Audit Report

Contractual Support Services for the U.S. Postal Service's Continuous Improvement Program

Table of Contents

Highlights

Objective

The objective of our audit was to determine whether contractual support services for the U.S. Postal Service's Continuous Improvement (CI) Program were effectively supporting the program's goals.

In 2007, the Postal Service introduced the CI Program as a management strategy to produce both immediate and sustainable, continuous process improvements. CI is an ongoing effort to improve Postal Service products, services, or processes. The Postal Service uses the Lean Six Sigma (LSS) problem-solving process as part of the CI Program.

The awarding of an LSS Green or Black Belt requires the following specific project documentation to certify completion:

- The project tollgate presentation;

- Completion of a project summary document;

- A completed and approved project charter;

- Completed project role documentation;

- Completed and signed independent benefit project validator summary; and

- Completed and signed LSS belt checklist.

The Postal Service awarded contracts to four vendors for contractual support services for the CI Program. From February 2016 to February 2018, the Office of Continuous Improvement (OCI) spent about $9 million on contractual

> *"We reviewed 127 CI projects and determined that 76 percent of them did not have the project documentation required to award the LSS belts."*

support services. The contractors support, train, and coach belt candidates on LSS projects; develop strategic objectives; and work with teams to meet LSS project goals.

What the OIG Found

We could not determine if contractual support services were effective in supporting CI Program goals because the OCI has not developed measurable goals. The OCI Manager stated that the office has not developed measurable goals because OCI is continuously improving and learning, therefore measurable program goals were not developed. However, goals should be specific, measurable, achievable, relevant, and timely. As a result, the OCI is unable to determine the effectiveness of its contractual support services. We identified unsupported questioned costs of about $9 million from February 2016 to February 2018.

We also found that OCI management was using inaccurate information to report belt certifications. Specifically, we reviewed 127 CI projects completed from March 2016 to February 2018, and determined that 96 of them (76 percent) did not have the project documentation required to award the LSS belts. Two projects did not result in an LSS belt and the other 29 projects (23 percent) had sufficient documentation to support LSS belt awards.

This occurred due to inadequate oversight of established processes for awarding LSS belt certifications. As a result, the OCI was using unreliable information when reporting LSS belt certification numbers to its stakeholders.

What the OIG Recommended

We recommend management:

- Develop and implement specific and measurable goals for the CI Program.

- Develop and implement an oversight plan to ensure CI project documentation reviews are performed and OCI requirements are met before awarding an LSS belt certification.
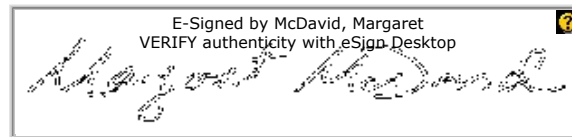
Transmittal Letter

August 31, 2018

MEMORANDUM FOR: WILLIAM J. HERRMANN
DIRECTOR, OPERATIONS RESEARCH,
INSIGHT AND CONTINUOUS IMPROVEMENT

E-Signed by McDavid, Margaret
VERIFY authenticity with eSign Desktop

                                            for
FROM: Darrell E. Benjamin, Jr.
Acting Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Contractual Support Services for the U.S.
Postal Service's Continuous Improvement Program
(Report Number NO-AR-18-009)

This report presents the results of our audit of Contractual Support Services for the U.S. Postal Service's Continuous Improvement Program (Project Number 18XG009NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Margaret B. McDavid, Director Network Processing, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management
Chief Operating Officer and Executive Vice President

Results

Introduction/Objective

This report presents the results of our self-initiated audit of contractual support services for the U.S. Postal Service's Continuous Improvement (CI) Program (Project Number 18XG009NO000). The objective of our audit was to determine whether contractual support services for the Postal Service's CI Program were effectively supporting the program's goals.

Background

In 2007, the Postal Service introduced the CI Program as a management strategy to produce both immediate and sustainable, continuous process improvements. CI is an ongoing effort to improve Postal Service products, services, or processes. The Postal Service uses the Lean Six Sigma (LSS) problem-solving process as part of the CI Program.

The Office of Continuous Improvement (OCI) administers the CI Program. The CI Program has five objectives with strategic initiatives, known as pillars, that focus on enhancing the customer experience and improving operations using the LSS methodology. The five pillars are:

- Infrastructure
- Belt Engagement, Progression and Expectation
- Training
- Coaching and Leadership
- Marketing and Communication

In February 2016, the OCI awarded support services contracts to four vendors with a total contract value of about $10 million. For the two-year period of

"The OCI administers the CI Program."

February 2016 to February 2018, the OCI spent about $9 million on contractual support services. The support services were provided by Master Black Belt (MBB)[1] and Black Belt (BB)[2] contractors. MBBs support, train, and coach all belt candidates[3] on LSS projects. BBs lead complex LSS projects and coach Green Belts (GB).[4] MBBs and BBs also develop strategic objectives, provide guidance on LSS projects, and work with teams to meet LSS project goals.

Finding #1: No Measurable Continuous Improvement Program Goals

We could not determine if contractual support services were effective in supporting CI Program goals because the OCI has not developed measurable goals. The OCI Manager stated that the office has not developed measurable goals because the OCI is continuously improving and learning, therefore measurable program goals were not developed. However, goals should be specific, measurable, achievable, relevant, and timely. As a result, the OCI is unable to determine the effectiveness of its contractual support services. We identified unsupported questioned costs of about $9 million from February 2016 to February 2018.

> **Recommendation #1**
> The **Director, Operations Research, Insight & Continuous Improvement**, develop and implement specific and measurable goals for the Continuous Improvement Program.

Finding #2: Inaccurate Reporting of Belt Certifications

OCI management was using inaccurate information to report belt certifications. We reviewed 127 CI projects completed between March 2016 and February 2018, and found that 96 of the projects (76 percent) did not have the required

---

1   Seasoned belts who lead and coordinate large, complex LSS projects, frequently at an enterprise level. Their efforts include guiding senior leadership in LSS deployment, evaluating scopes and prioritizing risks, training, and coaching GBs and BBs.
2   BBs lead large-scale LSS projects to make significant improvements across functional areas. They demonstrate a well-balanced set of leadership, analytical, and project management skills and use these to coach others.
3   A belt candidate is a Postal Service employee who is leading a CI project that can result in the awarding of a belt certification.
4   GBs lead small-to-moderate scale LSS projects. They apply LSS methodology to drive local improvements in their functional area and are sought out for their knowledge of local processes.

project documentation for awarding GBs or BBs. Two of the 127 projects did not result in belt certifications.

Awarding a GB or BB requires the following specific project documentation to certify completion:

- The project tollgate presentation;
- Completion of an A3 project summary document;[5]
- A completed and approved project charter;[6]
- Completed project role documentation;
- Completed and signed independent benefit project validator summary;[7] and
- Completed and signed LSS belt checklist.

> " OCI management used inaccurate information to report belt certifications."

Of the 96 projects that were missing required project documentation, 93 had one to four missing or incomplete required documents. The other three projects had five to six missing or incomplete required documents and 29 belts were correctly awarded (see Figure 1).

Figure 1. Missing or Incomplete Documentation

- **29** — Zero Missing or Incomplete Documents
- **93** — 1-4 Missing or Incomplete Documents
- **3** — 5-6 Missing or Incomplete Documents
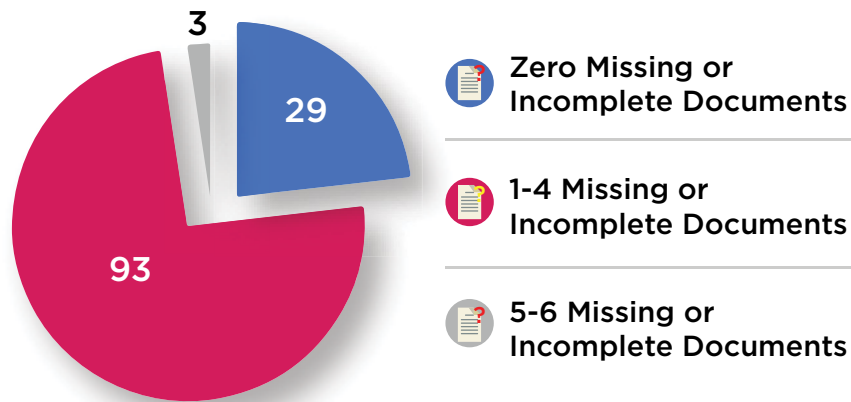
Source: Postal Service Office of Inspector General analysis of CI projects completed from March 2016 to February 2018.

---

5 An A3 project summary is a tool to help see the thinking behind the problem solving, using an 11x17 ledger size piece of paper, referred to as A3.
6 An agreement among the champion, BBs, and eventually the project team about what is expected.
7 A document validating the accuracy of project calculations and approving the documented financial benefits of a project.

This occurred because of inadequate oversight of established processes for awarding LSS belt certifications. Specifically, the OCI's process is to ensure project documentation is collected, correct, and supportive of an LSS belt certification. For example, a MBB is assigned to perform a review to make sure all project documentation is completed. In addition, the OCI performs a final review of project documentation to make sure the documents are signed and completed correctly. Further, BB candidates require an additional review by the OCI Manager. See Appendix B and C for more information on the GB and BB certification process.

As a result, the OCI was using unreliable information when reporting belt certification numbers to its stakeholders. The OCI's May 2018 Scorecard reported certification of 3,859 GBs and 253 BBs.

> **Recommendation #2**
> The **Director, Operations Research, Insight & Continuous Improvement**, develop and implement an oversight plan to ensure proper performance of continuous improvement project documentation reviews and ensure that Office of Continuous Improvement requirements are met before awarding a belt certification.

Management's Comments

Management disagreed with the findings, monetary impact, and recommendation 1. In subsequent correspondence, management clarified that they agreed with recommendation 2.

Management disagreed that 96 of 127 projects did not have the required documentation for awarding GBs and BBs. The OCI reviewed the same 127 projects and found the number of projects without proper documentation was 38, 36 of which were deficient in one common form. Management said the OIG based its review on flawed assumptions. Specifically, prior to June 17, 2017, certification required completion of an A3 project summary document and a completed and signed LSS belt checklist. After June 17, 2017, the required documentation was changed to include these two items, the project tollgate

presentation, and a completed and signed independent benefit project validator summary. Additionally, management said a completed and approved project charter and completed project role documentation were never required documents during the aforementioned period. The project charter information is now imbedded into the Postal Knowledge System software so use of the LSS Project Charter is not required and project roles do not need to be completed.

Regarding the monetary impact, management disagreed that there were unsupported questioned costs of about $9 million from February 2016 to February 2018 related to headquarters OCI contractors. Management said the OCI uses an annual budget to measure its performance and the office accounted for and tracked all costs related to headquarters OCI contractors on a weekly basis. From February 2016 to February 2018, expenses for those contractors the OCI used totaled $4.2 million. Management said the OIG would need to contact the appropriate area offices to obtain documentation for the rest of the $9 million.

Regarding recommendation 1, management disagreed that there are no measurable goals for the CI Program. Management said the OCI has several metrics that it measures, tracks, and reports monthly to the Postal Service's Executive Leadership Team.

Regarding recommendation 2, management agreed with the understanding that they already have a similar process in place. Management said their own audit identified a shortcoming in the certification process. The OCI has identified

the root cause of the failures and started updating the GB and BB certification process maps, updated GB and BB checklists, and removed the benefit validator's signature. Additionally, the MBBs will be responsible for verifying that proper project documentation is submitted and uploaded for certification. The OCI will also audit all certification project requests for 100 percent compliance of document upload and signature requirements. The target implementation date is August 30, 2018.

See Appendix D for management's comments in their entirety.

Evaluation of Management's Comments

Regarding management's disagreement that 76 percent of the projects did not have the required documentation for awarding GBs and BBs, prior to June 17, 2017, only the A3 project summary and signed LSS belt checklist were required and the project tollgate presentation and a completed and signed independent benefit project validator summary were not (until after June 17, 2017). We reviewed changes the OCI made to the GB and BB certification process and found all of those items were required before (see Figures 2 and 3) and after June 17, 2017 (see Appendix B and C). In addition, a completed and approved project charter and project role documentation were required prior to June 17, 2017 (see Figures 2 and 3). For projects that started after June 17, 2017, if the project charter was imbedded in the Postal Knowledge System with the correct information, we marked it as a completed and approved project charter with project roles documented.

Figure 2. LSS GB Certification Process Prior to June 17, 2017
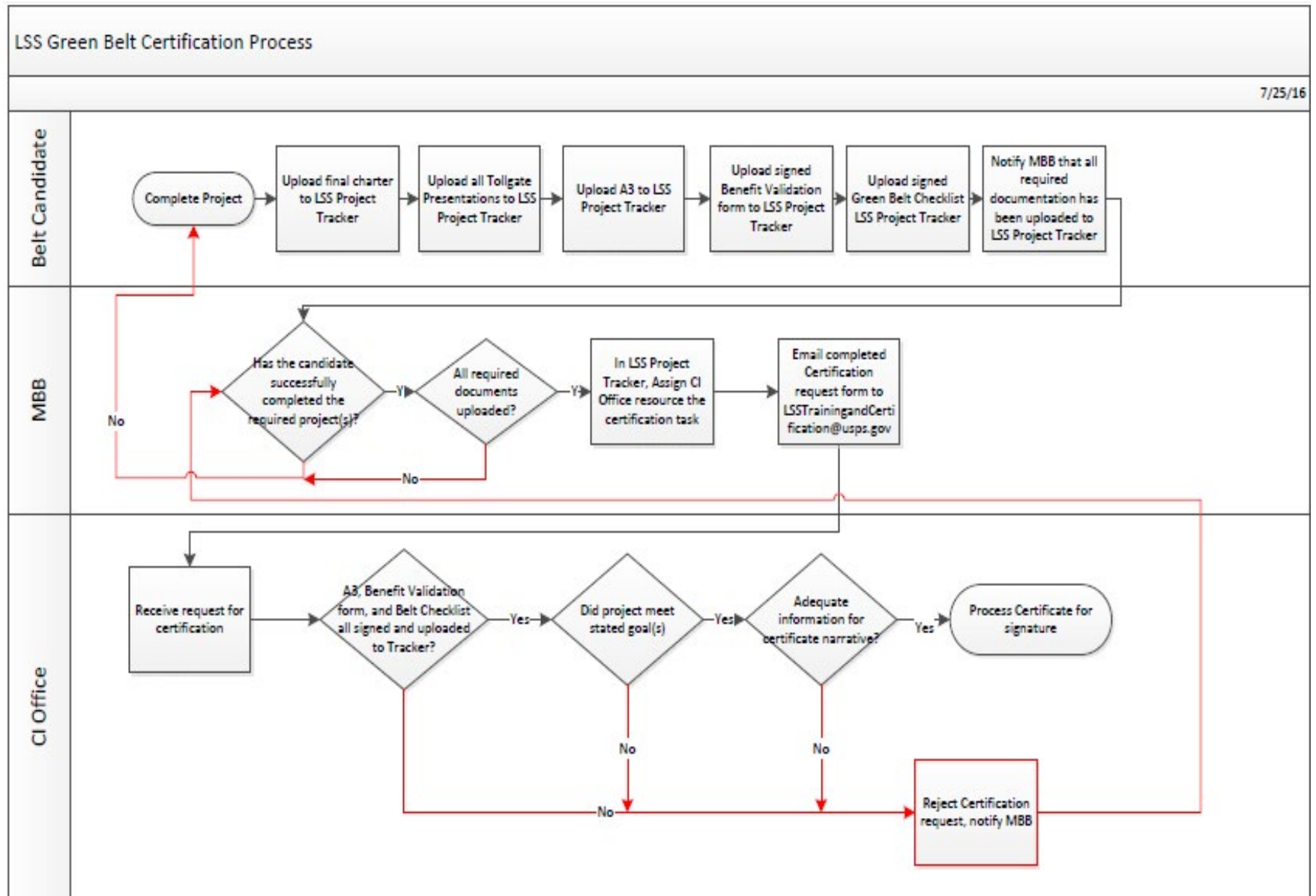
Source: OCI.

Figure 3. LSS BB Certification Process Prior to June 17, 2017
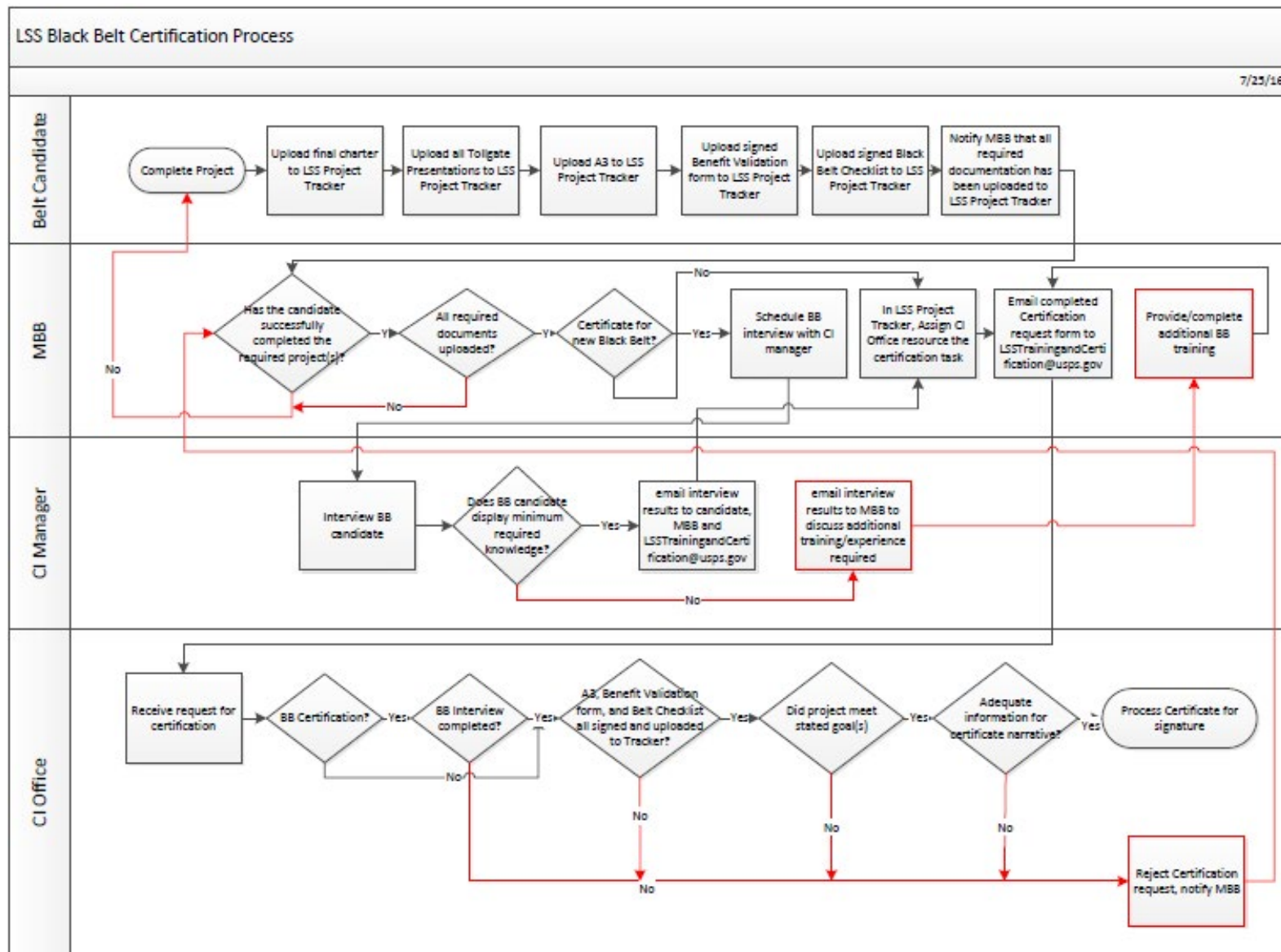
Source: OCI.

Regarding management's disagreement with the monetary impact, we identified the $9 million the OCI spent on contractual support services as unsupported questioned costs because the OCI has not developed measurable goals for its CI Program. Regardless of headquarters or area contractors providing support services, there were no measurable goals for the CI Program, which the OCI administers. Without measurable goals, the OCI is unable to measure and determine the effectiveness of its contractual support services in meeting its program goals.

Regarding management's disagreement with recommendation 1, on June 14, 2018, the OCI Manager told the OIG that the office does not have measurable goals. Additionally, at the exit conference on July 26, 2018, the OCI Manager reiterated that the office's goals are qualitative, not quantitative. As we note in our report, goals should be specific, measurable, achievable, relevant, and timely.

We view the disagreement with recommendation 1 as unresolved and it will remain open as we coordinate resolution with management. All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. 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.

Appendices

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information

Scope and Methodology

The scope of this project were the four support services contracts the Postal Service awarded in February 2016. To accomplish our objective, we:

- Interviewed the Director, Operations Research, Insight and CI; and the OCI Manager to determine goals for the CI Program.

- Determined the committed and spend amounts for each contract from the Enterprise Data Warehouse (EDW).

- Requested documentation from the OCI for CI projects completed from March 2016 through February 2018. There was a total of 2,993 CI projects. We removed 2,630 LSS projects that were in a prior audit,[8] two duplicates, and 99 CI projects not in Postal Knowledge System (PKS) project tracker[9], as of April 9, 2018.[10] We identified a population of 262 CI projects.

- We statistically sampled and reviewed 127 of the 262 CI projects. For the CI projects sampled, we determined whether they met the six OCI criteria for proper project documentation and whether the project leads received a belt certification.

We conducted this performance audit from February through August 2018, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on July 26, 2018, and included their comments where appropriate.

We assessed the reliability of the computer-generated data from three systems listed in the following statement by interviewing knowledgeable agency official about the data and reviewing related documentation. We used data from the Postal Service's EDW and PKS project tracker. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

| Report Title	Objective	Report Number	Final Report Date	Monetary Impact
Network Operations Continuous Improvement Processes	Evaluate the Postal Service Greensboro District's fiscal year 2016 Define, Measure, Analyze, Improve, Control Priority Air/ Surface CI audit work.	NO-AR-18-001	10/17/2017	$11,000

---

8   *Network Operations Continuous Improvement Processes,* (Report Number NO-AR-18-001, dated October 17, 2017).
9   The Postal Service developed the PKS project tracker to replace the existing CI LSS project tracker to store all project information for LSS projects.
10   We removed the CI projects in the prior audit scope to ensure we did not review CI projects covered in prior work. In addition, we only selected projects in the PKS project tracker to ensure the CI project documentation was available and we could perform our assessment.

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
Kaizen Event Review: Fiscal Year 2016 Atlanta Processing and Distribution Center Surface Visibility Scanning	Determine effectiveness of the Kaizen process to improve surface visibility load and unload scan percentages at the Atlanta Processing and Distribution Center.	NL-AR-17-003	4/17/2017	$14,000
Kaizen Project at the West Valley Processing and Distribution Center, Phoenix, AZ	Determine whether the Postal Service complied with the Kaizen process for the Scan Where You Band project and met its workhour reduction goal.	NO-AR-17-005	3/8/2017	$12,000
A3 Events at the Denver, CO, Processing and Distribution Center	Evaluate the Postal Service's compliance with and effectiveness in using the A3 process to eliminate First-Class Mail on-hand at 3 p.m. at the Denver Processing and Distribution Center.	NO-AR-17-002	11/2/2016	None

Appendix B: Lean Six Sigma Green Belt Certification Process
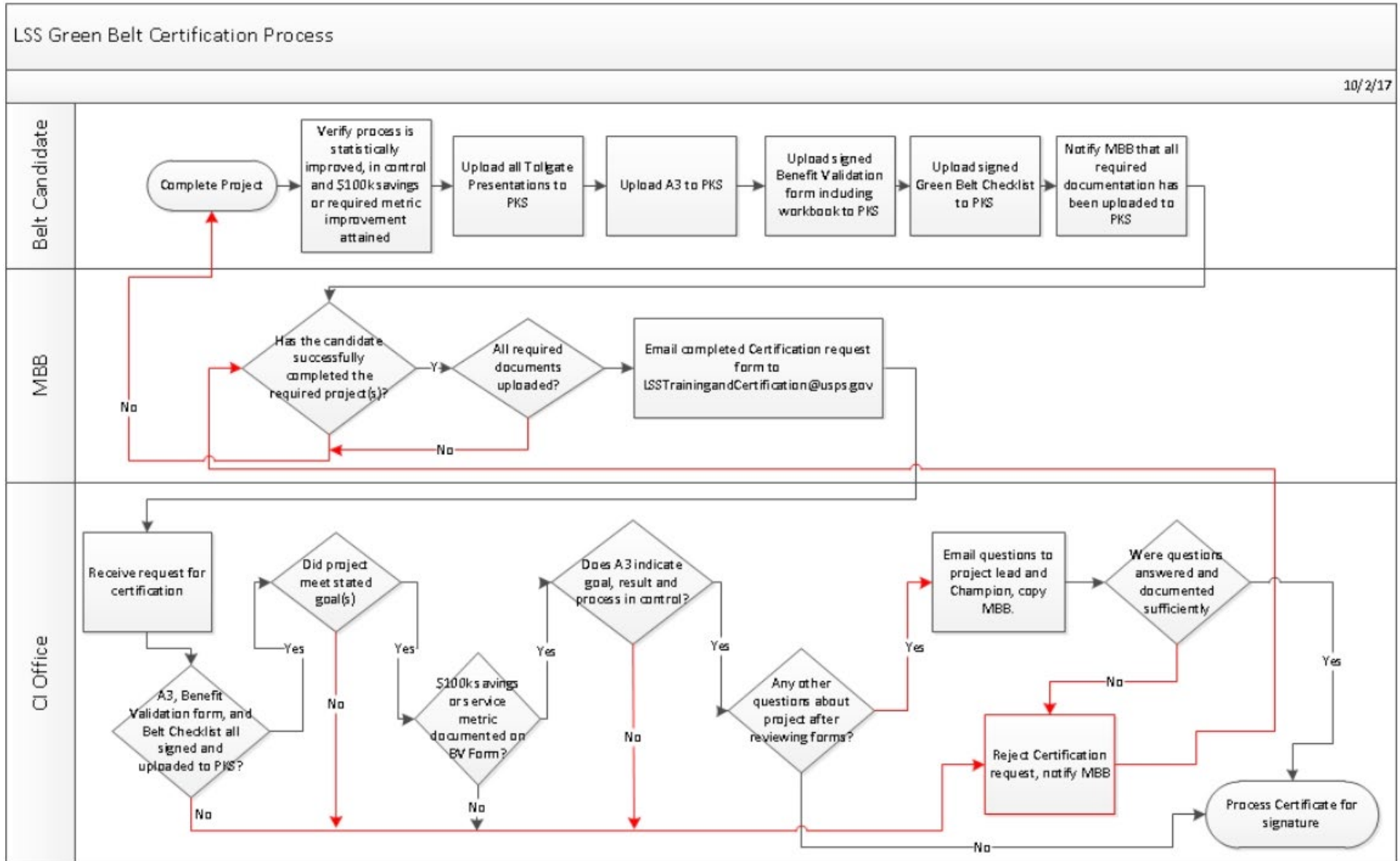
Source: OCI website.

Appendix C: Lean Six Sigma Black Belt Certification Process
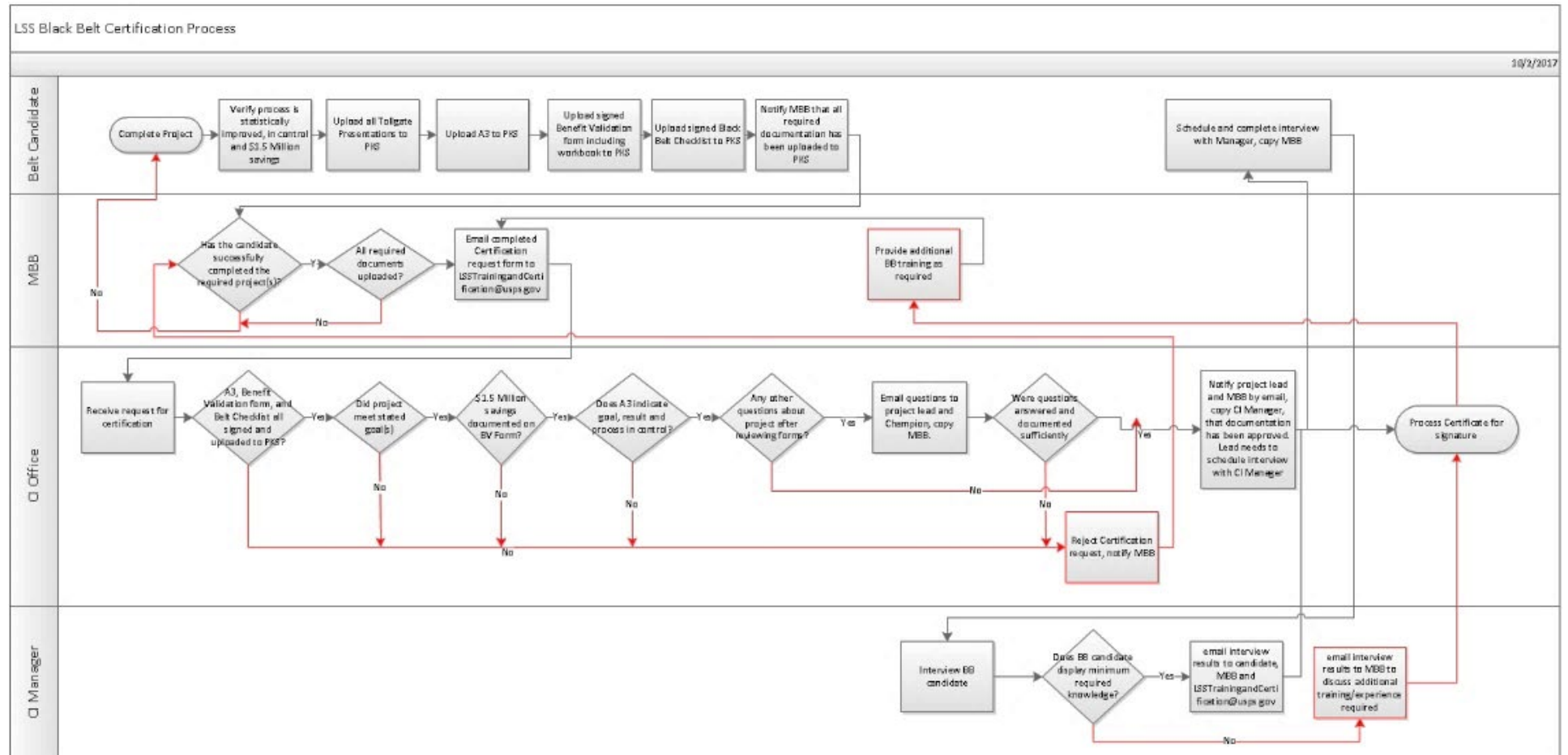
Source: OCI website.

Appendix D: Management's Comments

UNITED STATES POSTAL SERVICE

August 21, 2018

Memorandum For: Monique Colter
Acting Director, Audit operations
Office of Inspector General
United States Postal Service

From: William J Herrmann
Director, Operations Research, Insight and Continuous Improvement
United States Postal Service

Subject: Response to Draft Audit Report - Contractual Support Services for the U.S. Postal Service's Continuous Improvement Program (Report Number NO-AR-18-DRAFT)

Dear Ms. Colter,

Thank you for the opportunity to respond to the above mentioned draft audit report. Below you will find responses specific to the findings and recommendations of the auditors.

Postal Management disagrees with the following stated OIG Findings:

Finding #1A) The Office of Continuous Improvement (OCI) has no measurable goals

　　　#1B) There were "unsupported questioned costs of about $9 Million from February 2016 to February 2018." related to the HQ OCI contractors.

Finding #2) 76% of the 127 projects audited did not have the project documentation required to award LSS belts.

Finding #1A: No Measurable Continuous Improvement Program Goals

Recommendation #1A: The Director, Operations Research, Insight & Continuous Improvement, develop and implement specific and measurable goals for the Continuous Improvement Program.

Management Response/Actions:
Postal management disagrees with Finding 1A that there are no measurable goals for the USPS Continuous Improvement Program. The Office of Continuous Improvement (OCI) has several metrics that are measured, tracked and reported monthly to the Postal Service's Executive Leadership Team (ELT). Indicators are reported at the Area level and include: 1) Employees Green Belt (GB) trained and GB certified with a goal of 85% of trained GB employees will have achieved their certification. 2) Employees Black Belt (BB) trained and BB certified with a goal of 75% of trained BB employees will have achieved their certification. 3) Financial goals based on the type of certified project.

- 2 -

For certified projects based on financial savings, GB certification requires an annual savings of $100K, and BB certification requires an annual savings of $1.5M. 4) A minimum of one Lean Leader program completed annually.

Targeted Implementation Date:

N/A

Responsible Official:

N/A

Finding #1B: There were "unsupported questioned costs of about $9 Million from February 2016 to February 2018." related to the HQ OCI contractors.

Recommendation #1B:

N/A

Management Response/Actions:

Postal management disagrees with Finding 1B that there were "unsupported questioned costs of about $9 Million from February 2016 to February 2018." related to the HQ OCI contractors. OCI has an annual budget on which their performance is measured. To achieve their annual budget OCI tracks their contractors expenses weekly, documenting time used against each assigned project. From February 2016 to February 2018, the expenses for the contractors utilized by OCI totaled $4.2M. All costs were accounted for and tracked by project on a weekly basis, with supporting documentation provided to Mr. Arturo Cornejo as part of the OIG audit. It was explained at the exit conference that if there was a desire to review the entire contractual expenditures (nearly $9M), the auditors would need to contact the appropriate Area offices for documentation.

Targeted Implementation Date:

N/A

Responsible Official:

N/A

Finding #2: Inaccurate Reporting of Belt Certifications

Recommendation #2: The **Director, Operations Research, Insight & Continuous Improvement**, develop and implement an oversight plan to ensure proper performance of continuous improvement project documentation reviews and ensure that Office of Continuous Improvement requirements are met before awarding a belt certification.

Management Response/Actions:

Postal management disagrees with Finding 2 that 96 of 127 projects (76 percent) did not have the required documentation for awarding GBs and BBs was inaccurate.

The auditors reviewed 127 projects with a completion date of March 2016 to February 2018 and examined them each for compliance with the six items on the list below.

Specific documentation reviewed as a requirement for certification:
1. The project tollgate presentation
2. Completion of an A3 project summary document
3. A completed and approved project charter
4. Completed project role documentation
5. Completed and signed independent benefit project validator summary
6. Completed and signed LSS belt checklist

Management has reviewed the audit information and disagrees with the findings which resulted from a process based on two flawed assumptions. First, reviewing projects from these dates with a single set of requirements was inappropriate since the actual requirements for certification changed June 17, 2017. The requirements for certification were changed based on the results of two prior OIG audits: NLAR17-003 and NLAR18-001.

➢ Prior to June 17, 2017, certification required the upload of only items 2 and 6 on the list above.
➢ After June 17, 2017, the requirements were changed to include items 1, 2, 5 and 6.

Additionally, items 3 and 4 were never required documents at any time during the aforementioned period.

Item 3: While there is a PS Form 777, Lean Six Sigma Project Charter, that same information it provides is imbedded into the PKS software so, the use of PS Form 777 is not required and should not be part of a certification audit.

Item 4: There is no project role form or separate document. That information was previously included with the Form 777 but is now provided via the PKS software. Additionally, there are no specific minimum requirements for all possible entries into this section so it should not be a certification audit item.

Postal management reviewed the same 127 projects that were included in the OIG audit. The results of the management audit were significantly different from the original audit due to applying the proper requirements based on project completion date, and finding documents which may have been missed in the original audit due to misleading file names or unusual document combinations. Of the 127 projects:

- 35 of the projects were completed and uploaded into PKS prior to June 17, 2017 and should only be scored on items 2 and 6. 92 of the projects would be scored on items 1, 2, 5 and 6.
- 38 failed to have the proper documentation
- 36 of 38 failed projects were missing Item 5: "Completed and signed independent benefit project validator summary"
- 6 of the 38 failed projects were missing Item 6: "Completed and signed LSS belt checklist". Including 4 projects that failed both Items 5 and Item 6.

The details of the Postal management audit can be found in Attachment 1.

The Postal management audit did identify a short coming in the certification process, but the actual number of projects without proper documentation was 38, of which 36 were deficient in one common form. The OCI department identified the root cause of the failures and have updated the Green Belt and Black Belt Certification Process Maps (Attachments 2 and 3) to remove any contradictory or confusing information, have updated the Green Belt and Black Belt checklists (Attachments 4 and 5) to clearly list the required documents, and have removed the Benefit Validator's signature which was an artifact from the pre June 17, 2017 process. National communication and implementation of these changes will be effective by August 30, 2018.

The current process allows the Master Black Belts to take responsibility for verifying that the proper documentation of projects are submitted and uploaded for certification. The Office of Continuous Improvement has been performing a secondary sampling of the projects since June 17, 2017. Effective August 30, 2018 OCI will also audit all certification project requests for 100% compliance of document upload and signatures.

Targeted Implementation Date:

August 30, 2018

Responsible Official:

Manager, Office of Continuous Improvement

Sincerely,

William J Herrmann
Director, Operations Research, Insight and Continuous Improvement

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Contact us via our Hotline and FOIA forms.
Follow us on social networks.
Stay informed.

1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100