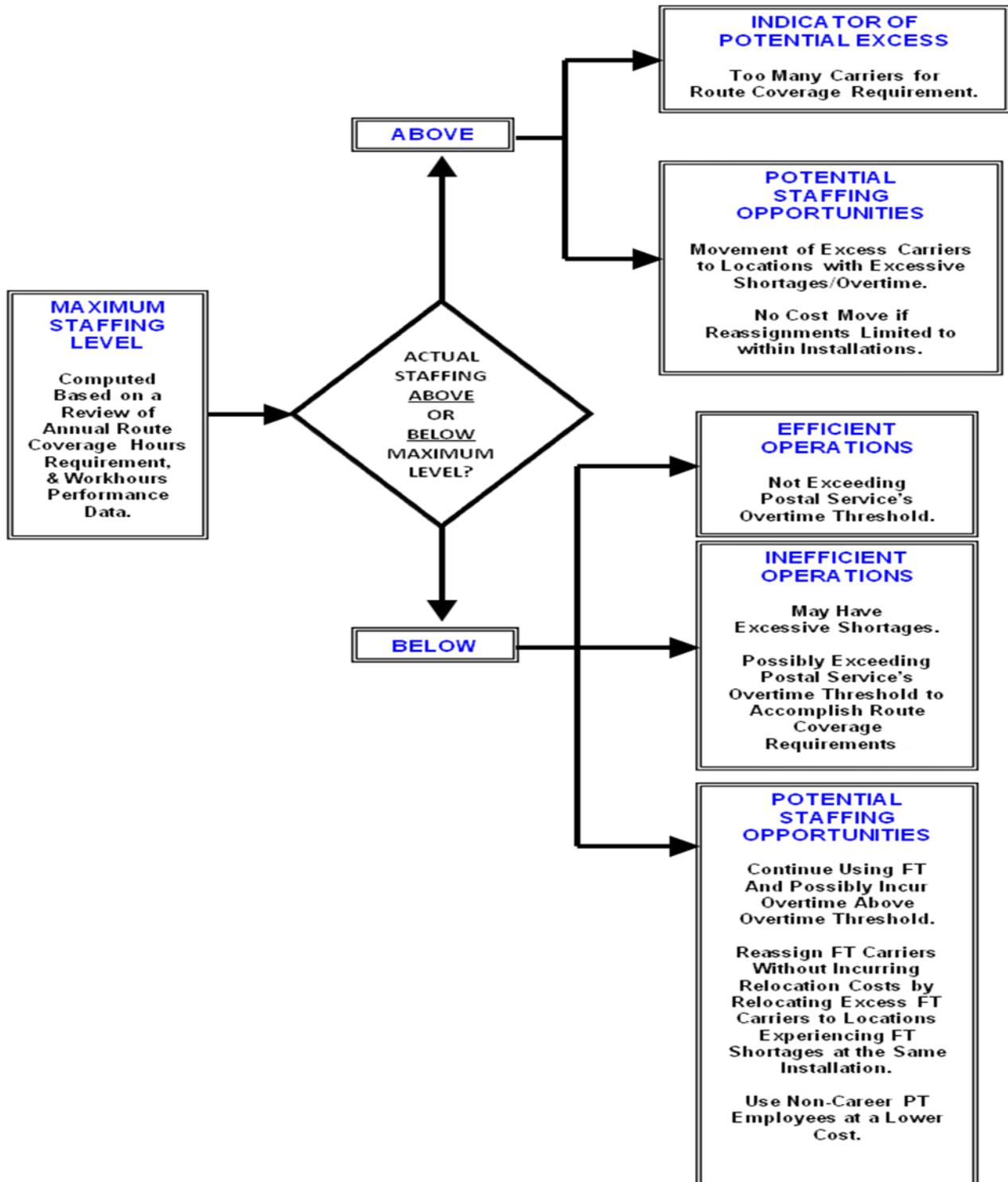
Source: OIG Analysis.

As shown in the above table, our analysis results indicated there were 129,534 FT carriers assigned to the 2,064 installations. These installations had excesses and shortages compared to their actual FT staffing levels based on our computed maximum. Specifically, the table gives area and district summary levels to show that the installations had:

- FT Carrier Excesses – Actual FT staffing levels that exceeded our computed maximum levels by 3,863 carriers.
- FT Carrier Shortages – Actual FT staffing levels that were below our computed maximum levels by 8,444 carriers.
- FT Overtime Workhours Above Budget – FT carriers generated over 239.2 million workhours during FY 2011, including 27.3 million overtime hours. The 27.3 million workhours exceeded the Postal Service’s budgeted overtime workhours by about 10.4 million.

Our use of a maximum level represents a FT staffing ceiling and does not imply that management needs to hire employees but, instead, manage at an established level.

Appendix C: Office of Inspector General Developed Maximum Staffing Level Model



Appendix D: Monetary Impact

We estimated the monetary impact by not managing staffing levels based on route coverage using all resources. We determined the Postal Service could reduce city delivery labor costs by approximately \$116.8 million annually in funds put to better use, or \$233.7 million, over a 2-year period.

Recommendation	Impact Category	Amount
1	Funds Put to Better Use ¹⁸	\$38,659,261
2	Funds Put to Better Use	195,051,287
Total		\$233,710,548

Maximum FT Staffing Levels

To determine maximum FT staffing levels for installations:

- We divided the 48 hours of required weekly coverage for a regular route¹⁹ by the 40 guaranteed weekly hours for a FT carrier.²⁰ This resulted in a 1.20 FT staffing ratio per route (48 divided by 40 equals 1.20).
- We allowed a 5 percent workload increase for all carriers and compared our computed FT maximum levels to FY 2011 actual staffing levels to identify FT excesses and shortages. Nationwide, we computed a maximum FT city delivery carrier staffing level for each of the 2,064 installations reviewed. A comparative analysis of our computed maximum to their actual staffing level indicated that some installations exceeded our computed maximum levels by 3,863 FT carriers and some installations had shortages totaling 8,444 FT carriers. This resulted in a nationwide net shortage of 4,581 FT carriers.
- We considered it a “within postal installation” reassignment opportunity if an installation had assigned delivery units with FT excess, as well as assigned delivery units with FT shortages. The FT reassignments resulted in savings if (1) the gaining delivery unit experienced excessive overtime²¹ because of their FT shortages and had zero unproductive workhours during the fiscal year and (2) if the losing unit was using more workhours than allowed (based on required route coverage hours) and had excess FT carriers. We identified reassignment opportunities for 334 FT carriers at postal installations.

¹⁸ Funds they could use more efficiently by implementing recommended actions.

¹⁹ Eight hours per day multiplied by 6 delivery days per week equals 48 required route coverage hours per week.

²⁰ Per Handbook EL-901, Article 8, Paragraph 1, the workweek for a FT regular is 40 hours per week.

²¹ FT overtime workhours that exceeded the Postal Service's FY 2011 overtime ceiling of 6.2 percent.

Funds Put to Better Use

- We calculated funds put to better use for FT reassignment opportunities by applying our computed unrecoverable costs for FY 2011 to two future fiscal years using a labor rate escalation factor of 1.8 percent.
- We calculated attrition-related funds put to better use for 3,529 FT carriers over 2 years by using the FY 2011 salaries and benefits labor rate, with an escalation factor of 1.8 percent. To determine attrition reductions, we used a cash flow analysis based on complement and attrition data for FYs 2009, 2010, and 2011. We used it to estimate how many FT city delivery carriers will leave in future years.
- We offset our computed FT attrition savings by the value of PT hours needed to replace productive workhours removed via attrition of FT workhours.
- We used the discount rate of 2.6 percent based on the Postal Service's Decision Analysis Report factors (cost of borrowing rate).

Appendix E: Management's Comments

DEAN J. GRANHOLM
VICE PRESIDENT
DELIVERY AND POST OFFICE OPERATIONS



August 17, 2012

LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Audit Report – City Delivery Staffing
(Report Number DR-AR-12-DRAFT)

This responds to the recommendations contained in the subject audit that attempts to identify operational efficiency and future cost savings with city delivery carrier staffing. The U.S. Postal Service (USPS) agrees that city delivery is the largest cost center, and that our carriers are delivering fewer pieces of mail per delivery to a growing number of deliveries.

The OIG found that city delivery staffing was not at the maximum levels in city delivery installations. Even though we are operating at a 1.28 carrier to route ratio (including TE's) the OIG determined that of the 2,064 installations analyzed some delivery units operated above their maximum level of carriers as established by their staffing ceiling formula. They indicate that about 3,863 carriers are excess in some delivery units within these installations and other delivery units operated at about 8,444 carriers below their maximum level resulting in a nationwide net shortage of 4,581 FT carriers.

The OIG recommends the USPS simply move these alleged excess carriers to those units under the maximum level. In reality, in most every delivery unit there are hours utilized, and in fact whole eight hour assignments that are created to account for necessary mail box collections (LDC 27), parcel post and relay delivery (LDC 23), Express Mail delivery and inter station runs (LDC 22 or 23), as well as Router time (LDC 29), Tertiary distribution (LDC 28) and Case Label or AMS work (LDC 26). These necessary delivery unit workhours as extracted from EDW in August fiscal year 2012 accounted for the equivalent of 5,210 routes worth of time that the OIG considered excess carriers because these hours were not associated with an AMS street route.

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- 2 -

Misc Routes & Assignments	Daily Base Hours	Equivalent Full Time Routes
Collection	22,189	2,774
Relay	2,563	320
Combo	11,140	1,393
Parcel	5,788	723
Total	41,680	5,210

We appreciate the OIG attempting to account for these hours by allocating a five percent factor in this formula for such duties; however, there is no rationale behind using five percent, and it is a macro number that is not applicable at the delivery unit level where we believe the staffing needs are dictated by the uniqueness of that units workload demands. Other factors in the formula we contest are using a 6.2 percent overtime rate and the 2416 hours per route per year. While it would be ideal to successfully manage delivery operations at an overtime rate of 6.2 percent, year-end reports from eFlash show that overtime has steadily increased since 2009 from 8.87 percent to the current rate of 12.85 percent due mainly to not hiring in anticipation of continual workload reductions and the possibility of moving from six to five day delivery.

The OIG report suggested reassigning 344 full-time carriers within assigned installations to balance the number of carriers per route and reduce 458,362 overtime hours (about 4 percent). We have continually reevaluated our staffing based on workload requirements and as a result have eliminated over 16,000 street routes since 2009. We constantly reassign carriers and are guided by our negotiated agreement with the National Association of Letter Carriers (NALC) that includes bid management and Principles of Seniority, Posting and Reassignments. There is the Bid Assignment management report for all vacant positions. When a position is posted however, there is a 28 day gap during this time frame and the installation could have a staffing shortage or overage. The OIG audit does not take into consideration our contractual obligations regarding the Bid Process as well as the manner in which we do excess employees through Articles 12 and 41, in addition to any agreements made locally as part of Article 30. While we do have the ability and experience to reduce routes and move employees from one installation to the other, there are rules that need to be abided by and it can be a lengthy process that could have been in an interim state when the OIG data was gathered. Snapshot data does not always reveal the intricacies of ongoing processes and operations.

Following is the response to your recommendations to the Vice President, Delivery and Post Office Operations:

- 3 -

Recommendation 1:**We recommend the vice president, Delivery and Post Office Operations:****Balance the number of full-time carriers per route and manage labor cost within established fiscal year budgets.****Management Response/Action Plan:**

Agree in principle. At 1.28 carrier to route ratio nationally we feel we already do manage full-time carriers per route. While it is certainly USPS's goal to standardize structures to the greatest extent possible, it is not always prudent and local knowledge (area/ district level) in this case would be best to determine appropriate carrier to route ratios. A standard ratio could prove to be too high in some installations or too low in others. Fluctuations in work content for routes can vary greatly due to seasonality and route types regionally.

The Headquarters Delivery Operations group has worked with the field managers to quickly respond to a changing business environment. Since 2008, the number of city carriers has declined by 28,724 and decreased workhours by 14.1 percent for this time frame. We will continue to work with field managers in the future to sustain and improve an already efficient delivery operation.

Target Implementation Date:

None, at this time the Labor Relations group is in contract negotiation and upcoming arbitration.

Responsible Official:

Philip F. Knoll, Jr. Manager, Delivery Programs Support

Recommendation 2:**Continue pursuing the ability to increase the number of part-time, non-career flexible employees at installations nationwide in the city letter carrier craft to reduce labor costs.****Management Response/Action Plan:**

Agree. Each area already has in place a Human Resource Management Board working closely with each district; which has a Complement Committee to review all requests to hire for each installation. Webcoins data shows that nationally only 41 career city carriers have been hired since 2009.

- 4 -

All other city carriers hired were part-time, non-career flexible employees who work at a much lower labor cost. Additionally, there are contractual caps to the number of non-career city carriers that we can employ, and we are at that cap.

This recommendation is of course our desire and we commit to continue striving for achievement of more flexibility working with our unions through our Labor Relations group in contract negotiations and upcoming interest arbitration.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.

Target Implementation Date:

None, at this time the Labor Relations group is in contract negotiation and upcoming interest arbitration.

Responsible Official:

Philip F. Knoll, Jr., Manager, Delivery Programs support



Dean J. Granholm

cc: ~~Vice~~ President, Area Operations
Mr. Tulino
Ms. Schaefer
Mr. Knoll
Corporate Audit and Response Management