



September 1, 2009

DEBORAH M. GIANNONI-JACKSON
VICE PRESIDENT, EMPLOYEE RESOURCE MANAGEMENT

SUBJECT: Management Advisory – MVA Reduction Target-Setting Process
(Report Number HM-MA-09-002)

This report presents the results of our work in response to your request that we determine the best practices used by private companies to establish motor vehicle accident (MVA) reduction targets (Project Number 09YG010HM000). The objective was to determine whether best practices included the use of MVA frequency rates achieved in the same period last year (SPLY) and other factors such as geographic locations, rural versus city routes, and weather. You also asked that we determine how company units (regions, divisions, etc.) are held accountable for achieving corporate MVA reduction targets. This review was performed under the Value Proposition Agreement between Employee Resource Management and the U.S. Postal Service Office of Inspector General (OIG) Human Capital Directorate. This review addresses the OIG's financial risk factor. See [Appendix A](#) for additional information about this review.

Conclusion

The two benchmarked companies are comparable to the Postal Service because they use the same best practices to establish MVA reduction targets and do not consider geographic locations, rural versus city routes, weather, and other factors when setting targets.¹

Benchmarking Results

Best practices the two benchmarked companies use to establish MVA reduction targets included the use of MVA frequency rates achieved in the SPLY, a mileage/kilometer driven metric, and root cause analyses. The companies did not consider factors such as geographic location, rural versus city routes, and weather when establishing MVA reduction targets. Instead, they included geographic location and weather, along with human behavior, in their MVA root cause analyses. Several research documents cited identifying root causes as an important factor. None of the research documents, however, discussed MVA target setting.²

¹ We contacted 47 companies with fleet vehicles from a variety of industries, including car rentals, utilities, communications, and retail and delivery services. Only two of the 47 companies agreed to benchmark with us.

² The documents referenced MVA reduction targets but did not discuss the process for establishing them.

The Postal Service's use of a mileage driven metric to determine its MVA reduction target is also comparable to what private companies use. In fact, the widespread use of this metric has not changed over time. Other best practices the two benchmarked companies and the Postal Service use include employee incentives and internal controls. See [Appendix B](#) for the detailed analyses on benchmarking results and [Appendix C](#) for an analysis and listing of research documents.

The purpose of this report was to provide information; therefore, we are not making any recommendations.

Management's Comments

Management's review of the discussion draft resulted in an agreement to waive a formal briefing and the draft report comment period. Management's formal letter had no additional comments. Management's comments, in their entirety, are included in [Appendix D](#).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Chris Nicoloff, Director, Human Capital, or me at (703) 248-2100.

E-Signed by Office of Inspector General 
VERIFY authenticity with ApproveIt
Andrea Deadwyler

Andrea Deadwyler
Acting Deputy Assistant Inspector General
for Support Operations

Attachments

cc: Anthony J. Vegliante
Jeannine H. Turenne
Bill Harris

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service is obligated under the Occupational Safety and Health Administration's (OSHA) "General Duty" clause to provide a safe and healthful working environment for all workers covered by the Occupational Safety and Health Act of 1970. Postal Service policy also outlines the agency's commitment to integrating safe work practices into all of its services.³

The Postal Service uses the American National Standards Institute method for calculating MVA frequency rates to derive motor vehicle fleet and passenger accident rates. The rates can determine the extent of the MVA problem, the need for accident prevention programs, and the relative effectiveness of accident prevention activities. The MVA frequency rate is a ratio of accidents per one million miles. It is calculated using the actual number of MVAs, times one million miles, divided by the number of actual miles driven.⁴

When setting targets, the Postal Service's overall objective is to improve the MVA reduction rate from the SPLY. The Field Operations Requirements and Planning (FORP) Group establishes national and unit MVA reduction targets annually. Headquarters Vice Presidents; Area Vice Presidents; management associations⁵; the Vice President, Employee Resource Management; and the Director, Safety Environmental and Performance Management, provide input to the FORP. The Chief Operating Officer and Deputy Postmaster General must approve all MVA targets.

For fiscal years (FY) 2007 and 2008, the Postal Service's MVA frequency rate was 9.79 and 9.52, respectively. The targets were 9.9 and 9.8, indicating they exceeded the targets. For FY 2009, the MVA reduction target is 9.8. As of the third quarter of FY 2009, their frequency rate is 9.13, indicating they are on target.

OBJECTIVES, SCOPE, AND METHODOLOGY

One objective was to determine if best practices private companies use to establish MVA reduction targets included frequency rates achieved in the SPLY and other factors such as geographic locations, rural versus city routes, and the weather. We also determined how the company units were held accountable for achieving corporate MVA reduction targets.

³ *Employee and Labor Relations Manual*, Section 811.22, Vision Statement, March 2008.

⁴ The actual miles driven are comprised of mileage from postal-owned vehicles, personally owned vehicles used for rural routes, and personally owned vehicles used for Postal Service purposes as recorded in eTravel, and rental cars.

⁵ The management associations are the National League of Postmasters of the United States, the National Association of Postmasters of the United States, and the National Association of Postal Supervisors.

To accomplish our objectives we interviewed and obtained relevant documents from Postal Service officials responsible for the MVA reduction target-setting process. We also identified 47 companies with motor vehicle fleets representing a variety of industries. This included utility, communication, car rental, retail and delivery service, and insurance companies. Only two of the 47 companies agreed to participate in the benchmarking study and asked not to be identified. Information obtained from the two benchmark partners included factors used to establish MVA reduction targets including frequency rates achieved in the SPLY, geographic locations, rural versus city routes, and the weather. We also obtained information relative to how company units were held accountable for achieving corporate MVA reduction targets. See [Appendix B](#) for a complete list of information obtained.

Additionally, we contacted and visited the websites of 13 organizations and offices listed below to obtain documents relative to MVA target-setting processes. Our efforts yielded minimal information.

- Network of Employers for Traffic Safety
- National Highway Traffic Safety Administration
- National Safety Council
- Workforce Management
- The Conference Board
- American Productivity and Quality Center
- National Institute for Occupational Safety and Health
- National Transportation Safety Board
- National Center for Statistics and Analysis
- Federal Highway Administration
- Transportation Research Board
- Iowa Department of Transportation
- South Carolina Department of Public Safety

Due to the low response rate in our benchmarking initiative and document search, we conducted an extensive search of the World Wide Web and identified 13 documents related to the audit objectives. See [Appendix C](#) for an analysis and listing of research documents.

We conducted this review from December 2008 through September 2009 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials on April 9 and June 10, 2009, consistent with our Value Proposition Agreement. We included management's comments, as appropriate.

PRIOR AUDIT COVERAGE

There is no prior audit coverage related to our objective.

APPENDIX B: DETAILED ANALYSIS

Best Practices Used By Benchmark Companies and the Postal Service Related to MVA Reduction Targets

Factor	Company 1	Company 2	Postal Service
MVA frequency rates achieved in the SPLY	Yes	Yes	Yes
Geographic location, rural versus city route, and weather	No	No	No
Root Cause Analysis	Yes - Conducted at corporate level ⁶	Yes - Conducted at regional level	Yes - Conducted at field level
Mileage-driven Metric	Yes - Number of severe MVAs per million miles driven	Yes - Number of MVAs per 100,000 kilometers driven	Yes - Number of MVAs per million miles driven
Employee Accountability/Incentives	Yes - Monetary - Units required to meet or exceed corporate target	Yes - Non-monetary (annual pins and plaques every five years) - Regions and directorships required to meet targets	Yes - Monetary - Headquarters, Areas, and Districts required to meet corporate target
Target Setting	Yes - Corporate level	Yes - Regional level ⁷	Yes - Corporate level
Internal Controls	Yes - MVA data recorded and tracked by specialists	Yes - MVA data recorded and tracked by specialists	Yes - MVA data recorded and tracked by specialists
Target Revised When Not Achieved	Yes - Target based on the SPLY and understanding of long-term goal	Yes - Target based on the SPLY and root cause analysis	Yes - Target based on the SPLY
Workers' Compensation Costs Linked to MVA Target Achievement	No	No	No

⁶ The company uses Six Sigma methodology to identify root causes of accidents.

⁷ The company is currently working on establishing national reduction targets.

APPENDIX C: RESEARCH DOCUMENT ANALYSIS AND LISTING

We analyzed 13 documents related to the audit objectives dated from 1996 to 2008. None of the 13 documents discussed MVA reduction target-setting processes. However, two of the 13 documents considered the use of certain factors to measure a transportation performance evaluation system (including safety). The factors included geography, rural versus urban routes, and weather. One of the two documents stated that transportation systems are comparable and that geographic and other differences that exist should not impact the comparison. The second document, however, disagreed and stated the differences in the factors should be considered when measuring performance. These two documents also discussed the use of kilometer-driven metrics.

The 11 remaining documents focused on safety topics ranging from evaluating potentially insurable risks to accident prediction models. Seven of the 11 documents discussed the use of root-cause analysis, including drivers' behaviors (use of seat belts and cell phones), geographical locations, and the weather. Two of the 11 documents specifically mentioned a mileage driven metric. The two remaining documents discussed the use of both root cause analysis and the mileage-driven metric.

We also noted that the Postal Service's practice of using a mileage driven metric to determine its MVA target is comparable to what numerous private companies depicted in the documents. We further determined the use of this metric has not changed over time.

References and Information Resources

1. *A Good Example of Bad Transportation Performance Evaluation*, Victoria Transport Policy Institute, November 18, 2008
2. *Transportation Performance of the Canadian Provinces*, Fraser Institute, October 2008
3. *Accident Analysis and Prevention: Highway Accident Severities*, Science Direct, January 2008
4. *Health, Safety, and Environment Goals*, Eli Lilly and Company, 2008
5. *Benchmarking Fleet Operations*, Public Entity Risk Institute, December 2007
6. *Fleet Safety Benchmark Report*, Monsanto Vehicle Safety, Safety Management Solutions, October 2007
7. *Corporate Responsibility Report*, Pacific Gas and Electric Corporation, 2007

8. *Guidelines for Employers to Reduce Motor Vehicle Crashes*, OSHA, last updated in 2006
9. *Fleet Safety at Abbott*, OSHA, April 2005
10. *Fleet Benchmarking 2004*, Marsh and McLennan Companies, May 2004
11. *Management of Work Related Road Safety*, Entect UK Limited for the Health and Safety Executive and Scottish Executive, 2002
12. *Preventing Worker Injuries and Deaths from Traffic-Related Motor Vehicle Crashes*, Centers for Disease Control and National Institute for Occupational Safety and Health, July 1998
13. *Company Vehicle Incident Reporting and Recording (CoVIR) (No.31)*, Department for Transport, 1996 and 1998

APPENDIX D: MANAGEMENT'S COMMENTS

DEBORAH GIANNONI-JACKSON
VICE PRESIDENT
EMPLOYEE RESOURCE MANAGEMENT



August 11, 2009

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Report Number HM-MA-09-DRAFT

Thank you for the opportunity to review and comment on the subject draft management advisory report.

Because the report was intended to provide information, it does not contain any recommendations. We appreciate the information that we have received and we have no additional comments.

If you have any questions, please feel free to call Jeannine Turenne, Director, Safety and Environmental Performance Management, at (202) 268-6357.

A handwritten signature in cursive script, appearing to read "Deborah Giannoni-Jackson".

Deborah Giannoni-Jackson

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