



September 8, 2006

MEGAN J. BRENNAN
VICE PRESIDENT, NORTHEAST AREA

SUBJECT: Management Advisory – Delivery and Retail Standard Operating Procedures – Northeast Area (Report Number DR-MA-06-004)

This report presents the results of our review of the implementation of Delivery and Retail Standard Operating Procedures (SOP) in the Northeast Area (Project Number 06XG016DR007). Our overall objective was to assess implementation of Delivery and Retail SOP in the Northeast Area. This is one in a series of reports on Delivery and Retail Operations issued under the Value Proposition Agreement between the Vice President, Delivery and Retail, and the U.S. Postal Service Office of Inspector General Delivery and Retail directorate. The information in this report will be included in a nationwide capping report assessing implementation of Delivery and Retail SOP.

Northeast Area officials implemented the Delivery and Retail SOP for city and rural delivery and Function 4 (customer service) operations. Implementation included training supervisors and managers, developing action steps for “vital few” units, and outlining future plans to complete remaining reviews and certifications by the end of fiscal year 2006. Officials also certified delivery and retail units under Morning SOP and Rural Delivery SOP and conducted Function 4 reviews. Based on our review of the city and rural delivery and Function 4 SOP, the Northeast Area implemented each component of the SOP.

Area officials were continuing to address the challenges associated with the “vital few” performers. Officials expressed concern with the accuracy of the base volume calculation in the Delivery Operations Information System. We recognize area officials’ concerns and we plan to address this issue in the capping report to Postal Service Headquarters.

We are making no recommendations in this report to Northeast Area management.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Rita F. Oliver, Director, Delivery and Retail, or me at (703) 248-2300.

E-Signed by Colleen McAntee 
VERIFY authenticity with Approve!
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INTRODUCTION

Background

Each day the U.S. Postal Service receives and delivers over 700 million pieces of mail. The Postal Service delivers mail to 144 million city and rural addresses across a network of 37,000 post offices and retail outlets. To receive and deliver the mail, the Postal Service has an annual field budget of approximately \$60 billion of which roughly 51 percent is used for delivery and retail operations. Annual salary and benefits in fiscal year (FY) 2006 for rural and city carriers total about \$22 billion and approximately \$8 billion for Function 4 (customer service) operations. The Northeast Area's FY 2006 budget is \$1.4 billion for city delivery operations, \$382 million for rural delivery operations, and \$703 million for Function 4 operations. The area is responsible for eight districts and services approximately 3,000 delivery and retail units.¹

To ensure the efficient use of resources, the Vice President, Delivery and Retail, issued a letter on September 30, 2005, stating that all delivery and retail units will officially implement the Standard Operating Procedures (SOP) beginning in FY 2006 to establish standard practices for managing all delivery and retail functions. In November 2005, Postal Service senior management officials requested² audit assistance from the U.S. Postal Service Office of Inspector General (OIG) to assess implementation of the SOP and determine how the area is monitoring the units on the "vital few" list. In response to the request, the OIG began its nationwide review of the Postal Service's implementation of SOP in January 2006.

The SOP consists of procedures to manage city and rural delivery and Function 4 operations. Postal Service officials must implement the SOP consistently and establish a review process to validate that the programs are operable. Officials

¹ Some of these units do not have all three components: city delivery, rural delivery, and retail operations. Therefore, they do not have budgeted workhours for all three operations.

² As a result of the FY 2006 Risk Assessment and Prioritization process, the field identified Delivery Operations – Volume Integrity and Performance Controls – as one of the high priority risk areas. The Deputy Postmaster General and Chief Operating Officer recommended that the areas have the field Internal Control Group personnel review mail volume measurement and recording processes. A national review was conducted. Volume recording is a required procedure in city delivery operations. The OIG also reviewed this area during its review of the SOP.

must also take appropriate responsibility for developing plans that will assure that the SOP are understood and functional.

Morning SOP (AMSOP) is an important component of city delivery SOP. AMSOP standardizes daily city carrier functions to align actual workhours to base workhours. The FY 2006 goal is to certify³ all level 22⁴ and above Delivery Operations Information System (DOIS) sites by September 30, 2006.

The Rural Delivery SOP (RDSOP) standardizes daily rural carrier functions to align actual workhours to standard workhours. The FY 2006 goal is to certify⁵ 75 percent of units with 10 or more rural routes and those units identified as “vital few.”

The Function 4 operations goal is to provide a standardized and comprehensive structure for the development of an integrated review cycle that continually identifies and quantifies savings opportunities. In addition, management should conduct Function 4 Business Reviews⁶ to identify units with the largest opportunity for workhour improvements.

A key component of the SOP is the identification of “vital few” units. These units have the largest opportunity for improvement in city and rural delivery and Function 4 operations and require specific management actions. Postal Service Headquarters provides area officials with the “vital few” list quarterly based on the performance of the previous quarter. The area monitors the “vital few” units and develops action plans to correct their performance issues in city and rural delivery and Function 4 operations.

³ District program managers conduct a certification audit of a city delivery unit’s operations to determine if supervisors are matching workhours to workload, time attendance reports, office configuration, and use of authorized overtime. Units must achieve a score of 95 or greater for certification.

⁴ A level 22 post office is a grade level assigned to the postmaster of a post office according to the total number of workload service credits attributed to the facility. The credits are based on a combination of the responsibilities of the postmaster, the amount of employees, the size of the facility, and various operations performed within each post office.

⁵ District program managers conduct a formalized rural management review focusing on improving efficiency in an evaluated workload environment to achieve a closer alignment of actual to standard hours, reduced overtime, and reduction in auxiliary assistance hours. Units must achieve a score of 85 or greater for certification.

⁶ The on-site review focuses on improving efficiency in an evaluated workload environment, which will result in closer alignment of actual hours to budgeted hours. Function 4 SOP teams complete the on-site reviews and an Integrated Operations Business Plan Committee provides critical support to ensure attainment of major organizational targets.

Postal Service Headquarters provided delivery and retail standardization training to Area Managers of Delivery Support Programs on September 8 and 9, 2005. In addition, Postal Service Headquarters issued a memorandum on October 13, 2005, to each area outlining the area's responsibility for training managers on the SOP. Each area was responsible for training districts by October 31, 2005. The districts were responsible for completing training for all levels of management by November 15, 2005. Further, Postal Service Headquarters requested that each area establish a review process to validate whether the SOP were adopted to ensure consistent implementation. Finally, Postal Service Headquarters informed area officials that the "vital few" list requires their attention and monitoring, which includes action plans to correct performance issues in city and rural delivery and Function 4 operations.

Objective, Scope and Methodology

Our overall objective was to assess implementation of Delivery and Retail SOP in the Northeast Area. Specifically, we determined whether Northeast Area officials have implemented SOP in city and rural delivery and Function 4 operations. The scope of this review focused on whether area officials implemented the SOP at the area level and excluded review at selected district and delivery and retail units within the area. We did not determine the effectiveness of the implemented SOP at this time, but plan to perform future reviews and identify opportunities to increase revenue, reduce costs, and improve customer service.

We visited Postal Service Headquarters and the Northeast Area to interview management officials and obtain performance data. We selected the Northeast Area⁷ to review based on discussions with Postal Service Headquarters Delivery and Retail officials and review of FY 2006 delivery and retail performance data for week 10.⁸ We reviewed and analyzed performance data obtained from Postal Service systems from October 2005 through May 2006 and discussed the results with Postal Service officials.⁹ We relied on data from these systems to conduct

⁷ We performed an area level review in the Eastern, Pacific, Western, Northeast, and New York Metro Areas. We performed work at the area and selected districts and delivery and retail units in the Capital Metro, Great Lakes, Southeast, and Southwest Areas.

⁸ Week 10 performance data was only for that specific week. The weekly performance data roll-up processes began in week 14, with year-to-date information available beginning with week 19.

⁹ During our review timeframe, we analyzed performance data roll-up information for week 19 year-to-date and week 34 year-to-date.

interviews and analysis. However, we did not directly audit the systems, but discussed with Postal Service officials the relevance of the data to delivery and retail performance during our fieldwork.

We conducted this review from January through September 2006, in accordance with the President's Council on Integrity Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with appropriate management officials and included their comments where appropriate.

Prior Audit Coverage

The OIG has issued 12 audit reports related to delivery and retail operations. While none of these reports are directly related to our objective, they do identify opportunities to improve management of delivery and retail operations. The details of the reports are included in Appendix A of this report.

RESULTS

Implementation of Standard Operating Procedures

Northeast Area officials implemented the SOP in city and rural delivery and Function 4 operations which included:

- Training supervisors and managers responsible for city and rural delivery and Function 4 operations SOP to allow further implementation by the district and unit levels.
- Developing action steps for units identified as “vital few.”
- Outlining future plans to complete reviews on the remaining AMSOP, RDSOP and Function 4 Business Review locations by September 30, 2006.

Northeast Area officials had certified 26 percent (47 of 180) of their level 22 and above DOIS sites under AMSOP. During FY 2006, week 34 year-to-date, the city delivery office hours (percent to standard) exceeded standard workhours by 100.54 percent. This was an increase in hours from week 19 year-to-date, when the office hours exceeded the standard hours by 96.56 percent. During this same period, the deliveries per hour percentage exceeded the same period last year percentage by 1.83 percent. This was an increase from week 19 year-to-date, when the deliveries per hour percentage exceeded the same period last year percentage by 1.22 percent.¹⁰

Further, area officials had certified 34 percent (50 of 147) of their rural units. During FY 2006, week 34 year-to-date, rural delivery total actual workhours exceeded standard workhours by 4.26 percent. This was a decrease from week 19 year-to-date, when the actual hours exceeded the standard hours by 4.77 percent.

Finally, area officials had conducted Function 4 Business Reviews at 94 percent (171 of 182) of their planned locations.¹¹ During FY 2006, week 34 year-to-date, Function 4 total earned hour variance was 783,391 workhours. This was an increase from week 19 year-to-date when the earned hour variance was 362,610 workhours. During the same period, the window staffing efficiency for

¹⁰ We are planning a future review on city carrier street performance.

¹¹ This data is current as of May 2006.

week 34 was 81.7 percent. This was a decrease from week 19 year-to-date when the window staffing efficiency was 84.8 percent.

Based on our review of the city and rural delivery and Function 4 operations SOP, the Northeast Area implemented each component of the SOP. (See Appendix B.)

Area officials were continuing to address the challenges associated with the “vital few” performers. Officials expressed concern with the accuracy of the base volume calculation in the DOIS. We recognize area officials’ concern and plan to address this issue in the capping report to Postal Service Headquarters officials.

“Vital Few” Lists

Northeast Area officials were continuing to address the challenges associated with their “vital few” performers. Area officials indicated that many offices are not meeting AMSOP targets because the districts and delivery and retail units had not established or updated integrated operating plans (IOP). However, the area officials indicated that Boston District officials had been successful in establishing and updating their IOP to meet the changing needs of processing and delivery operations. To improve performance in the other districts, Northeast Area officials indicated they plan to use the Boston District as a benchmark for the other districts.

Northeast Area officials also indicated that the accuracy of the base volume calculation in the DOIS was a challenge. Specifically, officials noted that since some information in DOIS is incorrect, many of the units were not able to complete the 8-point question on the AMSOP Certification which asks “Is the Delivery Operations Information System Route Base Information accurate?” To correct this problem, area officials were conducting counts and inspections and recording the results on Postal Service Form 1840, Carrier Delivery Route Summary of Count and Inspection, to capture a more accurate profile of the mail.

Area officials were conducting weekly teleconferences with district officials on the city and rural delivery and Function 4 operations to discuss areas that need improvement. In addition, area officials and the vice president were conducting bimonthly visits to low performing units to observe firsthand the issues experienced in the field. Finally, area officials were tracking district performance

information monthly using a delivery standardization implementation assessment worksheet.

APPENDIX A PRIOR AUDIT COVERAGE

City Letter Carrier Operations – Greater Indiana District (Report Number DR-AR-06-003, dated March 28, 2006). The report outlined opportunities to improve the management of city letter carrier operations in the Greater Indiana District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 68,177 unjustified hours over the 5-month period from January 1 through May 31, 2005, that were not supported by volume or workload (total unrecoverable costs of \$765,487). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use Managed Service Points (MSP) to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

AM Standard Operating Procedures - Fiscal Year 2005 Financial Installation Audit (Report Number FF-AR-06-096, dated March 20, 2006). The report outlined that at 28 of the 36 post offices, stations, and branches where AMSOP are applicable, management had begun implementation. Of those, 11 had obtained certification and 17 were at various stages of certification. At the time of our work, eight units had not begun implementation. Several factors contributed to units not being certified. These factors included issues with the mail arrival agreement with the processing and distribution plant, posting and following the AMSOP, and Function 4 activities. We made no recommendations in this report to management.

City Letter Carrier Operations – Detroit District (Report Number DR-AR-06-002, dated February 8, 2006). The report outlined opportunities to improve the management of city letter carrier operations in the Detroit District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 59,208 unjustified hours over the 5-month period from January 1 through May 31, 2005, that were not supported by volume or workload (total unrecoverable costs of \$723,586). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use MSP to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

Address Management Systems – Southwest Area – Rio Grande District (Report Number DR-AR-06-001, dated January 25, 2006). The report outlined opportunities to improve the quality of Address Management System (AMS) data and put \$988,945 of processing and delivery costs over the next 10 years to better use. Management agreed with our findings and recommendations and the \$988,945 in funds put to better use.

City Letter Carrier Operations – Chicago District (Report Number DR-AR-05-019, dated September 29, 2005). The report outlined opportunities to improve the management of city letter carrier operations in the Chicago District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 78,248 unjustified hours over the 5-month period from September 1, 2004, through January 31, 2005, that were not supported by volume or workload (total unrecoverable costs of \$2,020,200). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use MSP to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

City Letter Carrier Operations – Santa Ana District (Report Number DR-AR-05-013, dated August 8, 2005). The report outlined opportunities to improve the management of city letter carrier operations in the Santa Ana District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 83,864 unjustified hours over the 5-month period from May 1 through September 30, 2004, that were not supported by volume or workload (total unrecoverable costs of \$2,127,852). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use MSP to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

City Letter Carrier Operations – San Diego District (Report Number DR-AR-05-014, dated August 8, 2005). The report outlined opportunities to improve the management of city letter carrier operations in the San Diego District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected the sample results for a total of 53,835 unjustified hours over the 5-month period from May 1 through September 30, 2004, that were not supported by volume or workload (total unrecoverable costs of \$1,423,935). We also noted that supervisors and managers did not always view DOIS reports in a timely manner to manage operations, consistently use MSP to monitor city letter carriers' street time to correct negative trends, or properly document letter carriers' unauthorized overtime occurrences and take corrective action.

City Letter Carrier Operations – Rio Grande District (Report Number DR-AR-05-009, dated December 2, 2004). The report outlined opportunities to improve management of city letter carrier operations in the Rio Grande District. Delivery facility supervisors and managers did not adequately match workhours with workload. We projected that the three delivery facilities had 5,318 unjustified hours (at an estimated cost of \$193,947) not supported by volume or workload over a 5-month period. We reported 2,543 of the unjustified hours – or \$92,762 – as unrecoverable costs. We also noted that supervisors and managers did not effectively use DOIS to manage daily operations, and delivery unit supervisors

and managers did not consistently perform street management or effectively use MSP to monitor city letter carriers' street time to correct negative trends.

Function 4 – Customer Service Operations (Report Number DR-AR-04-014, dated September 30, 2004). The Postal Service can improve the effectiveness and efficiency of the Function 4 process in meeting or exceeding its program goals of monitoring and measuring the potential savings of customer service operations. Specifically, Postal Service managers could improve customer service operations by fully utilizing the standardized Function 4 reviews and sharing proven practices.

City Letter Carrier Office Preparation in the Dallas District (Report Number DR-AR-04-005, dated July 26, 2004). The report stated that opportunities exist to improve Dallas District city letter carrier office preparation operations. Specifically, impediments existed that adversely impacted delivery supervisors and managers' ability to adequately match workhours with workload. In addition, city letter carriers' work activities were not always appropriate to ensure they departed the delivery unit as scheduled. Further, supervisors and managers did not use the DOIS to assist in managing office activities.

City Letter Carrier Street Management and Route Inspections in the Fort Worth District (Report Number DR-AR-04-001, dated June 22, 2004). The report stated that street management and route inspections were generally efficient and effective at the [REDACTED] and [REDACTED] Stations. Delivery unit supervisors monitored city delivery carrier's street time to conserve workhours by performing at least the minimum number of required street observations. However, while a route inspection was conducted at the [REDACTED] Station delivery unit, post route adjustment procedures were not followed to maintain routes at 8 hours.

City Carrier Productivity - Letter Carrier Delays in the Baltimore District (Report Number TD-AR-03-011, dated July 28, 2003). The report stated that early reporting wasted carriers' morning time and exposed the Baltimore District to potential unnecessary evening overtime costs. The report noted supervisors and managers were not using DOIS to manage carrier schedules and, consequently, could not use the system to evaluate carrier scheduling or take corrective action.

APPENDIX B NORTHEAST AREA IMPLEMENTATION OF DELIVERY AND RETAIL STANDARD OPERATING PROCEDURES

SOP Areas	Northeast Area Officials Implemented Procedures	Dates SOP Implemented	SOP Areas for Improvement ¹²
City Delivery			
AMSOP Integrated Operations Delivery Point Sequencing Collection Point Management Scanning Performance Matching Workhours to Workload Volume Recording Route Evaluations and Adjustments “Vital Few” Service Improvements	Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes	October 2005 October 2005	No No No No No No No No No No
Rural Delivery			
RDSOP Growth and Delivery Point Mgmt	Yes Yes	October 2005 October 2005	No No
Function 4			
Function 4 Business Review RDM WOS	Yes Yes	October 2005 October 2005	No No

Source: Information provided by Postal Service Northeast Area officials

¹² OIG determination based on review results.