



September 29, 2006

JO ANN FEINDT  
VICE PRESIDENT, GREAT LAKES AREA

SUBJECT: Management Advisory – Delivery and Retail Standard Operating Procedures – Great Lakes Area (Report Number DR-MA-06-008)

This report presents the results of our review of the implementation of Delivery and Retail Standard Operating Procedures (SOP) in the Great Lakes Area (Project Number 06XG016DR001). Our overall objective was to assess implementation of Delivery and Retail SOP in the Great Lakes 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 (OIG) Delivery and Retail directorate. The information in this report will be included in a nationwide capping report assessing implementation of Delivery and Retail SOP.

Great Lakes Area, selected districts and delivery and retail unit 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 (FY) 2006. Officials also certified delivery and retail units under Morning Standard Operating Procedures (AMSOP) and Rural Delivery Standard Operating Procedures (RDSOP) and conducted Function 4 reviews. Based on our review of the city and rural delivery and Function 4 SOP, the Great Lakes Area implemented each component except for selected aspects of AMSOP, Integrated Operating Plan (IOP), Delivery Point Sequencing (DPS), matching workhours to workload, and RDSOP. During our review, officials implemented corrective actions to improve the DPS component and certify units with 10 or more rural routes under RDSOP.

The AMSOP component needs improvement because area officials did not have a specific plan to help level 22 and above units achieve AMSOP certification. District officials did not always resolve and close IOP discrepancies timely. In addition, unit officials did not document unauthorized overtime and carriers' performance feedback. Further, unit officials did not prepare rural delivery workload analysis because they were not familiar with the RDSOP. As a result, workhour efficiency in an evaluated workload environment and alignment of actual to standard hours could be adversely impacted.

In addition, area officials were continuing to address the challenges associated with the “vital few” performers. Area officials were monitoring and tracking the performance of

the districts and delivery and retail units. The Area Vice President discussed performance scores in service and costs with each district manager on a quarterly basis.

We recommended the Vice President, Great Lakes Area, direct the Area Manager, Delivery Programs Support, to develop a specific plan to help the level 22 and above delivery units achieve AMSOP certification. We also recommended the Vice President, Great Lakes Area, direct the Central Illinois and Greater Indiana District Managers to resolve and close IOP discrepancies; and to require unit supervisors to document unauthorized overtime and take appropriate corrective actions, document carrier performance feedback, and prepare the rural delivery workload analysis required by the SOP.

Management agreed with our findings and recommendations and has taken or planned corrective actions to address issues identified in this report. Management's comments and our evaluation of these comments are included in the report.

The U.S. Postal Service Office of Inspector General (OIG) considers all recommendations significant, and therefore requires OIG concurrence before closure. The OIG has reviewed management's responses to these recommendations and agrees that recommendations 1 and 5 should be closed in the follow-up tracking system with the issuance of this report. Consequently, the OIG requests written confirmation when corrective actions are completed for recommendations 2, 3, and 4. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendations can be closed.

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) 248-2100.

E-Signed by Colleen McAntee   
VERIFY authenticity with ApproveIt  


Colleen A. McAntee  
Deputy Assistant Inspector General  
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Attachments

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## EXECUTIVE SUMMARY

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### Introduction

This report presents the results of our review of the implementation of Delivery and Retail Standard Operating Procedures (SOP) in the Great Lakes Area (Project Number 06XG016DR001). Our overall objective was to assess implementation of Delivery and Retail SOP in this area.

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### Results in Brief

Great Lakes Area, selected districts and delivery and retail unit 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 (FY) 2006. Officials also certified delivery and retail units under Morning Standard Operating Procedures (AMSOP) and Rural Delivery Standard Operating Procedures (RDSOP) and conducted Function 4 reviews. Based on our review of the city and rural delivery and Function 4 SOP, the Great Lakes Area implemented each component except for selected aspects of AMSOP, Integrated Operating Plan (IOP), Delivery Point Sequencing (DPS), matching workhours to workload, and RDSOP. During our review, officials implemented corrective actions to improve the DPS component and certify units with 10 or more rural routes under RDSOP.

The AMSOP component needs improvement because area officials did not have a specific plan to help level 22 and above units achieve AMSOP certification. District officials did not always resolve and close IOP discrepancies timely. In addition, unit officials did not document unauthorized overtime and carriers' performance feedback. Further, unit officials did not prepare rural delivery workload analysis and were not familiar with the RDSOP. As a result, workhour efficiency in an evaluated workload environment and alignment of actual to standard hours could be adversely impacted.

In addition, area officials were continuing to address the challenges associated with the “vital few” performers. Area officials were monitoring and tracking the performance of the districts and delivery and retail units. The Area Vice

President discussed performance scores in service and costs with each district manager on a quarterly basis.

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**Summary of  
Recommendations**

We recommended the Vice President, Great Lakes Area, direct the Area Manager, Delivery Programs Support, to develop a specific plan to help the level 22 and above delivery units achieve AMSOP certification. We also recommended the Vice President, Great Lakes Area, direct Central Illinois and Greater Indiana District Managers to resolve and close IOP discrepancies; and to require unit supervisors to document unauthorized overtime and take appropriate corrective actions, document carrier performance feedback, and prepare the rural delivery workload analysis required by the SOP.

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**Summary of  
Management's  
Comments**

Management agreed with our findings and recommendations. Management developed a more restrictive timeline plan for each of their districts along with definitive program completion dates for units to achieve AMSOP certification status. Regarding IOP discrepancies, management plans to work with the districts in identifying problematic resolution processes and coordinate, with local program designees, improved procedures and redefined accountabilities required to meet service standards and reduce costs by no later than October 31, 2006.

Management also plans to disseminate an area directive to all district offices by no later than October 31, 2006, relative to compliance expectations regarding utilization of the Postal Service Form 1017-B, *Unauthorized Overtime Record*, and carrier feedback documentation. Further, management has taken the necessary actions to ensure that the RDSOP workload analyses and logs are not only established and maintained at the Central Illinois and Greater Indiana Districts, but also throughout the remaining districts in the Great Lakes Area. Management's comments, in their entirety, are included in Appendix C.

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**Overall Evaluation of  
Management's  
Comments**

Management's comments are responsive to our findings and recommendations. Management's corrective actions, taken and planned, should address the issues identified in this report.

## INTRODUCTION

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### 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 about \$60 billion of which about 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 around \$8 billion for Function 4 (customer service) operations. The Great Lakes Area's FY 2006 budget is \$2.9 billion<sup>1</sup> for city and rural delivery operations and \$929.8 million for Function 4 (customer service) operations. The area is responsible for nine districts and services approximately 3,900 delivery and retail units.<sup>2</sup>

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 requested 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 units on the "vital few"<sup>3</sup> list. In response to the request, the OIG began its nationwide review of the Postal Service's implementation of the 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 must also take appropriate responsibility for developing plans that will assure that the SOP are understood and functional.

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<sup>1</sup> This total consists of \$2.18 billion for city delivery and \$722.2 million for rural delivery operations.

<sup>2</sup> 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.

<sup>3</sup> "Vital few" units have the largest opportunity for improvement in city and rural delivery and Function 4 operations, and require specific management actions.

Morning Standard Operating Procedures (AMSOP) are 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 certify<sup>4</sup> all level 22<sup>5</sup> and above Delivery Operations Information System (DOIS) sites by September 30, 2006.

For rural delivery, the SOP standardizes daily rural carrier functions to align actual workhours to standard workhours. The FY 2006 goal is to certify<sup>6</sup> 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 Reviews<sup>7</sup> 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.

Postal Service Headquarters provided delivery and retail standardization training to Area Managers of Delivery Support Programs on September 7 and 8, 2005. In

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<sup>4</sup> 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 percent or greater for certification.

<sup>5</sup> 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 number of employees, the size of the facility, and various operations performed within each post office.

<sup>6</sup> District program managers conduct a formalized rural management review focusing on improving efficiency in an evaluated workload environment to more closely align actual to standard hours, reduce overtime, and reduce auxiliary assistance hours. Units must achieve a score of 85 percent or greater for certification.

<sup>7</sup> 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.

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.

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**Objective, Scope, and Methodology**

Our overall objective was to assess implementation of Delivery and Retail SOP in the Great Lakes Area. Specifically, we determined whether Great Lakes 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 at selected districts and delivery and retail units within the area. We did not determine the effectiveness of the implemented SOP, 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 Great Lakes Area to interview management officials and obtain performance data. We judgmentally selected the Central Illinois and Greater Indiana Districts, the Frankfort, Naperville, Park Fletcher and Wanamaker delivery and retail units 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.<sup>8</sup> We reviewed and analyzed performance data obtained from Postal Service systems from October 2005 through June 2006 and discussed the results with Postal Service officials.<sup>9</sup> We relied on data from these systems to conduct interviews and analysis. However, we did not directly audit the systems, but discussed with Postal Service officials the

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<sup>8</sup> 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 week 19.

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

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 and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with appropriate management officials and included their comments where appropriate.

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**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 issues. The details of the reports are included in Appendix A.

## RESULTS

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### Implementation of Standard Operating Procedures in the Great Lakes Area

The Great Lakes Area, selected districts and delivery and retail unit officials implemented the SOP in city and rural delivery and Function 4 operations which included:

- Completing SOP training between September and November 2005, for supervisors and managers responsible for city and rural delivery and Function 4 operations at the district and unit levels.<sup>10</sup>
- Developing action steps for units identified as “vital few.”
- Outlining future plans to complete remaining reviews and certifications on AMSOP, Rural Delivery Standard Operating Procedures (RDSOP) and Function 4 Business Review locations by September 30, 2006.

Great Lakes Area officials certified 17 percent (33 of 199) of their level 22 and above DOIS sites under AMSOP.<sup>11</sup> During FY 2006, week 34 year-to-date, the city delivery office hours (percent to standard) exceeded standard workhours by 106.88 percent. This was a decrease in hours from week 19 year-to-date, when the office hours exceeded the standard hours by 107.87 percent. During this same period, the delivery per hour percentage exceeded the same period last year percentage by 1.43 percent. This was an increase from week 19 year-to-date, when the delivery per hour percentage exceeded the same period last year by 0.82 percent.<sup>12</sup>

Further, area officials had certified 38 percent (53 of 140) of their rural units identified as “vital few” under RDSOP.<sup>13</sup> During FY 2006, week 34 year-to-date, rural delivery total actual workhours exceeded standard workhours by 5.04 percent. This was a decrease from week 19 year-to-date, when the actual hours exceeded the standard hours by 6.44 percent.

Finally, area officials had conducted Function 4 Business Reviews at 41 percent (95 of 233) of their planned

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<sup>10</sup> The area conducted a leadership meeting for its managers in city and rural delivery and Function 4 operations.

<sup>11</sup> Information as of April 2006.

<sup>12</sup> We are planning a future review on city carrier street performance.

<sup>13</sup> Information as of June 2006.

locations.<sup>14</sup> During FY 2006, week 34 year-to-date, Function 4 total earned hour variance was 1.32 million workhours. This was an increase from week 19 year-to-date, when the earned hour variance was 650,287 workhours. During the same period, the window staffing efficiency for week 34 was 76.6 percent. This was a decrease from week 19 year-to-date when the window staffing efficiency was 79.4 percent.

Based on our review of the city and rural delivery and Function 4 SOP, the Great Lakes Area implemented each component of the SOP except for selected aspects of AMSOP, Integrated Operating Plan (IOP), Delivery Point Sequencing (DPS), matching workhours to workload, and RDSOP. (See Appendix B.) During our review, officials implemented corrective actions to improve the DPS component and certify units with 10 or more rural routes under RDSOP.

The AMSOP component needs improvement because area officials did not have a specific plan to help level 22 and above units achieve AMSOP certification by the end of FY 2006. District officials did not always resolve and close IOP discrepancies timely. In addition, unit officials did not document unauthorized overtime and carriers' performance feedback.

Further, unit officials did not prepare rural delivery workload analysis and were not familiar with the RDSOP. As a result, the Postal Service's goal of improving units' efficiency in an evaluated workload environment and alignment of actual to standard hours could be adversely impacted.

In addition, area officials were continuing to address the challenges associated with the "vital few" performers. Area officials were monitoring and tracking the performance of the districts and delivery and retail units. The Area Vice President discussed performance scores in service and costs with each district manager on a quarterly basis.

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<sup>14</sup> Information as of June 2006.

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**Morning Standard  
Operating  
Procedures**

Although the Great Lakes Area implemented the SOP, area officials did not have a specific plan to help level 22 and above units achieve AMSOP certification by the end of FY 2006.

Area officials stated they have made AMSOP requirements part of their overall strategies for FY 2006. They discussed unit status at area operations meetings and continued to monitor progress. However, as of April 2006, only 33 (17 percent) of the 199 level 22 and above delivery units in the Great Lakes Area were AMSOP certified. Central Illinois and Greater Indiana District officials stated that due to turnover and the experience level of supervisors, many units did not meet performance indicators required for AMSOP certification.

The Postal Service implemented AMSOP nationally during FY 2005 for city delivery units. The national implementation standardized daily city carrier functions to align actual workhours to base workhours. The FY 2006 goal is that all level 22 and above DOIS sites become AMSOP certified by September 30, 2006. In order to have an effective AMSOP process, officials must work jointly to create and establish procedures for daily commitments toward each other's success.

The primary intent and purpose of AMSOP certification is to standardize daily carrier office functions and incorporate IOP into the management of carrier morning office procedures. Effective implementation will reduce workhour utilization, stabilize carrier depart and return times, and enhance service to customers.

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**Recommendation**

We recommend the Vice President, Great Lakes Area, direct the Area Manager, Delivery Programs Support, to:

1. Develop a specific plan that will help the level 22 and above units achieve Morning Standard Operating Procedures certification by the end of fiscal year 2006.

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**Management's  
Comments**

Management agreed with the finding and recommendation. Management developed a more restrictive timeline plan for each of their districts along with definitive program

completion dates for achieving the certification status, and is cognizant of the FY 2006 completion objective.

Management noted that a site specific plan has been formulated in conjunction with the area's route evaluation and adjustment strategies for FY 2007. Management stated that this blueprint for AMSOP certification sets achievement ratios of 49 percent, 58 percent, 91 percent, and 100 percent for Quarters 1, 2, 3, and 4, respectively, for the remaining noncertified level 22 and above offices.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to our finding and recommendation. Management's corrective actions, taken and planned, should address the issues identified in the finding.

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**Integrated Operating  
Plans**

District officials did not always resolve and close IOP discrepancies<sup>15</sup> timely. We identified 676 pending IOP discrepancies in the Central Illinois District as of May 2006. The discrepancies resulted primarily from processing machine errors, late dispatches, and DPS quality and volumes. Of the 676 open discrepancy reports, 357 were awaiting assignment and 319 were awaiting either closeout or submission for closeout. Central Illinois District officials said they did not resolve the discrepancies timely due to inadequate communication and follow through with processing center officials.

In addition, we identified 22 pending IOP discrepancies in the Greater Indiana District as of January 2006. The discrepancies resulted primarily from processing machine errors, human errors, and issues with transporting the mail. We also noted district officials dismissed or closed 262 discrepancies without resolution due to the amount of time that had lapsed since the units reported them. District officials also did not follow through with the resolution of discrepancies or document the reasons for dismissing or closing of discrepancies.

Management uses the IOP to improve mail flow between processing plants and delivery units. These plans develop accountability by:

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<sup>15</sup> IOP discrepancies occur due to automation or human errors that impact the agreed upon mail arrival times outlined in the plan.

- Establishing a schedule of dispatches from the plant to each delivery unit and the types of mail (by shape and level of sortation) the plant will send on each dispatch.
- Tracking the arrival of dispatches at the delivery unit and the types of mail (by shape and level of sortation) on each dispatch.
- Providing performance cluster managers with a cross-functional, end-to-end overview of their operations that will facilitate better operating results.

The IOP will improve mail-processing performance among plants and delivery units. When management does not timely resolve IOP discrepancies, delivery service and operational costs are negatively impacted.

<b>Recommendation</b>	<p>We recommend the Vice President, Great Lakes Area, direct the District Managers, Central Illinois and Greater Indiana, to:</p> <ol style="list-style-type: none"> <li>2. Resolve and close Integrated Operating Plan discrepancies timely as required by Standard Operating Procedures.</li> </ol>
<b>Management's Comments</b>	<p>Management agreed with the finding and recommendation. Management plans to work with the districts in identifying problematic resolution processes and coordinate, with local program designees, improved procedures and redefined accountabilities required to meet service standards and reduce costs by no later than October 31, 2006.</p>
<b>Evaluation of Management's Comments</b>	<p>Management's comments are responsive to our finding and recommendation. Management's corrective actions, taken and planned, should address the issues identified in the finding.</p>
<b>Delivery Point Sequencing</b>	<p>The Great Lakes Area did not achieve the national average for DPS mail. Their DPS mail percentage was about 76 percent (or approximately 1 percent below the national average).<sup>16</sup></p>

<sup>16</sup> We are planning a future audit that will incorporate DPS percentages to identify opportunities to increase revenue, reduce costs, and improve customer service.

DPS is the process of getting barcoded mail into the carrier's walk sequence so the carrier can deliver it without manual sorting before going to the street. The goal of DPS is to improve efficiency and reduce costs. Increasing DPS letters percentage equates to decreasing cased letter volume and, therefore, time spent by the carriers in the office. As shown in Table 1, nationally, the average DPS percentage for FY 2005 was approximately 77 percent, with some areas achieving DPS percentages in the 80s.

Area officials stated their low DPS percentage was due to missing address information and inaccurate volume recording. In an effort to improve DPS percentages, personnel from the area office and three of its performance clusters attended DPS training in Boston, Massachusetts, on June 28 and 29, 2005. Two of the three clusters were among the "vital few" clusters for DPS percentage in the area. According to area officials, DPS percentages have been improving since the training. Area officials subsequently visited one of its "vital few" clusters to address areas of improvement.

**Table 1. Average Delivery Point Sequencing Percentages for FY 2005**

Area	Actual DPS% (FY 2005)
Western	82
Northeast	82
Southwest	80
Southeast	79
Pacific	76
<b>Great Lakes</b>	<b>76</b>
Eastern	75
New York Metro	72
Capital Metro	71
<b>Average</b>	<b>77</b>

Source: Information provided by Postal Service Headquarters officials

With the Postal Service continuing to have delivery growth, an increase in DPS letters is essential to decreasing cased letter volume and time spent by the carriers in the office. Great Lakes Area officials implemented corrective action to improve their DPS scores, which included meeting with district officials to discuss missing address information and

inaccurate volume recording. Since officials implemented corrective action to improve DPS scores, we are not making any recommendations.

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**Matching Workhours to Workload**

The Frankfort, Naperville, Park Fletcher and Wanamaker delivery units did not always adhere to policies to adequately match workhours to workload by documenting unauthorized overtime and performance feedback.

Unit supervisors did not use Postal Service (PS) Form 1017-B, *Unauthorized Overtime Record*, to record unauthorized overtime occurrences because other duties took priority. Postal Service policy requires supervisors to use the form to document unauthorized overtime. Documenting unauthorized overtime is very important so supervisors can reference it to correct performance issues and manage overtime hours.

In addition, unit managers did not consistently use the DOIS performance reports to document carriers' performance feedback. Unit managers stated they conducted verbal performance discussions with carriers. However, they did not have enough time to document expectations and performance discussions. Postal Service procedures require management to document expectations and performance through proper use of control forms including the DOIS performance reports. Keeping a written record of carriers' performance feedback is important so management can use it as reference to reduce overtime costs and improve quality of service.

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**Recommendation**

We recommend the Vice President, Great Lakes Area, direct the District Managers, Central Illinois and Greater Indiana, to require unit officials to:

3. Document unauthorized overtime using PS Form 1017-B, *Unauthorized Overtime Record*, and take corrective actions.

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**Management's Comments**

Management agreed with the finding and recommendation. Management stated that while they recognize that the accurate utilization of PS Form 1017-B, contributes to improving employee performance, it is only one component of properly managing the delivery unit. Management stated they will disseminate an area directive to all district offices

regarding compliance in using the forms by no later than October 31, 2006.

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<b>Recommendation</b>	We recommend the Vice President, Great Lakes Area, direct the District Managers, Central Illinois and Greater Indiana, to require unit officials to:  4. Use Delivery Operations Information System performance reports to document carriers' performance feedback.
<b>Management's Comments</b>	Management agreed with the finding and recommendation. Management plans to disseminate an area directive to all district offices relative to compliance regarding carrier feedback documentation by no later than October 31, 2006.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to our findings and recommendations 3 and 4. Management's corrective actions, taken and planned, should address the issues identified in the finding.
<b>Rural Delivery Standard Operating Procedures</b>	<p>Area officials had not identified all units with 10 or more rural routes for certification for their districts. This occurred because management's primary focus was reviewing and certifying rural units on the "vital few" list.</p> <p>Postal Service Headquarters officials established RDSOP reviews as a national requirement for FY 2006 to help create a consistent understanding of the requirements necessary for well-run, highly efficient rural delivery operations. The reviews focus on improving efficiency in an evaluated workload environment, which will result in closer alignment of actual to standard hours, reduced overtime, and reduced auxiliary assistance hours. The RDSOP requires 75 percent of all "vital few" units and units with 10 or more rural routes to achieve certification status by September 30, 2006. Units that have fewer than 10 rural routes and are not part of "vital few" will complete a self-review.</p> <p>The Postal Service's goal of improving efficiency in an evaluated workload environment and alignment of actual to standard hours could be adversely impacted if units are not identified for review. During our review, area officials</p>

identified units with 10 or more rural routes and established review dates to certify them under RDSOP. Since officials implemented corrective action during the review, we are not making any recommendations.

In addition, the four units reviewed did not prepare the workload analysis required by the RDSOP. Unit managers at the Frankfort and Naperville Post Offices and the Park Fletcher and Wanamaker Branches stated they did not prepare the analysis because of the challenge of implementing a new RDSOP during the holiday season. Further, management stated that after the holiday season, they had to prepare for the National Rural Mail Count, conducted from February 24 through March 9, 2006.

The RDSOP require units to complete the “Rural Carrier Guarantee Year” form every fourth week and “3-Hour Analysis” each postal quarter. In addition, the RDSOP requires units to develop a log of all carriers that exceed 3 hours per week over the route's evaluation hours. As a result, workhour efficiency in an evaluated workload environment and alignment of actual to standard hours could be adversely impacted.

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<b>Recommendation</b>	We recommend the Vice President, Great Lakes Area, direct the District Managers, Central Illinois and Greater Indiana, to require unit officials to:  5. Prepare the rural delivery workload analysis.
<b>Management's Comments</b>	Management agreed with the finding and recommendation. Management stated they have taken the necessary actions to ensure that the required analyses and logs are not only established and maintained at Central Illinois and Greater Indiana Districts, but also throughout the remaining districts in the Great Lakes Area.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to our finding and recommendation. Management's corrective actions, taken and planned, should address the issues identified in the finding.

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**“Vital Few” List**

Area officials were continuing to address the challenges associated with the list of “vital few” performers. Great Lakes Area officials were monitoring and tracking the performance of the districts and delivery and retail units. The Area Vice President discussed performance scores in service and costs with each district manager on a quarterly basis. In addition, the Area Manager of Delivery Programs Support addressed “vital few” issues during the area’s leadership meetings. The area office also conducted business reviews of district and delivery and retail units. The area required units to provide action plans for deficiencies identified during these reviews.

The Central Illinois District focused their efforts to help “vital few” units improve performance. District officials indicated that when they are satisfied with the progress of “vital few” units, they will expand their efforts and assist other units. Greater Indiana District officials developed the Delivery Management Academy for Supervisors<sup>17</sup> (DMAS) training program for its customer service managers and supervisors. DMAS training will provide delivery and retail managers with the skills and tools they need to identify and take advantage of opportunities to improve operations and reduce costs.

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<sup>17</sup> DMAS is a training program developed by the Greater Indiana District for its customer service managers and supervisors. The focus of the DMAS training is delivery and retail management techniques and procedures.

## 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 FR-AR-06-096, dated March 20, 2006). The report outlined that at 28 of the 36 post offices, stations, and branches where AMSOP applied, 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 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 customer service 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/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/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 carriers' 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. It was noted supervisors/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

### GREAT LAKES AREA IMPLEMENTATION OF DELIVERY AND RETAIL STANDARD OPERATING PROCEDURES

Areas of Focus	Implemented Procedures	Date of Implementation	Improvements Needed <sup>18</sup>
<b>City Delivery</b>			
AMSOP	Yes	10/2005	Yes
Integrated Operating Plans	Yes	10/2005	Yes
Delivery Point Sequencing	Yes	10/2005	No *
Collection Point Management	Yes	10/2005	No
Scanning Performance	Yes	10/2005	No
Matching Workhours to Workload	Yes	10/2005	Yes
Volume Recording	Yes	10/2005	No
Route Evaluations and Adjustments	Yes	10/2005	No
“Vital Few” Service Improvements	Yes	10/2005	No
<b>Rural Delivery</b>			
RDSOP	Yes	10/2005	Yes
Growth and Delivery Point Mgmt	Yes	10/2005	No
<b>Function 4</b>			
Function 4 Business Review	Yes	9/2005	No
RDM WOS <sup>19</sup>	Yes	11/2005	No

\*Corrective action taken during the review.

Source: Information provided by Postal Service Great Lakes Area officials

<sup>18</sup> OIG determination based on review results.

<sup>19</sup> The Retail Data Mart Window Operations Survey (RDM WOS) tool is used during standardized Function 4 on-site reviews at retail postal units. The tool provides information on the retail workload based on the number and types of transactions conducted at the retail counter.

## APPENDIX C. MANAGEMENT'S COMMENTS

JO ANN FEINDT  
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS

**UNITED STATES**  
**POSTAL SERVICE**

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September 26, 2006

KIM H. STROUD  
DIRECTOR, AUDIT REPORTING  
UNITED STATES POSTAL SERVICE OFFICE OF INSPECTOR GENERAL

SUBJECT: Delivery and Retail Standard Operating Procedures Audit - Great Lakes Area  
(Project Number 06XG016DR001) - Response

In reply to the audit findings outlined in the subject report referenced above, the following responses are provided to each of the reports' findings and associated recommendations, as requested.

### **Morning Standard Operating Procedures (AMSOP)**

#### **Condition:**

- Area officials did not have a specific plan to assist level 22 and above offices achieve AMSOP certification by the end of Fiscal Year 2006.
- As of April 2006, only 33 (17 percent) of the 199 level 22 and above delivery units in the Great Lakes Area were AM SOP certified.

#### **Cause:**

Central Illinois and Greater Indiana district officials stated most units have not been able to meet the performance indicators required for AM SOP certification primarily due to turnover and the experience level of supervisors.

#### **Criteria:**

The fiscal year 2006 goal is that all level 22 and above Delivery Operations Information Systems (DOIS) sites become AMSOP certified by September 30, 2006.

#### **Recommendation:**

We recommend that the Great Lakes Area Vice President direct:

- Area Manager, Delivery Programs Support, to develop a specific plan that will assist the level 22 and above units achieve AM SOP certification by the end of FY 2006.

**Response:**

Although there has been extensive efforts spent at the on-set of this program that include but not limited to comprehensive unit and employee training and specific District Coordinator responsibilities, there is no disagreement that the number of level 22 and above sites currently certified under this process are not at an acceptable level. To that end, the Area Delivery Programs Support group has taken the lead and developed a more restrictive timeline plan for each of the districts along with definitive program completion date expectations for achieving the certification status. Although cognizant of the FY06 completion objective, a site specific plan has been formulated in conjunction with the Area's route evaluation and adjustment strategies for FY07. This blueprint for AM-SOP Certification sets achievement ratios of 49%, 58%, 91% and 100% for Quarters 1, 2, 3, 4 respectively for the remaining non-certified level 22 and above offices.

**Integrated Operating Plans**

**Condition:**

We identified 676 pending IOP discrepancies in the Central Illinois District and 27 pending IOP discrepancies in the Greater Indiana District as of May 2006.

**Cause:**

Central Illinois District's discrepancies resulted primarily from processing machine errors, late dispatches, and Delivery Point Sequencing quality and volumes. Of the 676 open discrepancy reports, 357 were awaiting assignment and 319 were awaiting either closeout or submission for closeout.

**Criteria:**

Integrated Operating Plans are used to improve mail flows between the processing plants and delivery units. These plans develop accountability by:

- Establishing the schedule of dispatches from the Plant to each of its delivery units and the types of mail, by shape and level of sortation that the Plant will send on each dispatch.
- Tracking on a daily basis the arrival of dispatches at the delivery unit and the types of mail, by shape and level of sortation that is on each dispatch.
- Providing Performance Cluster managers with a cross-functional, end-to-end overview of their operations that will facilitate better operating results.

**Recommendation:**

We recommend the Great Lakes Area Vice President direct:

- Central Illinois and Greater Indiana district managers to resolve IOP discrepancies as required by the Standard Operating Procedures.

**Response:**

Currently in the GLA, IOP Agreements have been established in all sites with the exception of one unit in the Central Illinois District. It is agreed that there exists a need for the respective District Leadership executives to increase their involvement and support for the timely resolution of identified IOP discrepancies as reported by the field units. The GLA IOP Coordinator will take the necessary action to work with the District in identifying the problematic resolution processes and coordinate, with the assistance of the local program designees, improved procedures and redefined accountabilities required to meet service standards and reduce costs. Completion date no later than October 31, 2006.

**Matching Work Hours to Workload**

**Condition:**

All four delivery units did not always adhere to policies to adequately match work hours to workload. Specifically, supervisors at the [REDACTED] did not use PS Form 1017-B, Unauthorized Overtime Record, to record unauthorized overtime occurrences.

**Cause:**

Unit managers stated they conducted verbal performance discussions with carriers. However, they did not have enough time to document the discussions as other duties took priority.

**Criteria:**

Postal Service procedures require management to document expectations and performance through the proper use of control forms including the DOIS performance reports and Postal Service (PS) Form 1017-B. Failure to document discussions with carriers regarding expectations and performance may cause deficient performance to continue and may result in increased overtime cost and decreased quality of service.

**Recommendation:**

We recommend the Great Lakes Area Vice President direct:

- Central Illinois and Greater Indiana district managers to document unauthorized overtime using PS Form 1017-B and take corrective actions.

**Response:**

There is no disagreement that PS Form 1017-B should be completed in a timely manner for each occurrence when overtime used is recorded as unauthorized. Additionally, the subsequent completion of PS Form 1017-A should also be completed when circumstances warrant. While

recognizing that the accurate utilization of PS Form 1017-B contributes to improving employee performance, it is only one component to properly managing the delivery unit. The GLA continues to implement other strategies and processes for increasing both craft and management employee accountability as further measures to more effectively manage work hours to workloads. To that end, an area directive will be disseminated to all district offices relative to compliance expectations regarding these forms utilization. Completion date no later than October 31, 2006.

**Recommendation:**

We recommend the Great Lakes Area Vice President direct:

- Central Illinois and Greater Indiana district managers to use Delivery Operations Information System performance reports to document carriers' performance feedback.

**Response:**

There is no disagreement that carrier performance feedback must be documented for future reference in the cause for more definitive corrective action that may become necessary to ensure compliance with performance expectations. To that end, an area directive will be disseminated to all district offices relative to compliance regarding carrier feedback documentation. Completion date no later than October 31, 2006.

**Rural Delivery Standard Operating Procedures (RDSOP)**

**Cause:**

Unit managers at the [REDACTED] and [REDACTED] stated they did not prepare the required workload analysis because of the challenges of implementing a new program around the holiday season. After the holiday season, management had to prepare for the National Rural Mail Count, conducted from February 24 through March 9, 2006. In addition, unit management had not become familiar with the rural delivery SOPs as their priority has been managing city delivery work hours.

**Criteria:**

The rural delivery SOPs require units to complete the "Rural Carrier Year Guarantee" form every fourth week and "3 Hour Analysis" each postal quarter. In addition, the rural delivery SOPs require units to develop a log of all carriers that exceed 3 hours per week.

**Recommendation:**

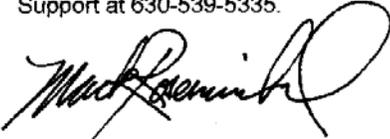
We recommend the Vice President, Great Lakes Area direct:

- Central Illinois and Greater Indiana districts managers, to require supervisors to prepare the rural delivery workload analysis.

**Response:**

There is no disagreement with this recommendation. Area Delivery Programs Support has taken the necessary actions to ensure that the required analyses and logs are not only established and maintained at the two aforementioned Districts but also throughout the remaining districts in the GLA.

If you have any questions please contact Mark Rosenwinkel, Manager Delivery Programs Support at 630-539-5335.



for Jo Ann Feindt

Attachment

cc: Jacqueline Krage, Manager, Operation Support  
Mark Rosenwinkel, Manager, Delivery Programs Support