



September 30, 2006

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VICE PRESIDENT, SOUTHWEST AREA

SUBJECT: Management Advisory – Delivery and Retail Standard Operating Procedures – Southwest Area (Report Number DR-MA-06-009)

This report presents the results of our review of the implementation of Delivery and Retail Standard Operating Procedures (SOP) in the Southwest Area (Project Number 06XG016DR000). Our overall objective was to assess implementation of Delivery and Retail SOP in the Southwest 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.

The Southwest 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 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 SOP for city and rural delivery and Function 4 SOP, the Southwest Area implemented each component except for selected aspects of Integrated Operating Plan (IOP), volume recording, Retail Data Mart Window Operating Survey (RDM WOS), retail window hours, and Function 4 Business Reviews.

The city delivery operations component needs improvement because management did not always follow the SOP related to IOP and mail volume recording. In addition, the Function 4 operations component needs improvement because management did not always ensure retail window hours were accurately recorded and cost savings were captured, tracked and monitored. 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.

We recommended the Vice President, Southwest Area direct the Fort Worth and Houston District Managers to require unit officials to:

- Consistently follow delivery and retail SOP.
- Validate that IOPs are updated.
- Adhere to procedures for recording mail volume.
- Appropriately staff retail window operations using RDM WOS standards.
- Enforce the correct use of labor distribution codes.
- Record non-revenue transactions.

We also recommended the Vice President, Southwest Area, direct the Fort Worth and Houston District Managers to consistently capture, track and then monitor cost savings identified in business reviews.

In addition to SOP implementation issues, management was continuing to address the challenges associated with the “vital few” performers. Management further noted several challenges in the two districts visited that could impact the expected results from standardization efforts. Specifically, frequent management turnover, management’s relationships with local union officials, and SOP goals that do not align with other U.S. Postal Service policies may impact the results achieved from the SOP implementation. These issues will be briefly discussed in this report and addressed in more detail in the overall capping report. Therefore, this report will not provide recommendations to address these issues.

Southwest Area management agreed with our findings and recommendations and has initiatives in progress, completed, or planned addressing the issues in this report. The OIG considers the response provided by management detailing corrective actions taken and planned to be sufficient to close all recommendations. Management’s comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided during the reviews. If you have any questions or need additional information please contact Rita Oliver, Director, Delivery and Retail, or me at (703) 248-2100.

E-Signed by Colleen McAntee 
VERIFY authenticity with Approve!


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EXECUTIVE SUMMARY

Introduction

This report presents the results of our review of the implementation of Delivery and Retail Standard Operating Procedures (SOP) in the Southwest Area (Project Number 06XG016DR000). Our overall objective was to assess implementation of Delivery and Retail SOP in this area.

Results in Brief

The Southwest 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 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 SOP for city and rural delivery and Function 4 SOP, the Southwest Area implemented each component except for selected aspects of Integrated Operating Plan (IOP), volume recording, Retail Data Mart Window Operating Survey (RDM WOS), retail window hours, and Function 4 Business Reviews.

The city delivery operations component needs improvement because management at the selected districts and units did not always follow the SOP related to IOP and mail volume recording. In addition, the Function 4 operations component needs improvement because management did not always ensure retail window hours were accurately recorded and cost savings were captured, tracked and then monitored. 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 to SOP implementation issues, management was continuing to address the challenges associated with the “vital few” performers. Management further noted several challenges in the two districts visited that could impact the expected results from standardization efforts. Specifically, frequent management turnover, management’s relationships with local union officials, and SOP goals that do not align with other U.S. Postal Service policies may impact the results

achieved from the SOP implementation. These issues are briefly discussed in this report and will be addressed in more detail in the overall capping report. Therefore, this report will not provide recommendations to address these issues.

Consistently following SOP guidance would ensure units identified and took advantage of opportunities to improve operations and reduce cost.

**Summary of
Recommendations**

We recommended the Vice President, Southwest Area, direct the Houston and Fort Worth District Managers to require unit officials to:

- Consistently follow delivery and retail SOP.
- Validate that IOPs are updated.
- Adhere to procedures for recording mail volume.
- Appropriately staff retail window operations using RDM WOS standards.
- Enforce the correct use of labor distribution codes.
- Record non-revenue transactions.

Additionally, we recommended the Vice President, Southwest Area, direct the Houston and Fort Worth District Managers to consistently capture, track and then monitor cost savings identified in business reviews.

**Summary of
Management's
Comments**

Management agreed with our findings and recommendations. Management stated the Fort Worth and Houston District Managers and Senior Operating Managers were trained in September 2006. Specifically, the training included mail arrival profiles and schedules to ensure mail availability in order to meet units' operating plans. Management stated the districts will be required to update each unit operating plan to ensure efficiency using the National AMSOP and RDSOP review process. The training also included proper mail recording procedures, RDM WOS and RDM scheduler, emphasizing the proper method to schedule retail window operations and use of labor distribution codes. Management stated the area plans to conduct periodic reviews to ensure compliance and will institute a tracking and monitoring system in October 2006. The tracking system will compare actual versus earned Labor Distribution Code 45 hours to identify the "vital few." The system will also monitor all Function 4

operations to evaluate workhours versus workload to ensure workhours are captured. Management’s comments, in their entirety, are included in Appendix C.

**Overall Evaluation of
Management’s
Comments**

Management’s comments are responsive to the findings and recommendations. Management’s actions taken or planned should correct the issues identified in the report.

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 about \$60 billion of which roughly 51 percent is used for delivery and retail operations. Annual salary and benefits in fiscal year (FY) 2006 for city and rural carriers total about \$22 billion and around \$8 billion for Function 4 operations. The Southwest Area's FY 2006 budget is \$2.28 billion¹ for city and rural delivery operations and \$847 million for Function 4 operations. The area is responsible for eight districts and services approximately 3,752 delivery and retail units.²

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"³ 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.

¹ This total consists of \$1.6 billion for city delivery and \$684 million for rural delivery operations.

² 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.

³ "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 certify⁴ all level 22⁵ 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 certify⁶ 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 Reviews⁷ to identify units with the largest opportunity for workhours improvements.

A key component of the standards 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 the city and rural delivery and Function 4 operations.

Postal Service Headquarters provided delivery and retail standardization training to Area Managers of Delivery

⁴ 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.

⁵ 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.

⁶ 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 or greater for certification.

⁷ The on-site review focuses on improving efficiency in an evaluated workload environment, which will result in closer alignment of actual hours to budget 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.

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 Southwest Area. Specifically, we determined whether Southwest 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 district and delivery and retail unit locations 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 Southwest Area to interview management officials and obtain performance data. We judgmentally selected the Fort Worth and Houston Districts and the [REDACTED], [REDACTED], [REDACTED], and [REDACTED] delivery and retail units for 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 June 2006 and discussed the results with Postal Service officials.⁹ We relied on data from these systems to

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.

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

RESULTS

Implementation of Standard Operating Procedures in the Southwest Area

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

Southwest Area officials had certified 62 percent (112 of 182) 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 109 percent. This was a decrease in hours from week 19 year-to-date, when the office hours exceeded the standard hours by 111 percent. During this same period, the delivery per hour percentage exceeded the same period last year percentage by 1.86 percent. This was a decrease from week 19 year-to-date, when the delivery per hour percentage exceeded the same period last year by 2.71 percent.¹¹

Further, area officials had certified 9 percent (13 of 150) of their rural units. During FY 2006, week 34 year-to-date, rural delivery total actual workhours exceeded standard workhours by 4.06 percent. This was a decrease from week 19 year-to-date, when the actual hours exceed the standard hours by 5.31 percent.

Finally, area officials had conducted Function 4 Business Reviews at 91 percent (210 of 231) of their planned locations.¹² During FY 2006, week 34 year-to-date,

¹⁰ The area conducted a leadership meeting for all Executive Administration and Salary managers in city and rural delivery and Function 4 operations. In addition, the SOP was placed on the area’s website.

¹¹ We are planning a future review on city carrier street performance.

¹² The districts conducted the 44 reviews during the first quarter of FY 2006.

Function 4 total earned hour variance was 952,191 workhours. This was an increase from week 19 year-to-date, when the earned hour variance was 488,074 workhours. During the same period, the window staffing efficiency for week 34 was 79.6 percent. This was a decrease from week 19 year-to-date when the window staffing efficiency was 81.3 percent.

Based on our review of the SOP for city and rural delivery and Function 4 operations, the Southwest Area implemented each component except for selected aspects of Integrated Operating Plan (IOP), volume recording, retail window hours, Retail Data Mart Window Operating Survey (RDM WOS), and Function 4 Business Reviews. (See Appendix B.) Specifically, one of the four units reviewed did not ensure the IOP allowed for mail receipt prior to carriers' departure and one unit did not follow procedures to ensure mail volume was measured correctly. Opportunities for improvement also existed in Function 4 operations. Specifically, neither of the two districts reviewed adequately staffed retail window operations to meet RDM WOS standards. Additionally, retail window workhours were not accurately recorded and officials did not capture cost savings resulting from business performance reviews.

These conditions existed primarily because operating personnel did not consistently follow SOP guidance for updating IOPs and recording mail volume. Also, oversight was not sufficient to ensure unit personnel consistently followed guidance in the RDM WOS SOP. In addition, management did not capture, track and then monitor the cost savings from Function 4 Business Reviews.

In addition to SOP implementation issues, management was continuing to address the challenges associated with the "vital few" performers. Management further noted several challenges in the two districts visited that could impact the expected results from standardization efforts. Specifically, frequent management turnover, management's relationships with local union officials, and SOP goals that do not align with other U.S. Postal Service policies may impact the results achieved from the SOP implementation. These issues are briefly discussed in this report and will be addressed in more detail in the overall capping report. Therefore, this report will not provide recommendations to address these issues.

**City Delivery
Operations**

Although the Southwest Area implemented the SOP, we identified areas for improvement in city delivery. Specifically, one of the four units reviewed did not ensure the IOP allowed sufficient time to process and sort dispatch mail prior to carriers' departure, and another unit did not follow procedures to ensure mail volume was measured correctly.

**Integrated Operating
Plan**

The IOP for one of the four units reviewed did not allow for mail receipt prior to carriers' departure. Specifically, the [REDACTED] delivery unit has a Carrier Sequence Bar Code Sorter (CSBCS)¹³ and is required to process mail at the facility. The current IOP allows for mail arrival at 5 a.m. and 6 a.m. However, the 6 a.m. dispatch includes both manual mail and mail requiring Delivery Point Sequencing (DPS) sorting that cannot be processed and then made available for carriers prior to their leaving the office to deliver mail.

The above condition existed primarily because unit officials had not updated the IOP to have the mail arrive earlier from the plant or change the carriers' arrival schedules.

Management uses the IOP to improve mailflows 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 identifying 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, that are on each dispatch daily.
- 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 resolve IOP discrepancies and other mail flow problems

¹³ CSBCS is an automated machine that sorts mail for an individual carrier route. This sorting allows the mail to go directly from the machine to the carrier for delivery.

timely, delivery service and operational costs are negatively impacted.

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| Recommendation | We recommend the Vice President, Southwest Area, direct the Fort Worth District Manager to require unit managers to: 1. Revise the Integrated Operating Plan to receive the mail earlier from the plant or delay the carriers' start time. |
| Management's Comments | Management agreed with our finding and recommendation. Management stated the Fort Worth District Manager and Senior Operating Managers were trained on September 8, 2006. The training included unit requirements concerning mail arrival profiles and schedules to ensure mail availability in order to meet unit operating plans. Additionally, the training addressed district requirements to update each unit operating plan to ensure efficiency using the National AMSOP and RDSOP review process. Management stated the area will conduct periodic reviews to ensure compliance, utilizing service review teams and the National AMSOP and RDSOP review process. |
| Evaluation of Management's Comments | Management comments are responsive to the finding and recommendation. Management's actions, taken or planned, should correct the issues identified in the finding. |
| Volume Recording | <p>The [REDACTED] Delivery Unit did not follow procedures for correctly measuring mail volume by consolidating mail tubs prior to volume recording. We observed that carriers retrieved mail from the staging area before the supervisor could record mail volume. Discussion with unit personnel revealed this was a routine practice rather than a one-time occurrence. Even though carriers informed the supervisor of the retrieval of mail, there was a potential for mail volume distortion when mail tubs were not consolidated and carriers were allowed to retrieve mail prior to volume recording.</p> <p>The above condition existed because the supervisor's primary focus was getting the carriers to the street, not following the SOP for measuring mail volume.</p> <p>Delivery unit management has responsibilities for proper mail measurement procedures. Mail staging must be standardized</p> |

at each carrier case to facilitate accurate volume recording. Mail volume must be measured using a Data Collection Device (DCD) or Postal Service Form 3921, Volume Recording Worksheet, if there is no DCD.

Correct and accurate volume recording is essential to matching workhours to workload, which ultimately helps to control overtime and capture under time.

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| Recommendation | <p>We recommend the Vice President, Southwest Area, direct the Houston District Manager to require unit managers to:</p> <ol style="list-style-type: none">2. Follow volume recording SOP, which requires mail consolidation before measuring. |
| Management's Comments | <p>Management agreed with our finding and recommendation. Management stated the Houston District Manager and Senior Operating Managers were trained on September 22, 2006. The training included proper mail recording procedures as part of the operating plans. Management stated the area will conduct periodic reviews to ensure compliance, utilizing service review teams, and the National AMSOP and RDSOP review process.</p> |
| Evaluation of Management's Comments | <p>Management comments are responsive to the finding and recommendation. Management's actions, taken or planned, should correct the issues identified in the finding.</p> |
| Function 4 Operations | <p>Opportunities exist for improving Function 4 operations. Specifically, the Houston and Fort Worth Districts did not adequately staff retail window operations to meet RDM WOS standards. Additionally, retail window workhours were not accurately recorded and officials did not capture cost savings resulting from business performance reviews.</p> <p>These conditions existed because management did not provide sufficient oversight to ensure unit personnel consistently followed guidance in the RDM WOS SOP and did not track and monitor the results from Function 4 Business Reviews.</p> |
| Retail Data Mart Window Operating Survey | <p>Neither of the two districts reviewed adequately staffed retail window operations to meet RDM WOS standards. The RDM WOS standard for retail window operations is 100 percent.</p> |

This is a ratio between earned and actual hours. The Fort Worth District earned 97.6 percent of the actual hours worked, while the Houston District earned only 86.1 percent of the actual hours worked.

According to management, the primary factors contributing to the less than expected performance were inadequate accountability and understanding regarding RDM WOS standards. In addition, management not using lobby directors as needed during peak periods impacted efficiency at the retail counter.

Unit officials stated more effective staffing could substantially reduce retail window hours. For example, in the Houston District, management stated that efficient staffing could have saved almost 61,000 opportunity hours as of week 22, FY 2006.

The RDM WOS tool used during standardized Function 4 on-site reviews at retail postal units provides information on the retail workload based on the number and types of transactions conducted at the retail counter.¹⁴ Postal Service officials convert the retail workload information to earned workhour data and use the results to determine productivity levels and proper staff scheduling to meet customer demands and attain established annual workhour budget goals. The RDM WOS provides information on ranking opportunity in retail, based on actual performance versus earned workhours.

Unit managers and supervisors are the first line to correct deficiencies and ensure that customer service is upheld while maintaining a balance of employee workhours to workload. While managing clerks to meet their earned hours, managers are held accountable to control their wait time in line scores. Lobby directors can also assist in managing wait time in line.

Recommendation

We recommend the Vice President, Southwest Area, direct the Fort Worth and Houston District Managers to require unit managers to:

¹⁴ The types of transactions include Priority and Express Mail®, stamp and money order purchases, passports, and mailboxes. Postmasters assign mobile units, at their discretion, to retail postal units in order to provide limited retail activity in remote locations such as retirement homes and community centers.

3. Staff retail window operations using Retail Data Mart Window Operating Survey and use lobby directors as appropriate.

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| Management's Comments | Management agreed with our finding and recommendation. Management stated the Fort Worth District Manager and Senior Operating Managers were trained on September 8, 2006 and the Houston District Manager and Senior Operating Managers were trained on September 22, 2006. The training included RDM WOS and RDM scheduler emphasizing the proper method to schedule retail window operations and use of labor distribution codes. Management also stated beginning October 2, 2006, the area will institute a tracking and monitoring system to compare "actual versus earned" labor distribution code (LDC) 45 hours to identify "vital few" units. Management further stated the data will be retrieved daily by each unit from RDM WOS and will be monitored by the district as well as the area. |
| Evaluation of Management's Comments | Management comments are responsive to the finding and recommendation. Management's actions, taken or planned, should correct the issues identified in the finding. |
| Retail Window Hours | Unit officials for the four units reviewed did not ensure retail window hours for October, November, and December 2005 were accurately recorded. Management officials attributed the inaccuracies to three factors: <ul style="list-style-type: none">• Clerks did not consistently clock in under the correct operation code and often did not swipe the time clock when switching from one operation to another.• Newly injured employees' workhours were often budgeted from the LDC 68 or 69.¹⁵ However, these hours are already absorbed into the functional area in which an employee is actually assigned such as LDC 43, 45 or 48.¹⁶ |

¹⁵ LDC 68 and 69 identifies permanently and temporarily disabled employees, respectively.

¹⁶ LDC 43 identifies non-supervisory hours used at stations, branches, and associate offices for manual distribution of mail to carrier routes. It includes distribution of presort bundles and sacks and spreading of mail to carrier routes. LDC 45 identifies all non-supervisory hours of employees serving customers at window, firm callers, general delivery customers, and other activities in support of retail operations. LDC 48 identifies non-supervisory hours of customer service employees assigned to dispatch activities, office work, recordkeeping, and miscellaneous retail activities at stations, branches, and associate offices, including standby, steward's duty, travel, and meeting times.

- Non-revenue transactions were not consistently entered into the Point-of-Service ONE (POS ONE) system because non-revenue transactions were considered a lower priority.

Retail management is responsible for the accuracy of the entries on time cards, ensuring clerks “clock in” on the correct LDC and ensuring all time is correctly and consistently recorded. In addition, non-revenue transactions must be consistently entered into POS ONE to detail the total number of transactions and time spent on these transactions. This data is critical to managing staffing and scheduling.

Recommendation

We recommend the Vice President, Southwest Area, direct the Fort Worth and Houston District Managers to require unit managers to:

4. Enforce the requirement for employees to clock-in to the correct labor distribution codes and to record non-revenue transactions to account for workload.

**Management’s
Comments**

Management agreed with our finding and recommendation. Management stated that the Fort Worth District Manager and Senior Operating Managers were trained on September 8, 2006, and the Houston District Manager and Senior Operating Managers were trained on September 22, 2006. Management stated a method to track and monitor non-revenue transactions was included in the training. Management also stated beginning October 2, 2006, the area will institute a tracking and monitoring system to compare “actual versus earned” LDC 45 hours to identify “vital few” units. Management stated the data will be retrieved daily by each unit from RDM WOS and monitored by the district as well as the area.

**Evaluation of
Management’s
Comments**

Management comments are responsive to the finding and recommendation. Management’s actions, taken or planned, should correct the issues identified in the finding.

**Function 4 Business
Reviews**

Officials at the two districts reviewed did not capture savings resulting from business performance reviews. For example, the Houston District conducted a “Function 4 Business Review” during May 2005 but missed the opportunity to

capture the identified opportunity savings.¹⁷ The Fort Worth District, on the other hand, only began tracking units' progress on Function 4 Business Reviews after the SOP was issued.

The SOP requires the area to monitor performance and track adherence to approved cluster Function 4 Business Plans. Also, district officials implement the results of the Function 4 reviews and develop a tracking system to capture anticipated workhour and complement savings.

The results of the reviews are designed to adjust the operating budget to realize yearly savings. Without an effective tracking and monitoring system, area and district officials cannot provide the feedback necessary for increased performance. Southwest Area officials advised us that they plan to begin tracking each unit's progress for FY 2006.

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| Recommendation | We recommend the Vice President, Southwest Area, direct the Fort Worth and Houston District Managers to: 5. Consistently capture, track, and then monitor cost savings identified in business reviews. |
| Management's Comments | Management agreed with our finding and recommendation. Management stated that the Fort Worth District Manager and Senior Operating Managers were trained on September 8, 2006, and the Houston District Manager and Senior Operating Managers were trained on September 22, 2006. Management stated beginning October 2, 2006, the area will institute a tracking and monitoring system to compare "actual versus earned" LDC 45 hours to identify "vital few" units. Management stated the tracking system will track all Function 4 operations for Cost Ascertainment Grouping (CAG) A through G offices by evaluated workhours versus workload. Management stated that through proper scheduling, workhours will be captured. They also stated that the data will be monitored and acted upon by each district as well as the area. |
| Evaluation of Management's Comments | Management comments are responsive to the finding and recommendation. Management's actions taken or planned should correct the issues identified in the finding. |

¹⁷ The Southwest Area business review identified 6,931 hours based on planned review schedule.

"Vital Few" List

Although Southwest Area officials developed approved action steps for units identified as “vital few,” they were continuing to address the challenges associated with the “vital few” performers.

“Vital few” units are those units with hours above standard that have the largest impact on national performance. The SOP requires Postal Service officials to develop and approve action steps for units identified as “vital few” and establish management expectations using year-round performance in percent to standard hours. Postal Service Headquarters officials provide area officials the “vital few” list at the beginning of each quarter based on the performance of the previous quarter.

Southwest Area officials conducted weekly teleconference meetings with district officials on “vital few” units. The teleconferences included discussions of each district’s performance, and potential actions required to address their issues. Participants determined what drives performance and identified best practices in other districts as a guide to making improvements. For example, the Southwest Area employs analytical reviews of the AMSOP process in city delivery units, as well as the RDSOP reviews in the rural delivery units. The area or district performs these reviews at the top 10 opportunity delivery units to identify unauthorized and unjustified time. Since officials have taken action to address the “vital few” performers, we are not making any recommendations.

Management Challenges to Standardization

In addition to SOP implementation issues, district management also identified other challenges in their districts that impact delivery performance. Specifically, frequent management turnover, management’s relationships with local union officials, and SOP goals that do not align with other Postal Service policies can impact the results achieved from the SOP implementation.

Management Turnover

Management indicated that frequent management turnover in key positions in the Fort Worth and Houston Districts may have contributed to less than expected performance. For example, the Fort Worth District Manager had been acting since February 2006 before being recently promoted into the position. Management noted that the Fort Worth District has

had six district managers and the Houston District has had three district managers in the last 4 years. Management stated that these changes have occurred because of an assortment of vacancies, promotions, and new opportunities within and outside of the Southwest Area.

Labor Relations

Southwest Area officials stated another factor that negatively impacted performance was management's relationship with the union. As an example, the Houston District and the local branch of the National Association of Letter Carriers have historically had a contentious relationship. The district agrees that a level of mistrust exists on both sides and increased efforts are needed to resolve or reduce the conflicts.

Standard Operating Procedures Goals and Postal Service Policies

Area officials indicated that they must also work with Postal Service Headquarters to identify and resolve Postal Service policies or issues that do not align with goals of city delivery standard operating procedures. Specifically:

- Carriers returning by 1700 hours. In an effort to meet this goal, a supervisor might send more carriers to assist a carrier that could require time beyond 1700 hours. As a result, the unit may incur additional costs to meet the goal of carriers returning by 1700 hours.
- Arbitration Cases. One way to reduce the number of arbitration cases is to settle them after grievances have been filed. However, district management believes settlement of grievances may send a message that certain behavior is accepted.

District management indicated that improvements in the areas noted above could assist units in improving performance and matching workhours to workload. We recognize management's concerns regarding these implementation issues and we plan to address them in the capping report to Postal Service Headquarters.

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 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 (AMS) – 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 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 affected 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

SOUTHWEST AREA IMPLEMENTATION OF DELIVERY AND RETAIL STANDARD OPERATING PROCEDURES

| SOP Areas | Southwest Area Officials Implemented Procedures | Dates SOP Implemented | SOP Areas for Improvement ¹⁸ |
|-----------------------------------|---|-----------------------|---|
| City Delivery | | | |
| AMSOP | Yes | 10/2005 | No |
| Integrated Operations | 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 | No |
| Volume Recording | Yes | 10/2005 | Yes |
| Route Evaluations and Adjustments | Yes | 10/2005 | No |
| “Vital Few” Service Improvements | Yes | 10/2005 | No |
| Rural Delivery | | | |
| Rural Delivery SOP | Yes | 10/2005 | No |
| Growth and Delivery Point Mgmt | Yes | 10/2005 | No |
| Function 4 Operations | | | |
| Function 4 Business Review | Yes | 10/2005 | Yes |
| RDM WOS | Yes | 10/2005 | Yes |

Source: Information provided by Postal Service Southwest Area officials

¹⁸ OIG determination based on review results.

APPENDIX C. MANAGEMENT'S COMMENTS

MANAGER, DELIVERY PROGRAMS SUPPORT
SOUTHWEST AREA



September 26, 2006

KIM H. STROUD
DIRECTOR AUDIT REPORTING

SUBJECT: Transmittal of Draft Report of Delivery and Retail Standard
Operating Procedures - Office of the Inspector General Review

The Southwest Area appreciates the recent review of the implementation of Delivery and Retail Standard Operating Procedures (SOP) in the Southwest Area (Project Number 06XG016DR000) conducted by the Office of the Inspector General (Project Number 06XG016DR000). The attachment lists the observations, and our response, including the actions taken.

The Southwest Area will perform quarterly reviews to ensure the items identified in the report have been corrected, and that new processes are being followed. If additional information is needed, please contact me at (214) 819-8680.

Sincerely,

A handwritten signature in black ink, appearing to read "S Moreland".

Steve Moreland

Attachment

cc: Ellis A. Burgoyne
Cliff Rucker
Mike Maxton
Linda Welch
Greg Gamble

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SOUTHWEST AREA - Office of the Inspector General Project Number 06XG016DR000

Fort Worth and Houston District Managers to require unit officials to consistently follow delivery and retail SOP, validate that IOP's are updated and adhere to procedures for recording mail volume.

The Fort Worth District Manager and the Senior Operating Managers were trained on September 8, 2006; the Houston District Manager and the Senior Operating Managers were trained on September 22, 2006. The training included the unit requirements concerning mail arrival profiles with proper scheduling to ensure the mail availability in order to meet the unit operating plans. Proper mail recording procedures are part of the operating plans. The Districts are required to update each unit operating plan and employee schedule to ensure each operation is operating efficiently, utilizing the National AM/SOP and RD/SOP review process. Additionally, there are daily tracking systems in place for each District, monitoring plant to delivery unit processes, specifically, daily telecons with senior staffs.

The Area will conduct periodic reviews to ensure compliance, utilizing service review teams, and the National AM/SOP and RD/SOP review process.

Fort Worth and Houston District Managers to require unit officials to appropriately staff retail window operations using RDM WOS standards, enforce the correct use of labor distribution codes and record non-revenue transactions.

The Fort Worth District Manager and the Senior Operating Managers were trained September 8, 2006; the Houston District Manager and the Senior Operating Managers were trained on September 22, 2006. The training included RDM/WOS and the RDM scheduler emphasizing the proper methods to schedule retail window operations as well as the proper use of labor distribution codes. The method to track and monitor non-revenue transactions was included in the training.

Beginning October 2, 2006, there will be a tracking system used to compare "actual versus earned" LDC 45 hours to identify vital few units. The data will be retrieved daily by each unit from RD/WOS this tracking system will be monitored by the District as well as the Area.

Fort Worth and Houston District Managers to consistently capture, track and monitor cost savings identified in business reviews.

The Fort Worth District Manager and the Senior Operating Managers were trained September 8, 2006; the Houston District Manager and the Senior Operating Managers were trained on September 22, 2006. The tracking system mentioned above will track and monitor all Function 4 operations for CAG A through G offices by evaluated workhours versus workload. Through proper scheduling workhours will be captured. The data will be monitored and acted upon by each District as well as the Area.