



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

**City Delivery Operations —
Lancaster Carrier Annex**

Management Advisory Report

September 28, 2012

Report Number DR-MA-12-003



HIGHLIGHTS

September 28, 2012

City Delivery Operations — Lancaster Carrier Annex

Report Number DR-MA-12-003

BACKGROUND:

Delivery operations has the highest fixed cost in the U.S. Postal Service, making up more than 30 percent of the Postal Service operating expenses. City carriers used more than 349.5 million total office and street workhours in fiscal year 2011. The Flats Sequencing System is a critical component of the Postal Service's strategy to contain costs through automation of the flat mail stream. Mail sorted in walk sequence order from this system usually results in earlier departures by the carrier and reduced office time due to the reduced mail volume the carrier needs to sort.

The Lancaster Carrier Annex, Lancaster PA, is in the Central Pennsylvania District, Eastern Area, and has 109 delivery routes. The unit expended about 282,152 total office and street workhours in fiscal year 2011. In response to a request from the vice president, Eastern Area Operations, our objective was to assess the effectiveness of city delivery operations at the Lancaster Carrier Annex.

WHAT THE OIG FOUND:

The Lancaster Carrier Annex has opportunities to enhance city delivery efficiency and reduce 12,339 workhours annually. This condition occurred

because management did not reinforce Postal Service policies and procedures for supervising city delivery operations, consistently using available vehicle tracking technology such as Global Positioning Systems to track route time and ensuring carriers use efficient office and street practices. Also, we noted a low supervisor-to-employee ratio as a contributing factor. Enhanced city delivery supervision and carrier practices could result in annualized workhour savings of over \$515,800.

WHAT THE OIG RECOMMENDED:

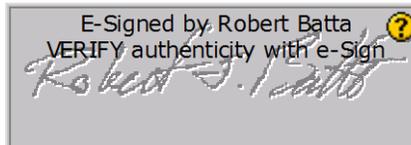
We recommended the vice president, Eastern Area Operations, reduce workhours by 12,339 in FYs 2013 and 2014. We also recommended supervisors set expectations, discuss performance, provide daily oversight of street operations, use available vehicle tracking technology to track route time and promote positive office supervision which could help to avoid unnecessary costs. Further, we recommended reinforcing street operation policies and procedures to carriers and addressing carrier performance when it is not in accordance with established office and street delivery procedures.

[Link to review the entire report](#)



September 28, 2012

MEMORANDUM FOR: JORDAN M. SMALL
VICE PRESIDENT, EASTERN AREA OPERATIONS



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

SUBJECT: Management Advisory Report – City Delivery Operations –
Lancaster Carrier Annex
(Report Number DR-MA-12-003)

This report presents the results of our review of City Delivery Operations at the Lancaster Carrier Annex (Project Number 12XG023DR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita F. Oliver, director, Delivery, or me at 703-248-2100.

Attachments

cc: Patrick R. Donahoe
Dean J. Granholm
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Corporate Audit and Response Management

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Introduction

This report presents the results of our review of city delivery operations at the Lancaster Carrier Annex (Project Number 12XG023DR000). The report addresses operational risk and is one of two reviews conducted by the U.S. Postal Service Office of Inspector General (OIG) in response to a request from the vice president, Eastern Area Operations.¹ Our objective was to assess the effectiveness of city delivery operations at the Lancaster Carrier Annex. See [Appendix A](#) for additional information about this review.

The U.S. Postal Service faces the most difficult operating period in its 235-year history. Mail volume in fiscal year (FY) 2011 declined by another 3 billion pieces to 168 billion, dropping total mail volume to levels not seen since 1992. Since 2007, mail volume has dropped by about 44 billion pieces. In contrast, delivery points have increased by more than 2.3 million since 2008.² The Postal Service must improve operational efficiency to reduce costs while facing financial losses from declining mail volume. The Flats Sequencing System (FSS)³ is a critical component of the Postal Service's cost containment strategy through automation of the flat mail stream. FSS implementation usually results in earlier departures by carriers and significantly reduced earned office time.

The Lancaster Carrier Annex, Lancaster PA, located in the Central Pennsylvania District, Eastern Area, has 109 delivery routes and expended 282,152 total office and street workhours in FY 2011. In March 2011, the Lancaster Carrier Annex began receiving FSS mail.

Conclusion

The Lancaster Carrier Annex could increase overall efficiency and reduce 12,339 workhours annually. The delivery unit also had the highest office and street workhour variances⁴ in the Central Pennsylvania District despite implementation of the FSS. Management did not always reinforce Postal Service policies and procedures, use Global Positioning System (GPS) technology for supervising city delivery operations, and ensure carriers use efficient office and street practices. An increased focus on

¹ On April 23, 2012, the vice president, Eastern Area Operations, requested the OIG review city delivery operations at the Lancaster Carrier Annex, Lancaster, PA, and the Brick Main Post Office, Brick, NJ, to determine why these two offices were using more city delivery hours after FSS implementation.

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

³ The FSS machines sort flat-sized mail such as large envelopes, newspapers, catalogs, circulars, and magazines into delivery sequence at high speeds and at a much higher productivity rate than the manual process. FSS processed mail will arrive at the delivery unit in walk sequence order, ready for delivery by the carrier with no additional mail movement or manual sorting required.

⁴ This is the difference between the office time projected it would take for carriers to prepare the mail for delivery compared to the actual amount of time carriers used in the office preparing mail for delivery. A positive variance occurs when a carrier takes more time on a route than what is projected in the Delivery Operation Information System (DOIS). A negative variance occurs when a carrier takes less time than projected in DOIS.

enhanced city delivery practices will result in reduced workhours and save more than \$515,800 annually⁵ (see [Appendix B](#)).

More Efficient City Delivery Operations

The Lancaster Carrier Annex could increase overall efficiency and reduce 12,339 workhours annually,⁶ saving 22 minutes on each route per day. The delivery unit had the highest variances in the Central Pennsylvania District, using more than 4,909 office⁷ and 6,297 street⁸ workhours than projected for FY 2011 (see Table 1).

Table 1: Top 10 Delivery Units in Districts with Highest Office and Street Variances

Station Names	Office Variance	Street Variance	Total Variance	District Ranking
Lancaster Carrier Annex	4,909	6,297	11,206	1
Scranton Main Post Office	2,602	666	3,268	2
Allentown Airport Branch	(1,493) ⁹	4,455	2,962	3
Wilkes-Barre Main Post office	2,980	(43)	2,937	4
Hazleton Main Post Office	1,002	1,060	2,062	5
Camp Hill Main Post Office	446	1,584	2,030	6
Carlisle Main Post Office	583	1,285	1,868	7
West Scranton Branch	390	1,298	1,687	8
Harrisburg Uptown Station	(206)	1,841	1,635	9
Williamsport Main Post Office	107	1,120	1,227	10

Source: OIG analysis based on Postal Service data from the Enterprise Data Warehouse (EDW).

Supervising City Delivery Operations

An increased focus on effective supervisory practices would allow management to reduce city delivery office and street workhours. Our review of the Lancaster Carrier Annex delivery unit determined that management did not always reinforce Postal Service policies and procedures for supervising city delivery office and street operations which allowed for some inefficient delivery practices. For example, management needs to ensure that:

- Supervisors set daily expectations and follow up on the previous day's street performance.

⁵ The annualized savings was calculated by taking the FYs 2013 and 2014 savings and dividing by two.

⁶ The 12,339 annual workhour savings represent 740,340 minutes (12,339 workhours multiplied by 60 minutes). Dividing the more than 740,340 minutes by 109 routes in the Lancaster Carrier Annex and then dividing that by 303 annual days.

⁷ Office time is time spent in the office casing mail for delivery. Casing or routing mail is the act of placing letter and flat mail in the separations of carrier cases. Also refers to the process of placing flat mail in delivery sequence.

⁸ Street time is time spent on routes to deliver mail to residences and businesses.

⁹ A negative variance occurs when a route uses fewer street and/or office hours than projected.

- There is a consistent supervisory presence on the street.
- Supervisors' workstations promote positive supervision.

Setting Expectations and Following Up on Previous Street Performance

We observed supervisors not consistently setting expectations for carriers' street leave and return times or engage in a dialogue with the carrier about expectations for the day. We also observed that delivery unit management did not consistently follow up on the previous day's street performance. The *DOIS Route Carrier Performance Report* provides the supervisor with information needed to discuss carrier performance. Although supervisors printed the report, they did not always discuss it with carriers. Management stated that some 204Bs¹⁰ are reluctant to address carrier performance because they are acting supervisors and do not want to alienate co-workers.

Although the Lancaster Carrier Annex has GPS¹¹ devices on some of its delivery vehicles (which gives managers a tool to see performance on the street), we did not observe GPS reports being used routinely as a tool to address why carriers may have come in later than expected on the previous day. If a carrier does not meet performance standards, a supervisor must investigate and discuss performance deficiencies with the carrier.¹² Furthermore, management should also take advantage of opportunities to discuss good performance with a carrier.

Street Supervision

Supervisors did not consistently provide sufficient oversight of street operations as required by Postal Service policy.¹³ Our observations found that delivery unit supervisors were not always performing daily street supervision.¹⁴ Supervisors stated that large amounts of administrative work impeded them from being able to conduct effective daily street supervision of their carriers. Street management is necessary to maintain both the projected street time of the routes and the customer's expected time of delivery.

One effective tool used to assist in conducting street supervision is a Postal Service (PS) Form 3999, Inspection of Letter Carrier Route, documenting the carrier's ability to deliver their route. Supervisors are required to complete a PS Form 3999 for each route

¹⁰ A craft employee working as an acting supervisor. *eHRSSC Forms, Acronyms and Glossary of HR Terms*, Version 1.0, Revised October 6, 2011.

¹¹ Global Positioning System is an electronic system that uses satellites to determine the position of a vehicle.

¹² *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook*, 2007, Section 5-7.

¹³ Handbook, M-39, *Management of Delivery Services*, Section 134.12, March 1998.

¹⁴ During our site visit to the Lancaster Carrier Annex in June 2012, management informed us of a new initiative of the Central Pennsylvania District, to improve city carrier performance and promote accountability for street supervision. The initiative instructed Executive and Salary Administration (EAS) level 24 level postmasters and Post Office Operations managers, regardless of grade to ride along with the carriers at least once a month. Handbook M-39, Section 134.11, states that street management is a natural extension of office management and all carriers are to be notified to expect daily supervision on the street.

at least annually. Having a current PS Form 3999 allows the supervisor to know exactly the carrier's line-of-travel and where a carrier should be and at what time. A current¹⁵ PS Form 3999 helps a supervisor monitor street performance by providing the supervisor with information on how long it should take for a section of deliveries.

Supervisors' Workstations Promote Positive Supervision

Supervisors' workstations did not always promoted positive supervision, specifically mail transport containers and bookcases blocked one supervisor's view of the carriers. Postal Service policy states that supervisors' desks or workstations should be in an area that allows maximum visual coverage of the workroom floor without impeding operations. During our review management stated the Lancaster Carrier Annex was scheduled to begin rearranging the workroom floor in June 2012, including moving the supervisor's workstation. As of September 2012, the reconfiguring of the workroom floor had not been completed.

More Efficient Carrier Office Practices

In addition to using more workhours than necessary, we also noted an increase in office variance time of 8,973 workhours from October through March of FYs 2011 and 2012, even though they implemented FSS (see Table 2).

Table 2: Analysis of Office Variance: Lancaster Carrier Annex

Fiscal Year	Oct.	Nov.	Dec.	Jan.	Feb.	March	Total
FY 2012	1,652	1,948	2,286	2,272	1,847	1,490	11,495
FY 2011	320	253	1328	308	114	199	2,522
Difference	1,332	1,695	958	1,964	1,733	1,291	8,973

Source: OIG Analysis using Postal Service Data from the Enterprise Data Warehouse (EDW).

The OIG also analyzed the unit route variances for office efficiency and found that 53 of the 109 routes in FY 2011 and 77 of the 109 routes in FY 2012 accounted for 80 percent of the increase in office variance workhours.

We observed opportunities for carriers to be more efficient and save office time while preparing mail for delivery. These opportunities include:

- Appropriate handling of FSS mail.
- Minimizing talking and wandering around facility.
- Following established accountable item procedures.

¹⁵ Our review also noted that the district inspected all routes at the Lancaster Carrier Annex in April and May 2012 and revised all PS Form 3999s; therefore, no recommendation is required related to this issue.

Handling Flats Sequencing System Mail

Some carriers were unnecessarily casing¹⁶ FSS mail. FSS mail has been presorted into delivery sequence in order of the line-of-travel on the route. FSS mail is not to be cased however, as part of a memorandum of understanding between the Postal Service and the National Association of Letter Carriers, carriers delivering to park-and-loop and foot routes are allowed to collate FSS mail to ensure that carriers only take three bundles. In March 2011, the Lancaster Carrier Annex began receiving FSS mail. The expected result was a decline in office time. However, the office variance for the first and second quarter of FY 2012 increased by 8,973 workhours, in part due to unnecessary handling of FSS mail.

Talking and Wandering Around the Facility

We observed some carriers talking and wandering around the facility. For example, multiple carriers would be away from their cases for several minutes at a time. Some would be just making a loop around the station, walking by the Delivery Point Sequence (DPS) mail, stopping and looking at the hot case, and visiting with other carriers. All of this was done with caseable mail at their workstation. Postal Service policy¹⁷ states that carriers should attend diligently to their work and refrain from loud talking.

Accountable Item Procedures

We also observed several carriers were standing at the accountable item cart forming a line instead of waiting for the accountable mail to be distributed at their case. Postal Service policy¹⁸ states that accountable items must be available for carriers in a timely manner so as not to cause delays. Because carrier time should be minimized in the accountable operation, use of a mobile accountable cart¹⁹ is highly encouraged.

More Efficient Carrier Street Practices

In addition to using more workhours than necessary, we also noted an increase in street variance time of 8,046 hours from October through March of FYs 2011 and 2012, even though they implemented FSS (see [Table 3](#)).

¹⁶ Casing or routing mail is the act of placing letter and flat mail in the separations of carrier cases. Also refers to the process of placing flat mail in delivery sequence.

¹⁷ Handbook M-41, *Carriers Duties and Responsibilities*, Section 112.25.

¹⁸ *Field Operations Standardization Development, Morning (AM) Standard Operating Procedures (AMSOP) II Guidebook*, Section 3-1, 2007.

¹⁹ Clerks use accountable carts to transport items from the accountable cage to carriers.

Table 3: Analysis of Delivery Street Variance: Lancaster Carrier Annex

Fiscal Year	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
FY 2012	2,051	2,441	1,703	1,863	1,805	1,786	11,649
FY 2011	393	742	994	793	484	197	3,603
Difference	1,658	1,699	709	1,070	1,321	1,589	8,046

Source: OIG Analysis using Postal Service data from EDW.

The OIG also analyzed the unit route data and found that 28 of the 109 routes in FY 2011 and 49 of the 109 routes in FY accounted for 80 percent of the increase in street variance.

We observed opportunities for carriers to be more efficient and save street time while delivering mail. These opportunities include:

- More efficient loading of vehicles.
- Using satchels to hold mail.
- Fingering²⁰ mail between deliveries.
- Following the line-of-travel.²¹
- Curtailing excessive cell phone use and lengthy visits with other carriers and customers.

More Efficient Vehicle Loading

We observed opportunities for carriers to more efficiently load their vehicles before they depart for the street. Specifically, some carriers were unnecessarily making multiple trips to retrieve mail between the delivery unit and their postal vehicles and talking and loading slowly. Postal Service policy²² states that the carrier should take all mail for delivery to the vehicle at the same time using a hamper and avoiding extra trips and proceed directly to their vehicles and load the mail. Postal Service policy also states that managers must supervise loading area activities to prevent delays in carriers departing for the street.

²⁰ The final separation of mail for the next several stops along with the verification of the address for delivery.

²¹ The specific order of deliveries on a carrier's route, as well as the streets traveled to service these deliveries.

²² Handbook M-39, *Management of Delivery Services*, March 1998, Sections 125.1 and 125.22.

Using Satchels to Hold Mail and Fingering Mail Between Deliveries

We observed that some carriers did not consistently load their satchels or use a satchel to deliver mail on park-and-loop routes.²³ Inconsistent or improper use of satchels resulted in carriers having to more frequently retrieve mail from their vehicle thus incurring additional street time. Postal Service procedures require carriers delivering mail on park-and-loop routes to use their vehicles as movable relay boxes²⁴ from which the carrier withdraws a substantial amount of mail and places it into his satchel before beginning the route. Carriers are required to carry the appropriate amount of mail, up to the 35-pound limit, to complete each assigned relay without additional trips to the vehicle or relay box²⁵ (see Illustration 1).

Illustration 1: Carrier Delivering Mail Without Required Satchel



Source: OIG photo taken May 2012.

We also observed some carriers not “fingering mail” between deliveries to place mail pieces in order while delivering on park-and-loop routes. Postal Service policy²⁶ states that carriers are required to finger mail between deliveries to avoid having to sort through mail while standing at the customer’s box and incurring additional street time.

²³ Park-and-loop routes are routes where the carrier drives to the general delivery location, and then effects door-to-door delivery while on foot.

²⁴ Bundles or strapped mail that the carrier prepares in sacks for delivery to boxes on the carrier’s line-of-travel. When the carrier completes delivery of carry-out mail, they may pick up additional mail from relay boxes and continue this process until the entire route is served.

²⁵ Handbook M-41, *City Delivery Carriers Duties and Responsibilities*, Section 273.

²⁶ Handbook M-39, Section 125.6, and Handbook M-41, Section 321.5.

In addition, carriers did not always follow their established line-of-travel. Postal Service policy²⁷ states that carriers must deliver mail along a prescribed route and are required to follow their authorized line-of-travel at all times. As a result, carriers incurred extra street time by unnecessarily delivering routes out-of-order.

Lastly, we observed some carriers excessively talking on cell phones, to customers, and other carriers during street delivery. Specifically, we observed one route carrier remain on a cell phone in excess of 10 minutes while continuing to deliver the mail. Also, we observed two carriers stop to visit each other in excess of 5 minutes and another incident where a carrier stopped and visited with a customer in excess of 10 minutes.

Improved carrier supervision and more efficient carrier practices would increase the Lancaster Carrier Annex's overall efficiency and allow the Postal Service to reduce 12,339 workhours. We estimated this would result in savings of \$515,838 annually (see [Appendix B](#)).

Other Matters

The Lancaster Carrier Annex has 109 routes, three zones,²⁸ and one supervisor for each zone. In two of the three zones the employee-to-supervisor ratio is about 43 to 1. Management explained that the high supervisory ratio was because two of their five authorized supervisor positions were vacant. An analysis of the employee-to-supervisor ratio using the Postal Service's *Supervisor Workload Credit Worksheet* indicated that about six supervisors are needed at the Lancaster Carrier Annex. Also, according to our research, the employee-to-supervisor ratio and resulting span-of-control varies based on the type and complexity of the work. However, it is generally thought that for less complex work, a ratio of one supervisor to 15 to 25 employees is effective.²⁹

Recommendations

We recommend the vice president, Eastern Area Operations:

1. Reduce 12,339 office and street workhours in fiscal years 2013 and 2014 to achieve an annualized economic impact of \$515,838,
2. Ensure that supervisors establish and discuss performance expectations, and consistently oversee daily street operations using management tools and reports to avoid the unnecessary labor costs.
3. Ensure that supervisors consistently use available vehicle tracking technology such as Global Positioning Systems to track route time.

²⁷ Handbook M-41, Section 122.11, and Handbook M-39, Section 125.3.

²⁸ A method of grouping carrier routes by three-digit ZIP Code prefix areas of dispatch and receipt and proximity to each other by line-of-travel.

²⁹ Span of Control (<http://www.businessdictionary.com/definition/span-of-control.html>) is defined as: "the number of subordinates that a manager or supervisor can directly control."

4. Ensure supervisors' workstations have clear line-of-sight of carriers' workstations to promote positive office supervision.
5. Ensure management reinforces Postal Service policies and procedures for city delivery street operations to help eliminate carrier inefficient practices during office and street operations.
6. Ensure supervisors address carrier performance when a carrier does not follow established delivery procedures in the office and on the street.

Management's Comments

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

Management agreed with recommendation 1 and the savings of 12,339 workhours in FYs 2013 and 2014. Management stated that they implemented route adjustments on July 14, 2012 and, based on these adjustments, they expect a reduction of at least 12,339 workhours at the Lancaster Carrier Annex. Estimated completion date is September 30, 2014.

Management agreed with recommendation 2 that there are costly, inefficient delivery practices at the Lancaster Carrier Annex. Management outlined actions they have or plan to take to promote greater efficiency including enhanced senior management oversight and a change in unit management to help provide more stability in the office. The estimated completion date is October 27, 2012.

Management agreed with recommendation 3 and the need to consistently use vehicle tracking technology. However, management stated the Postal Service's national GPS contract will expire on September 28, 2012 and devices will be deactivated. Therefore, the unit is establishing a procedure to perform 15 Managed Service Point (MSP)³⁰ scans per route to assist monitoring street performance. The estimated completion date is October 27, 2012.

Management agreed with recommendation 4 that supervisor's workstations have to have a clear line-of-sight of the carriers. A work order has been submitted to maintenance to make the office more efficient. The estimated completion date is October 27, 2012.

Management agreed with recommendation 5 that there are inefficient office and street practices. Management provided Lancaster Carrier Annex managers with delivery training on June 4, 2012; implemented a district street team to enhance management's street presence; and enhanced local management's focus on efficient vehicle loading,

³⁰ MSP is a tool designed to monitor consistency of delivery time and enhance street management through the use of the MDCD (Mobile Data Collection Device).

satchel use, fingering mail, following line-of-travel, and phone use. The estimated completion date is October 27, 2012.

Management agreed with recommendation 6 regarding the need for supervisors to address carrier office and street performance. Management stated there is now daily interaction with employees; and supervisors have begun setting expectations, monitoring time-wasting practices and addressing issues with proper disciplinary actions. Also, carrier start times have been changed to eliminate unnecessary waiting. The estimated completion date is October 27, 2012. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

The OIG considers recommendations 1, 2, 5, and 6 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Additional Information

Background

The Postal Service faces the most difficult operating period in its 235-year history. Mail volume in FY 2011 declined by another 3 billion pieces to 168 billion, dropping total mail volume to levels not seen since 1992. Since 2007, mail volume has dropped by about 44 billion pieces. While the mail volume continues to decline, the number of delivery points continues to increase by about 700,000 annually. The Postal Service must improve operational efficiency to reduce costs while facing financial losses from declining mail volume.

Despite a high degree of automation, mail delivery remains labor intensive. Labor costs comprise nearly 80 percent of the Postal Service's costs. Delivery operations have the highest fixed cost in the system, making up more than 30 percent of the Postal Service's operating expenses. The delivery carrier's functions consisting of both office and street operations used 349,564,154 total workhours³¹ in FY 2011.

To offset labor and costs during FY 2011, the Postal Service adjusted routes, used growth management programs and route optimization tools, and took advantage of continuous improvement programs to keep cost growth to a minimum. For example, the Postal Service increased the percentage of flat mail sorted in delivery point sequence using FSS which is a critical component of the strategy to contain costs through the automation of the flat mail stream. The implementation of FSS usually results in significant changes in carrier office time because of reduced cased residual volume workload.

The Lancaster Carrier Annex in Lancaster, PA is in the Central Pennsylvania District and has 109 delivery routes and expended about 282,152 total office and street workhours in FY 2011. In March of 2011, the Lancaster Carrier Annex began receiving FSS mail.

Objective, Scope, and Methodology

Our objective was to assess the effectiveness of city delivery operations at the Lancaster Carrier Annex. To accomplish our objective we:

- Reviewed office and street operations, discussed operations with management officials, and assessed potential opportunities for reducing workhour costs.
- Reviewed and analyzed delivery unit data from the EDW, DOIS, and MSPs.
- Reviewed FY 2011 and FY 2012 DOIS data to evaluate office performance and judgmentally select a sample of 10 routes with the highest variances to observe

³¹ DOIS workhours queried from the EDW.

street performance and determine causes for overage, such as changes on routes, volume, FSS, new delivery points.

- Reviewed FSS mail handling policy and observed carrier FSS mail handling procedures.
- Discussed findings with management and included their comments, where appropriate.
- Reviewed documentation and applicable policies and procedures for city delivery and Postal Service Handbooks M-39, *Management of Delivery Services* and M-41, *Carriers Duties and Responsibilities*.

We conducted this review from May through September 2012 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on August 28, 2012, and included their comments where appropriate.

We relied on data obtained from Postal Service database systems, such as DOIS and EDW. We did not directly audit the systems but performed a limited data integrity review to support our data reliance. We determined that the data were sufficiently reliable for the purposes of this report.

[Prior Audit Coverage](#)

The U.S. Postal Service OIG has issued nine reports related to the objective of this review within the last three years. See [Appendix C](#) for additional information about the prior audits.

Appendix B: Monetary Impact

Recommendation	Impact Category	Amount
1	Funds Put to Better Use	\$1,031,676
2	Questioned Costs ³²	868,388
Total	Monetary Impact	\$1,900,064

Source: OIG.

Funds Put to Better Use Methodology

We calculated funds put to better use for reducing city carrier workhours using the Lancaster Carrier Annex city carrier overtime rate of \$41.43 for FY 2013, with an escalation factor of 1.8 percent for the 2-year projection totaling \$1,031,676. Annualized by dividing 1,031,676 by 2 that equaled an annualized amount of \$515,838.

The 12,339 annual workhour savings represent 740,340 minutes (12,339 workhours multiplied by 60 minutes). Dividing the more than 740,340 minutes by 109 routes in the Lancaster Carrier Annex and then dividing that by 303 annual days equals a reduction savings of about 22 minutes per route per day.

Questioned Costs Methodology

Our estimate of \$868,388 in questioned costs included questioned costs of \$283,895 for FY 2011 and \$584,493 for the first three quarters of FY 2012. Our calculation was based on the reduction of 7,233³³ workhours at an annual cost savings of \$283,895 for FY 2011 and a reduction of 14,361 workhours at a cost of \$584,493 for the first three quarters of FY 2012.

- For FY 2011 we determined 53 routes represented 80 percent of office variance workhours, totaling 5,047 workhours. We calculated the average office variance of the remaining 56 routes, which resulted in 23 hours (1,282 hours divided by 56 routes equals 22.89 hours 23 rounded up). We then subtracted the 23 average office variance hours from each of the 53 high variance routes. This resulted in 3,828 hours which we then multiplied by the city carrier hourly rate of \$39.25 for a total of \$150,249 in questioned costs.
- For FY 2012, we determined 77 routes represented 80 percent of office variance workhours, totaling 11,618 hours. We calculated the average office variance of the remaining 32 routes, which resulted in 92 hours (2,950.23 hours divided by

³² A questioned cost is categorized as unnecessary, unreasonable, unsupported or an alleged violation of law, regulation or contract.

³³ Excess office hours of 3,828 and excess street hours of 3,405 multiplied by the delivery unit city carrier overtime labor rate of \$39.25 for FY 2011. Excess office hours of 4,419 and excess street hours of 9,942 multiplied by the delivery unit city carrier overtime rate of 40.70 for FY 2012.

32 routes equals 92.20 hours 92 rounded down). We then subtracted the 92 average office variance workhours from each of the 77 high variance routes. This resulted in 4,419 workhours which we then multiplied by the city carrier hourly rate of \$40.70 for a total of \$179,853 in questioned costs.

- For FY 2011 we determined 28 routes represented 80 percent of street variance workhours, totaling 3,741 workhours of the district's total street variance in FY 2011. Also, we calculated the average street variance of the remaining 81 routes, which resulted in 12³⁴ hours. We then subtracted the 12 average street variance workhours from the hours for each of the 28 routes. This resulted in 3,405 hours above the projected street workhours which we multiplied by the hourly rate of \$39.25 for a total of \$133,646 questioned costs.
- For FY 2012, we determined 49 routes represented 80 percent of the street variance workhours totaling 12,539 hours of the district's total street variance in FY 2012. Also, we calculated the average street variance of the remaining 60 routes, which resulted in 53³⁵ hours. We then subtracted the 53 average street variance hours from the hours for each of the 49 routes. This resulted in 9,942 hours above the projected street hours which we multiplied by the hourly rate of \$40.70 for a total of \$404,639 questioned costs.

We calculated total cost for office and street variance of \$283,895 in FY 2011 and \$584,493 for the first three quarters of FY 2012, resulting in a total of \$868,388 in questioned costs for the 2 years.

³⁴ We divided 991.42 hours by 81 routes which equal 12.24 or 12 hours rounded down.

³⁵ We divided 3,193.69 hours by 60 routes which equal 53.23 or 53 hours rounded down.

Appendix C: Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>City Street Delivery Efficiency – San Diego District</i>	DR-AR-12-001	6/5/2012	\$6,840,240
<i>Report Results</i>	The audit concluded that the San Diego District could increase overall efficiency and reduce about 83,943 workhours by adjusting its operations and improving supervision during carrier street delivery. Management agreed to the findings, recommendations, and monetary impact.		
<i>National Assessment of City Delivery Efficiency 2011 – Office Performance</i>	DR-MA-11-002	7/19/2011	\$88,192,138
<i>Report Results</i>	We determined that 21 districts operated at a percent to standard above the national average (mean) of 104.37 for the period January 1 through December 31, 2010. In other words, these districts used more minutes per route than the average carrier route in the nation. If the Postal Service’s least productive districts were brought up to the average productivity level, they could save more than \$88 million in 1 year. Management agreed with the findings and two of three recommendations. Management disagreed with the data source for our workhour savings.		
<i>City Delivery Efficiency – Chicago District</i>	DR-AR-11-004	3/30/2011	\$65,362,706
<i>Report Results</i>	The Chicago District has opportunities for enhanced delivery efficiency and reduced workhour costs. Our benchmarking comparison determined the Chicago District’s percent to standard measurement was 120.04 or 14.9 percentage points above the national average of 105.14. In other words, the Chicago District used about 16 minutes more per carrier route than the average carrier route in the nation. Management agreed to the findings, recommendations, and monetary impact.		

Report Title	Report Number	Report Date	Monetary Impact
<i>City Delivery Efficiency – Northern Virginia District</i>	DR-AR-11-003	1/20/2011	\$32,171,718
<i>Report Results</i>	The Northern Virginia District was not operating at peak efficiency and could reduce city delivery operating costs. Our benchmarking comparison determined the Northern Virginia District percent to standard measurement was 123.24, or 17 percentage points above the national average of 105.05 percent. In other words, the district used about 16 minutes more than the average carrier route in the nation. Management agreed to the findings, recommendations, and monetary impact.		
<i>City Delivery Efficiency Review – New York District</i>	DR-AR-11-002	1/18/2011	\$93,143,986
<i>Report Results</i>	The New York District has opportunities for enhanced efficiency and reduced workhours. Our benchmarking comparison determined the New York District's percent to standard measurement was 127.05, or 21.1 percentage points above the national average of 105.95 percent. In other words, the district used about 37 minutes more than the average carrier route in the nation. However, because of unique delivery issues specific to the New York District, we used 25 minutes per carrier route. Management agreed to the findings, recommendations, and monetary impact.		
<i>City Delivery Efficiency Review – Atlanta District</i>	DR-AR-10-009	9/24/2010	\$27,374,309
<i>Report Results</i>	The Atlanta District was not operating at peak efficiency and could reduce city delivery operating costs. Although numerous factors were involved, our review of 22 randomly selected delivery units confirmed these inefficiencies and determined that district management did not always (1) provide sufficient review and oversight of unit offices' operating efficiencies and (2) coordinate with the mail processing facility to ensure mail was timely received and in a condition that promoted office operating efficiency. Eliminating time-wasting practices and increasing the focus on efficiency could allow management to reduce workhours. Management agreed with findings,		

	recommendations, and monetary impact.		
Report Title	Report Number	Report Date	Monetary Impact
<i>City Delivery Efficiency Review – Bay-Valley District</i>	DR-AR-10-007	8/26/2010	\$79,016,988
<i>Report Results</i>	The Bay-Valley District was not operating at peak efficiency and could save workhours and reduce city delivery operating costs. Although numerous factors were involved, our review of 22 randomly selected delivery units determined that district management did not always (1) provide sufficient review and oversight of unit offices' operating efficiencies and (2) coordinate with mail processing facilities to ensure mail was timely received and in a condition that promoted office operating efficiency. Elimination of time-wasting practices and an increased focus on efficiency could allow management to reduce workhours. Management agreed to the findings, recommendations, and monetary impact.		
<i>City Delivery Efficiency Review — Los Angeles District</i>	DR-AR-10-006	7/1/2010	\$105,000,000
<i>Report Results</i>	The Los Angeles District was not operating at peak efficiency and could save workhours and reduce city delivery operating costs. Although numerous factors were involved, our review of 25 randomly selected delivery units confirmed these inefficiencies and determined that district management did not (1) provide sufficient review and oversight of unit offices' operating efficiencies and (2) coordinate with the mail processing facility to ensure mail was timely received and in a condition that promoted office operating efficiency. Elimination of time-wasting practices and increased focus on efficiency could allow management to reduce workhours. Management agreed to the findings, recommendations, and monetary impact.		
Report Title	Report Number	Report Date	Monetary Impact
<i>City Delivery Efficiency Review – San Francisco Napoleon Street</i>	DR-AR-10-002	12/18/2009	\$21,308,433

<i>Station</i>			
<i>Report Results</i>	The audit concluded that the Napoleon Street Station was not operating at peak efficiency and management could reduce city delivery costs. Our benchmarking comparison of five similar delivery units showed this station used 54,975 workhours more than necessary. We also found that management did not adjust workhours to match changes in workload. Management agreed with our findings and recommendations to correct the issues identified.		

Appendix D: Management's Comments

JORDAN M. SMALL
VICE PRESIDENT, AREA OPERATIONS
EASTERN AREA



September 18, 2012

Lucine M. Willis
Office of Inspector General
Director Audit Operations
1735 N. Lynn Street
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SUBJECT: City Delivery Operations
Lancaster Main Post Office
Project Number 12XG023DR000

Lancaster PA City Delivery Operations OIG Response

The Eastern Area generally agrees with the report findings and recommendations 1 through 6 however, we would like to note that even though there was an increase in the Lancaster unit's variance workhours there was a decrease in overall workhours after FSS was implemented. The Lancaster Post Office started receiving FSS volume as part of a FSS Phase II Pilot Test in March 2011. No adjustments were made to the routes involved in the pilot program due to the assumption the FSS machines would be removed on September 29, 2012. Our records indicate in FY 11, the actual office hours prior to FSS implementation averaged 6,477 hours a month from October through March. The ten months following FSS implementation in FY 12 (October – July) the office hours averaged 5,335, a decrease of 17.6% compared to pre- FSS. During this same time period, the street hours increased 6.2% in FY 12 after FSS implementation. Following FSS implementation, the bottom line F2B work hours decreased .41% in FY 12 (Appendix 1).

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Appendix 1

Installation	Office Hours	OCT 2010	NOV 2010	DEC 2010	JAN 2011	FEB 2011	MAR 2011	APR 2011	MAY 2011	JUN 2011	JUL 2011	AUG 2011	SEP 2011	Total
Lancaster	Projected Office Hours	6546	6923	6977	6101	5871	6667	6076	6254	5314	5022	5216	5207	70272
FY 2011	Total Office Hours	6865	7175	7405	6409	5986	6867	6457	5923	5963	5716	6484	6298	77548
	Office Variance	320	253	1328	308	114	199	381	670	649	694	1268	1091	7276
Installation	Office Hours	OCT 2011	NOV 2011	DEC 2011	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012			
Lancaster	Projected Office Hours	4925	4201	3424	3400	3072	3942	3640	3174	3421	4162			
FY 2012	Total Office Hours	6577	6149	5710	5672	4919	5432	4802	4802	4537	4746			
	Office Variance	1652	1948	2286	2272	1847	1490	1163	1629	1116	583			
Lancaster	Office Variance from FY 12 to FY 11	-289	-1026	-1695	-737	-1067	-1435	-1655	-1121	-1426	-971			
Installation	Street Hours	OCT 2010	NOV 2010	DEC 2010	JAN 2011	FEB 2011	MAR 2011	APR 2011	MAY 2011	JUN 2011	JUL 2011	AUG 2011	SEP 2011	Total
Lancaster	Projected Street Hours	16463	15804	17121	15804	15162	17843	17183	16522	17183	16522	17785	16064	199455
2011	Street Hours	16865	16534	18123	16563	15633	18053	17207	16455	17095	16522	18075	17242	204368
	Street Variance	402	730	1002	759	471	210	24	-67	-87	1	290	1179	4913
Lancaster	Projected Street Hours	16083	15420	16705	15420	15420	17348	16083	16705	17086	17538			
2012	Street Hours	17772	17750	18958	17169	17187	19121	18020	18366	17897	17269			
	Street Variance	1709	2330	2253	1748	1767	1773	1957	1661	801	-267			
Lancaster	Street Variance from FY 12 to FY 11	908	1216	836	606	1554	1067	813	1911	802	747			
Lancaster	Total Variance from FY 12 to FY 11	619	190	-859	-131	487	-368	-841	790	-624	-223			

Recommendations

1. Reduce 12,339 office and street workhours in fiscal years 2013 and 2014 to achieve annualized economic impact of \$515,838 or \$1,031,676 over 2 years.

Management Response:

The Eastern Area is in agreement there is significant hour savings in both the office and street. A route inspection was conducted on all routes from April 27, 2012 –May 24, 2012. Route adjustments were implemented on July 14, 2012 with new base data that management is confident they can manage. Our analysis notes a positive trend in both the office and street workhours since the route adjustment on July 14, 2012 however, due to the timing of the OIG analysis the data reflecting this trend was not available. Given the recent route adjustment performance the office has been currently running 299 hours under the new projected hours. Assuming Lancaster will continue this performance the unit will be expected to perform at a reduction of 12,399 hours in FY 2013 and 2014. The total two year monetary savings is calculated to be \$1,031,676. The projected date for completion is September 30, 2014.

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2. Ensure that supervisors establish and discuss performance expectations, and consistently oversee daily street operations using management tools and reports to avoid the unnecessary labor costs of \$868,388.

Management Response:

The Eastern Area is in agreement there are costly inefficient practices. The senior POOM is on site 2-3 days a week working with the Postmaster and supervisors making certain they are discussing performance expectations with each carrier.

There has been a change in the management staff. The POOM has assigned a new OIC, brought back the regular Station Manager, and is in the process of bringing back a regular supervisor from a detail assignment to help stabilize and maintain consistency in the office. The Postmaster of Lancaster is currently conducting daily management meetings with supervisors to discuss prior day performance and expectations for current day. The projected date of completion is October 27, 2012.

Cost savings addressed in this recommendation will be part of the savings captured in Recommendation 1.

3. Ensure that supervisors consistently use available vehicle tracking technology such as Global Positioning Systems to track route time.

Management Response:

The Eastern Area is in agreement that management needs to consistently use the available Global Positioning Systems to track route time however, the National GPS device contract expires on September 28, 2012 and all devices will be deactivated in Lancaster. The unit is in the process of establishing 15 MSP scans per route (3 Office scans and 12 Street scans). Pivot plans and 1564 will be updated to include new break and lunch locations since the new adjustments took place on 7/14/12. The targeted date for completion is October 27, 2012.

4. Ensure supervisors' workstations have clear line-of-sight of carriers' workstations to promote positive office supervision.

Management Response:

The Eastern Area is in agreement that the supervisors' workstations have to have a clear line-of-sight of the carriers. A work order has been submitted to maintenance to move cases and make the office more efficient. The office has moved the cage, and the scanners. Bob Varano, MOPS, is assisting in expediting work floor changes. The targeted completion date is October 27, 2012.

5. Ensure management reinforces Postal Service policies and procedures for city delivery street operations to help eliminate carrier inefficient practices during office and street operations.

Management Response:

The Eastern Area is in agreement there are inefficient practices during office and street operations. A district street team has been assigned to Lancaster in conjunction with local management keying on efficient loading, use of satchels, fingering mail, following the line of travel and cell phone use. The team will utilize MSP to identify any time variance from point to point. The findings are reviewed daily by the Postmaster and POOM.

The Area conducted a Delivery Symposium for the delivery management personnel in Central Pennsylvania during the week of June 4, 2012. The POOM, OIC, Station Manager and three regular supervisors were trained.

The targeted completion date is October 27, 2012.

6. Ensure supervisors address carrier performance when a carrier does not follow established delivery procedures in the office and on the street.

Management Response:

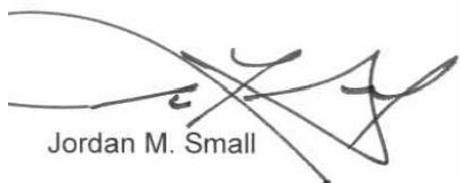
The Eastern Area is in agreement there is the need for supervisors to address carrier office and street performance. There is now daily interaction with the employees setting expectations and having a supervisor's presence to monitor how the carriers are handling the FSS mail and observe any time wasting practices such as talking, wandering around the facility, and making multiple pulls.

The carrier's start times have been changed from 7:30AM to 8:00AM to eliminate waiting time or pacing by the carriers. The office is also in the process of hiring two PSE's for the distribution operation. This will eliminate waiting time and carriers lining up for accountables which is a large piece of the office variance.

There has been an aggressive push on proper discipline in the office with labor present for a 6 week period. Some carriers have received 7 or 14 suspensions including a proposed removal for performance or failure to follow proper procedures.

The targeted completion date is October 27, 2012.

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



Jordan M. Small

Cc: Dean Granholm, Vice President, Delivery and Post Office Operations
Joshua D. Colin, Ph.D, Manager, Operations Support, Eastern Area
Marie T. Myers, Manager, Delivery Programs Support, Eastern Area