



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

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**Delivering Results, Innovation, Value,  
and Efficiency Management**

**Audit Report**

June 19, 2013

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**Report Number DP-AR-13-008**



OFFICE OF  
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UNITED STATES POSTAL SERVICE

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# HIGHLIGHTS

June 19, 2013

**Delivering Results, Innovation, Value, and  
Efficiency Management**

Report Number DP-AR-13-008

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## **BACKGROUND:**

The U.S. Postal Service's *2011 Annual Report to Congress and Comprehensive Statement on Postal Operations* stated that the Postal Service needed significant improvement in managing strategic projects and noted the beginning of a rigorous, disciplined process for developing, reviewing, and tracking strategic initiatives.

The Postal Service uses the Delivering Results, Innovation, Value, and Efficiency (DRIVE) program management process to manage programs and operations to achieve strategic objectives.

Our objective was to compare the Postal Service's DRIVE program management process to best-in-class corporate program management practices.

## **WHAT THE OIG FOUND:**

The Postal Service's DRIVE program compares favorably to the best-in-class program management practices identified in our analysis. While the DRIVE program is promising, it does not ensure that projects will be successful. For example, in prior audits (such as the Flats Sequencing System and Commercial Mail Entry Initiatives reports) we identified concerns with project management. In those reports we cited the need for improved tracking, monitoring, training, collaboration, and performance projections. We plan to

review the relationship between program management and project management best practices in a future audit.

Additionally, the DRIVE program does not use an important identified best practice which requires regular audits and controls for each project at the program manager level.

Further, while standard program management processes are implemented, a formal policy supporting the overall program management process has not been developed. By establishing a Postal Service-wide policy for executing program management, the Postal Service can better manage program performance and improve project team accountability.

## **RECOMMENDATIONS:**

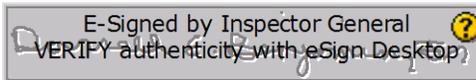
We recommended management evaluate implementing the additional best practice within the DRIVE program of regular audits and controls for each project at the program manager level. We also recommended management develop and implement a Postal Service-wide program management policy.

[Link to review the entire report.](#)



June 19, 2013

**MEMORANDUM FOR:** JOSEPH CORBETT  
CHIEF FINANCIAL OFFICER AND  
EXECUTIVE VICE PRESIDENT



**FROM:** Darrell E. Benjamin, Jr.  
Deputy Assistant Inspector General  
for Revenue and Performance

**SUBJECT:** Audit Report – Delivering Results, Innovation, Value,  
and Efficiency Management  
(Report Number DP-AR-13-008)

This report presents the results of our audit of Delivering Results, Innovation, Value, and Efficiency Management (Project Number 12YG022CI000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kevin Ellenberger, director, Data Analysis and Performance, or me at 703-248-2100.

Attachment

cc: Ellis Burgoyne  
Stephen Masse  
Michael Amato  
John Edgar  
Emil J. Dzuray Jr  
J. Otis Smith  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit of the U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency (DRIVE) management (Project Number 12YG022CI000). Our objective was to compare the DRIVE program management process to best-in-class corporate program management practices. This self-initiated audit addresses strategic risk. See [Appendix A](#) for additional information about this audit. The Project Management Institute (PMI) defines program management as "a group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually."<sup>1</sup> Programs are the link between executive-level strategy and the projects and operations that deliver value.

The Postal Service's definition of program management is similar to the PMI definition. Postal Service program management is used to define and achieve organization objectives through the management of complex projects and resources. Program management coordinates multiple, related projects and operations to achieve a common strategic objective while project management focuses on delivering a single project.

The Postal Service uses DRIVE as its program management process to improve business strategy development and execution. Development of the DRIVE process began in June 2011 along with its program portfolios. The Executive Leadership Team (ELT),<sup>2</sup> the Strategic Management Office (SMO), and individual DRIVE program and project managers manage the process.

Our analysis identified best-in-class program management practices used by 13 corporations (see [Appendix A](#) and [Table 1](#)).

## Conclusion

The Postal Service's DRIVE program compares favorably to best-in-class program management practices identified in our analysis. While this is promising, it does not ensure that projects will be a success, which is a concern we have identified in prior audit reports. For example, our audits on the Flats Sequencing System (FSS) and on the Commercial Mail Entry Initiatives identified project management issues concerning better coordination, monitoring, timeliness, and financial and operating performance. See [Appendix C](#) for more details about these audits.

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<sup>1</sup> PMI is a not-for-profit professional organization for the project management profession established to advance project management. PMI defines a project as "a temporary endeavor undertaken to create a unique product or service" (*Program Management* by Michel Thiry, page 14).

<sup>2</sup> The ELT consists of the postmaster general and chief executive officer; the deputy postmaster general; the chief operating officer and executive vice president (EVP); the chief information officer (CIO) and EVP; the chief financial officer (CFO) and EVP; the general counsel and EVP; and the chief Marketing and Sales officer and EVP.

We plan to review the relationship between program management and project management best practices in a future audit. In addition, the DRIVE program has not implemented regular audits of controls for each project at the program manager level, an important identified best practice. We believe implementing these changes would strengthen program management. Further, management has not developed a formal policy supporting the overall program management process.

By implementing this best practice and establishing a DRIVE program management policy for executing program management, the Postal Service can better manage program performance and improve project team accountability. A standard set of policies and procedures also provides an easy reference for management and project teams while reinforcing program and project management objectivity, which drives efficiency.

### **Delivering Results, Innovation, Value, and Efficiency Management Practices**

We identified best-in-class program management practices found in major companies. Although these practices represent a common usage among the participating organizations, no single organization uses all of the practices. Accordingly, the Postal Service should use those best practices that fit their circumstances, capabilities, and priorities. See [Appendix B](#) for details regarding these practices.

As a result of our analysis and interviews with SMO personnel and a DRIVE program manager, we concluded that DRIVE management compares favorably to the identified best-in-class program management practices (see [Appendix B](#) for additional details).

However, one of the important identified practices is not currently used in DRIVE management. Accordingly, the Postal Service should consider implementing regular audits of controls for each project at the program management level. Audits ensure that no reporting mistake goes unnoticed for longer than one audit cycle. Without regular audits of actual progress versus reported progress, there is less accountability for team members to report accurately and a greater probability that program managers (and executive sponsors) receive incomplete or inaccurate information.

### **Delivering Results, Innovation, Value, and Efficiency Management Policy**

Although certain steps were documented, such as a governance document<sup>3</sup> documenting various portfolio level controls, forms and templates, reporting requirements for Decision Analysis Report (DAR),<sup>4</sup> and ELT "Deep Dives,"<sup>5</sup> no policy supporting the overall DRIVE program management process has been developed.

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<sup>3</sup> DRIVE governance issued by the SMO, last revised June 20, 2012.

<sup>4</sup> A document developed by the requiring organization to justify a DRIVE initiative or project investment and to assist the approving authorities in making decisions concerning the use of Postal Service funds.

<sup>5</sup> The ELT conducts twice monthly deep-dive meetings to review DRIVE initiatives.

By establishing a Postal Service-wide program management policy for executing program management, the Postal Service can better manage program performance and improve project team accountability. A standard set of policies and procedures provides an easy reference for management and project teams while reinforcing program and project management objectivity, which drive efficiency. Management indicated they have not considered a policy covering the entire spectrum of program management because their efforts to date have been at the portfolio level.

## Recommendations

We recommend the chief financial officer and executive vice president:

1. Evaluate implementing regular audits and controls for each project at the program management level.
2. Develop and implement a Postal Service-wide program management policy that identifies the best practices currently employed by the Postal Service, as well as differentiates between mandated and optional practices. This process should also take into consideration best practices, including those provided by the U.S. Postal Service Office of Inspector General.

## Management's Comments

Management agreed with our findings and recommendations. However, management requested that we delete the statement "The DRIVE program has not implemented regular audits and control for each project at a program level. . ." from the report because management believes DRIVE does control and provide reviews or "audits" of strategic programs and projects during their bi-weekly Deep-Dive meetings.

Regarding recommendation 1, management stated that the Office of Strategic Planning is currently implementing a risk assessment process at the program management level to evaluate and provide feedback on the extent to which roadmap owners are adhering to program management best practices. The Office of Strategic Planning is also propagating best practices for program management by providing ongoing project management training to Postal Service program managers on various topics based on PMI methodologies. This will be accomplished by Quarter (Q)4, fiscal year (FY) 2013.

Regarding recommendation 2, management stated the CFO will establish and publish a Postal Service-wide program management policy for strategic programs based on industry practices. This will be accomplished by Q2, FY 2014. See [Appendix D](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the findings and recommendations in the report. Although management believes the DRIVE process does provide sufficient control and also provides for reviews or "audits" of strategic programs and projects, the OIG maintains that the current process of bi-weekly 'Deep Dive' reviews does not serve as an independent audit at the program level. However, we find the additional controls established by management are responsive to recommendation 1.

The OIG considers all the recommendations 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

Program management is a relatively new discipline, appearing after several well-publicized, large-scale studies (Standish Group, 1996; KPMG, 1997) identified a high failure rate for large-scale, long-term projects. These studies exposed weaknesses in the traditional project management methods for these types of projects and program management has since emerged as a distinct discipline. The PMI defines program management as “a group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually.” According to one author, programs constitute the missing link between executive-level strategy and the projects and operations that will enable it to deliver value<sup>6</sup>.

The Postal Service defines program management as "defining and achieving organization objectives through the management of complex projects and resources." Furthermore, the Postal Service differentiates program management from project management by saying that project management focuses on delivering a single project whereas program management coordinates multiple, related projects and operations to achieve a common strategic objective.

Program management refers to the overarching infrastructure and ability to manage a portfolio of projects, including monitoring the portfolio across a variety of functions (such as finance, marketing, and so forth.) in light of the organization's strategy and mission. Effective program management builds a strong infrastructure for program and project implementation, but does not ensure individual project success. OIG audits have identified significant concerns with project management. Our audits of the FSS and Commercial Mail Entry Initiatives identified project management issues concerning better coordination, accountability, timeliness, and financial and operating performance. See [Appendix C](#) for more details about these reports.

Success depends on program level best practices and other project management best practices being transferred or extended to the project level and the project manager's willingness and ability to leverage and use those practices. One of the ways to help ensure success at the program level is by using regular audits and controls for each project at the program manager level. Regular audits of actual versus reported progress help ensure the accountability of team members to report accurately and a greater probability that program managers and executive sponsors receive complete and accurate information. This ensures that no reporting mistake goes unnoticed for longer than one audit cycle. Considering the relationship between program management and project management best practices, project management best practices will be the subject of a future OIG audit.

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<sup>6</sup> *Program Management* by Michel Thiry, page 1.

## Strategic Management Office

Recognizing its inherent value, the Postal Service identified program management as an area for improvement in their *2011 Annual Report*.<sup>7</sup>

During FY 2011, Postal Service management recognized that the scope, scale, and pace of necessary organizational change required *significant improvement in their management of strategic projects*.<sup>8</sup> (italics added for emphasis). Following a detailed review of industry best practices, and with advice from recognized private-sector experts, the Postal Service began implementing a rigorous, disciplined process for developing, reviewing, and tracking strategic initiatives.<sup>9</sup>

As part of the 2011 improvement process, the Postal Service created a DRIVE SMO to report to the CFO and EVP. The mandate of the SMO includes coordinating and implementing strategic initiatives that support net income and revenue growth targets.

The SMO — along with contractor assistance — established DRIVE, which consists of an initial 36 initiatives, each with one or more strategic objective. Initiative leads were assigned to develop programs to satisfy each objective. According to Postal Service management, the annual savings associated with DRIVE are in excess of \$20 billion<sup>10</sup> and all savings must be realized for the Postal Service to return to profitability. Consequently, effective program management practices are essential to developing, reporting, and realizing these savings.

Each year ELT sponsors present their recommendations for initiatives, including the DRIVE portfolio. The general parameters the ELT uses to reassess current and add critical initiatives are:

- Bold with significant and measurable outcomes, such as:
  - Having greater than \$50 million in revenue contribution or cost reduction.
  - Improving key stakeholder alignment.
  - Greatly enhancing key capabilities.
  - Growing revenue from new products/markets/customers.
- Aggressively addresses costs over the next few years to get ahead of revenue plan.
- Is critical to either the short- or long-term success of the Postal Service.
- Requires extensive cross-enterprise coordination and ELT visibility.
- Merits assignment of your best staff members and resources.

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<sup>7</sup> *2011 Annual Report to Congress and Comprehensive Statement on Postal Operations*, page 31.

<sup>8</sup> Program and project management are often used interchangeably. In this context, the intent is program management, as the SMO is responsible for managing strategic initiatives and assigning one or more programs to each initiative.

<sup>9</sup> *2011 Annual Report to Congress and Comprehensive Statement on Postal Operations*, page 31.

<sup>10</sup> Plan to Profitability, presented February 16, 2012.

DRIVE uses different program management terminology than the PMI, which generally refers to the three levels of program management as portfolios, programs, and projects. DRIVE refers to these same levels as initiatives, roadmaps, and projects. The differences between the two are primarily semantic and are illustrated in Figure 1.

**Figure 1: DRIVE Pyramid<sup>11</sup>**



Technology Management Office System

The Technology Management Office System (TMOS) was designed to present a dashboard view of projects selected by the dashboard owners. The CIO's organization and the Corporate Marketing and Sales officer's organization use the TMOS to track and manage selected projects. The TMOS has recently been modified to incorporate DRIVE initiatives and roadmaps for the SMO and ELT to use.

Currently there are 264 active projects, 86 of which are managed in DRIVE. A review of the remaining 178 projects indicates that they are stand-alone projects that are not associated with a program and that fall outside the scope of our audit. The recent software revision adds 27 initiatives and 115 roadmaps. Roadmaps, for the purposes of our project, are equivalent to programs as depicted in Figure 1.

Objective, Scope, and Methodology

Our objective was to compare the Postal Service's DRIVE program management process to best-in-class corporate program management practices. To accomplish our objective, we engaged a contractor to identify best practices using research and analysis based on their extensive expertise.

<sup>11</sup> Source: *TMOS DRIVE User Guide*, page 8.

Specifically, we sought to understand how other organizations:

- Use enterprise-wide management practices to create an environment that facilitates effective implementation of programs.
- Use Project Management Offices (PMOs) in their organizations to assist in the program management process.
- Use program managers to optimize performance of their programs.

We interviewed representatives from 13 organizations in selected industries. The organizations included direct competitors, organizations in regulated industries, award-winning program management companies, businesses with similar logistics and workforces, and organizations with highly technical programs. We selected direct competitors because they perform tasks similar to the Postal Service and might face some of the same challenges and constraints, such as managing multiple strategic initiatives. We selected organizations in regulated industries because they face similar legal constraints and selected award-winning program management companies due to their recognized success with various types of programs. Finally, we selected businesses that have similar logistics, workforces, competing programs, and initiatives; and organizations with highly technical programs to deal with rapidly changing industries and complex programs. An OIG auditor was present during each interview. While no single organization is considered “world class” in all aspects of program management, each of the 13 organizations have elements of excellence (see [Table 1](#) for a list of participating organizations).

No two of the 13 selected organizations use the same PMO structure and role. This illustrates the importance of adopting a program management strategy that best suits the needs of the organization and highlights the fact that there are multiple methods for successfully managing programs.

To compare best-in-class program management practices against current Postal Service program management practices, we:

- Interviewed personnel in the SMO.
- Interviewed a program manager whose management process was identified as representative of DRIVE initiatives.
- Interviewed personnel in the office of the CIO.
- Reviewed forms, templates, and training material developed by the SMO.
- Reviewed DAR requirements.

- Analyzed reports available in the TMOS as a source for additional Postal Service programs.

Appendix B identifies each best practice and compares them to current DRIVE management practices.

**Table 1: List of Participating Organizations**

Company <sup>12</sup>	Number of Employees (About)	Rationale for Selection
<b>AT&amp;T</b> 	250,000	Manages complex, highly technical programs for external customers.
<b>Boeing</b> 	175,000	Operates in the highly regulated defense industry; manages extremely large, complex programs.
<b>Large Fortune 500 company</b>	20,000-40,000	Operates in a highly regulated industry; has experienced significant growth and has recently completed a major acquisition.
<b>Dell</b> 	110,000	Dell Service's Healthcare and Life Sciences Division was named PMO of the Year in 2011 by PMI's Program Management Community of Practice; boasts a 96 percent project success rate.
<b>FedEx</b> 	290,000	Same industry as the Postal Service, provides insight into how a competitor manages multiple strategic initiatives.
<b>HP</b> 	350,000	Manages a diverse set of complex, highly technical programs; recently completed a billion dollar acquisition.
<b>Intel</b> 	100,000	Manages large, high-risk technology programs; operates in a rapidly changing industry.
<b>Parsons</b> 	11,500	Ranked 14th of <i>Engineering News-Record's</i> Top 500 design firms in 2011; manages extremely large, complex programs.
<b>PepsiCo</b> 	300,000	Similar logistics/delivery functions as the Postal Service and manages many competing projects and initiatives.
<b>Royal Mail</b> 	176,000	Same industry as the Postal Service, provides insight into how another postal organization manages multiple strategic initiatives.
<b>T-Mobile</b> 	42,000	Created an award-winning Enterprise Program Office in 2009, bringing together several former independent project management groups under one umbrella.
<b>Large national retailer</b>	1,500,000	Similar workforce (large, geographically dispersed, etc.), operates physical branches, manages many competing projects and initiatives.
<b>Xerox</b> 	140,000	Manages a diverse set of complex, highly technical programs; recently completed a multi-billion dollar acquisition.

Source: OIG - Best Practices Analysis.

<sup>12</sup> Organizations listed in alphabetical order.

We conducted this performance audit from April 2012 through June 2013 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 April 26, 2013, and included their comments where appropriate.

We assessed the reliability of computer generated data from the TMOS by comparing key information against separately prepared documents provided by management. We determined that the data was sufficiently reliable for the purposes of this report.

### [Prior Audit Coverage](#)

The OIG did not identify any prior audits or reviews related to the specific objective of this audit. We have performed prior audit work related to project management, which is cited in [Appendix C](#).

## Appendix B: Program Management Best Practices

The program management best-in-class practices developed from our analysis are grouped into the three strategy categories below:

Enterprise-Level Strategy — Which organization-wide management practices create an environment that promotes effective implementation of programs?

1. **Secure early buy-in from senior leadership:** Buy-in from senior executives is critical to the program's long-term success. Using program charters and pilot programs give executives the opportunity to shape program direction and provide visibility into the value and likely success of a program. Acquiring support from the highest levels of the organization is critical to overall program success and viability. The ELT is instrumental in developing and managing the strategic objectives and associated DRIVE programs. The ELT meets regularly with the DRIVE Portfolio manager and DRIVE program managers to address issues and monitor progress on these programs:
2. **Establish an organization-wide culture that facilitates and encourages open lines of communication among employees across multiple levels of the organization:** All program and project team members should be informed of the importance of identifying and reporting potential issues as they emerge over the course of the program. Open communication between program and project team members, stakeholders, and other impacted program participants is important, as it helps facilitate the flow of information and informed decision-making.

DRIVE is a data-driven management system designed to improve Postal Service business strategy. DRIVE begins with the postmaster general and the ELT, who are collectively responsible for overseeing the DRIVE portfolio. The ELT reviews all DRIVE initiatives on a regular basis, evaluates progress, and makes judgments about the composition of the portfolio. DRIVE program managers meet with executive sponsors weekly and with team members daily, which encourages open lines of communication.

3. **Create a culture committed to program management through investment and education:** Senior leaders must demonstrate a strong commitment to program management strategy to encourage compliance with that strategy throughout an organization. Organizations must employ experts in program management to implement a program when they lack the proper experience internally. Also, they must provide educational opportunities to employees to grow effective program managers internally and ensure all team members have the same foundational knowledge of program management.

The SMO uses a third party to provide program management services should any program sponsor feel they lack sufficient expertise to manage a program. In addition, the SMO has arranged for program management training on a variety of subjects to improve and standardize program management skills throughout the organization.

- 4. Adopt a standardized program management strategy (including language, documentation forms, and procedures) that meets the needs of the organization to prevent confusion and clarify roles and responsibilities:** A standard program management strategy enables all employees to “speak a common language,” which improves the efficiency of communications and reduces misunderstandings or oversights. Having clearly defined language also helps to distinguish various roles and activities, which prevents confusion about team member responsibilities. PMI standards provide a baseline that can be universally applied to some extent, but best-in-class organizations adjust and customize to the specific needs of their organization.

The SMO generally adheres to this best practice. The SMO has made program management training available throughout the organization, helping to adopt a common program management strategy. In addition, standard forms and templates have been developed and are available on the SMO website and their use is encouraged. However, we found no approved formal policy supporting the overall program management process.

- 5. Establish a clear chain of decision-making authority at program launch:** Having a clear chain of command prior to a program launch is important because it can prevent unnecessary delays and confusion when issues arise.

The DRIVE charter requires appointment of an ELT sponsor and an initiative lead.

PMO and Cross-Functional Strategy — What role do PMOs play in organizations and how do PMOs assist in the program management process?

- 6. Leverage program manager objectivity to prioritize needs and manage interdependencies:** Program managers often have interdependencies across work streams that require regular reprioritization of time and resources to continually make progress. An independent program manager is better able to identify key interdependencies and quickly enact changes to avoid major program delays.

DRIVE program managers use Microsoft Project to identify program interdependencies and use the Integrated Master Schedule to identify interdependencies among initiatives. Use of both tools help program managers identify potential conflicts, generally with sufficient time to develop a resolution. Those issues that cannot be easily resolved and would threaten schedules or program objectives are brought to the attention of the executive sponsor and, if necessary, to the entire ELT during their next scheduled bi-weekly meeting.

- 7. Provide program-wide visibility to senior executives:** Executives must be regularly informed of developments at the program level to make sound decisions.

The ELT meets bi-weekly on DRIVE initiatives and programs. In addition, the ELT and the program members have access to a dashboard to view the status of DRIVE initiatives and programs.

- 8. Align metrics with desired outcomes for both progress and performance:** Organizations typically have two sets of program metrics: standardized metrics that measure progress within a program and program-specific metrics that measure performance against business outcomes. Metrics should account for and track measurements that promote effective program management and stakeholder satisfaction.

The Postal Service uses metrics to track performance and progress with the assistance of the SMO. Standardized metrics utilized for DRIVE are financial impacts and operational key performance indicators. These metrics help identify key risks, interdependencies, and regulatory/legislative issues.

- 9. Develop a formal, documented stakeholder management plan:** Create a document that outlines a clear strategy and tactical plan for execution that supports the program's ability to deliver value to all stakeholders. A documented plan eliminates confusion around communication responsibilities and reduces the likelihood of dissatisfied or 'surprised' stakeholders. Additionally, early identification of potential stakeholder conflicts may provide program managers an opportunity to plan for and prepare steps to mitigate them.

The DRIVE process requires stakeholder approval as part of the DAR<sup>13</sup> process. In addition, the ELT must approve any significant change to a DRIVE initiative. Although implemented slightly differently than described above, these combined processes address this best practice.

- 10. Use and communicate cost-benefit analysis to stakeholders to enable informed and effective decision-making:** Cost-benefit analysis provides a standardized framework for thinking about the impact of potential options within a decision. It allows stakeholders to quickly absorb the expected implications of each option without requiring a lengthy briefing of background information. Without cost-benefit analysis, it can become difficult to identify a failing program and can lead to organizations continuing to fund programs that have a low probability of providing returns.

DRIVE initiatives that require funding or have a financial impact must also have an approved DAR. Each DAR contains a justification section, including a cost-benefit analysis. The DAR approval page documents review and approval by stakeholders and is an example of adherence to this best practice.

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<sup>13</sup> See <http://blue.usps.gov/cape/over.htm>, Investment Review and Approval Process Overview, slides 3 through 5.

- 11. Communicate program status to all stakeholders at regular intervals while also communicating potential difficulties in real time:** Establishing standards for regular stakeholder communication and routinely notifying stakeholders of new developments are essential practices for successfully managing stakeholders. With periodic status updates, stakeholders are better informed and more involved in making key decisions. This significantly reduces the likelihood that stakeholders are surprised by a program's results and generates greater support for the program management team. Similarly, incident-specific communication allows stakeholders to proactively take corrective actions and avoids stakeholder resentment for any incorrect or unapproved activities.

The DRIVE program management process consists of financial and non-financial plans aimed at saving the Postal Service about \$20 billion annually by FY 2015 and returning the Postal Service to profitability. The primary stakeholders are Postal Service employees who are represented by officers and ELT members. Program managers meet frequently with their initiative leads (in the case of Network Optimization, weekly) who, in turn, meet with their executive sponsors<sup>14</sup>. In addition, the entire ELT meets bi-weekly where progress against DRIVE initiatives is reported and issues are discussed. Further, the SMO also communicates DRIVE activities via videos, Postal Career Executive Service<sup>15</sup> Roundtables, Postal Service links, articles, and area newsletters.

- 12. Require signatory approval from responsible or accountable stakeholders at all milestones between program phases, including prior to program commencement and after program conclusion:** Obtaining signed approval from stakeholders at all program phases assigns personal accountability for key decisions. Stakeholders are more thorough and attentive when forced to sign-off on deliverables and take proactive steps to mitigate risks identified in program timelines. Written signatures connect a clear owner to each phase's deliverable, making it easier for unfamiliar parties to identify the appropriate individual associated with each phase.

The Postal Service DRIVE process does not include formal stakeholder approval at all milestones, but does require approval at program creation (see DAR process<sup>16</sup>) as well as full ELT approval for any significant subsequent change. Although this process is somewhat different than the practice identified, it serves a similar purpose of notifying significant stakeholders throughout the life of the program.

- 13. Make documentation a deliverable:** Documentation of processes, outcomes, and decisions is often neglected because program managers are preoccupied with more urgent activities. Requiring completed documentation before a program exits one

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<sup>14</sup> Review of current DRIVE initiatives indicate that the assigned executive sponsor is frequently, but not always, a member of the ELT.

<sup>15</sup> A staffing category that develops and maintains a motivated, competent group of employees for key management positions.

<sup>16</sup> [http://blue.usps.gov/cpim/ftp/hand/f66e/f66e\\_c4\\_003.html](http://blue.usps.gov/cpim/ftp/hand/f66e/f66e_c4_003.html), Section 4-3.2.

phase and enters the next ensures that all tasks are actually completed according to agreed upon standards. Additionally, program documentation creates a historical record of successes and failures, minimizing the potential for similar future mistakes.

DRIVE program managers have developed standard documentation necessary for submission before each ELT review as well as a standardized DRIVE charter. However, there is no formal policy outlining the program phases or what documentation is required at the conclusion of each phase.

14. **Maintain repositories for completed program documentation:** Maintaining centralized repositories of program documentation and templates allows program managers to work more efficiently because they do not have to ‘reinvent the wheel’ for each new project or program. In organizations with a centralized PMO, dedicated program managers supervise the repository and use documentation to build educational resources. Program managers can also learn from previous programs by accessing past tools and examples. Additionally, a repository allows PMOs to locate and distribute subject-specific documents to program managers that require that information.

The SMO recommends retaining several DRIVE documents in their sponsored SharePoint directory. However, documents are only available to team members and are not used as an educational tool, so it falls short of this best practice intent.

15. **Hold organization-wide program management events to bring together program management teams split across business lines:** To formulate organization-wide program standards for language, templates, or documentation, companies hold periodic events to assemble program managers. These events promote discussion about process standardization and program management best practices, facilitating the development of enterprise-wide standards that take into account the needs of program managers throughout the company.

The Postal Service does not hold Postal Service wide conferences for their program managers. Informally, members invited to bi-weekly ELT deep dive meetings are free to discuss lessons learned and share experiences, but no formal events are held.

Program-Level Strategy — How do program managers optimize the performance of their programs?

16. **Implement regular audits and controls for each project at the program manager level:** Regular audits and controls ensure that no reporting mistake goes unnoticed for longer than one audit cycle. Without regular audits of actual progress versus reported progress, there is less accountability for team members to report accurately and a greater probability that program managers (and executive sponsors) receive incomplete or inaccurate information.

This is not a practice employed by the Postal Service SMO.

- 17. Retain consultants who are well-aligned to the organization's goals to fill staffing and technical gaps:** Consultants can be instrumental to the success of a program, but should only be used as subject matter experts and only when necessary.

The Postal Service SMO has a contract with Deloitte Consulting to provide program management services as needed. The SMO has also hosted various program management courses with the intent of improving program management skills to the point that the need for such services is minimal.

- 18. Develop a program charter prior to launch:** Charters serve to guide a program from conception to realization. A program charter can be highly detailed, as is usually the case with simple programs or programs with a high certainty of success (such as basic information technology installations). Charters can also be vague to provide some flexibility, as is more common with complex programs or those with less certainty (such as research and development programs). Regardless of the type of program, charters are important because they help prevent budget overruns and delays by establishing guidelines and protocol.

The Postal Service's DRIVE process performs this best practice. Each initiative's charter and DAR represent an extensive list of criteria necessary to properly approve and manage strategic initiatives. Effectively following this process allows for buy-in from the ELT for each initiative.

- 19. Adhere to standardized processes for program execution:** Standard processes make program teams more efficient because it is simpler to learn one process and apply it repeatedly than develop a new process for every program.

Postal Service SMO program managers have adopted standardized processes for their programs and for reporting to the ELT. Adherence to DAR requirements, standardized DRIVE charter, standard ELT deep dive reporting requirements, commonly available training, and sponsored roadmap training adequately address this best practice.

However, as indicated in our review of best practice number four (Enterprise-Level Strategy) no comprehensive policy covering the program management process has been published.

- 20. Convene weekly meetings with teams across program functions:** Weekly status meetings bring program groups together to improve coordination and communication. Weekly meetings remind individuals of the big picture and reinforce commitment to a common goal, helping achieve buy-in from employees.

The SMO program managers perform this best practice. One program manager indicated he has daily team meetings. The portfolio manager has also indicated daily or weekly team meetings with program managers are common.

### Appendix C: Project Management Issues Identified In Prior Reports

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Commercial Mail Entry and Acceptance Initiatives</i>	EN-AR-12-004	9/14/2012	\$103,600
<p><b>Report Results:</b>                      The report identified insufficient monitoring of performance, financial, or operational risks to ensure commercial mail acceptance transformation projects did not exceed approved funding levels and meet planned expectations. The OIG recommended the Postal Service closely monitor and identify for senior management any performance, financial, or operational risks that develop during the implementation of the DAR to ensure commercial mail acceptance transformation projects do not exceed approved funding levels and meet planned expectations; identify and promote additional incentives to increase mailer participation in the full-service program; develop a plan to identify and address training concerns mailers have with commercial mail transformation initiative requirements; develop a process that will allow full-service intelligent mail barcode mailers the opportunity to challenge potential postage adjustments made to mailings after they have entered the mailstream; develop an action plan to address and correct <i>PostalOne!</i> operational problems affecting the integrity, reliability, and functionality of the system; and conduct thorough testing before releasing and implementing system upgrades.</p>			
<i>The Effects of the Flats Sequencing System on Delivery Operations – Mid-America District</i>	DR-MA-10-001	9/23/2010	None
<p><b>Report Results:</b>                      About 2 million mailpieces were not carrier routed and required manual sorting and casing to put them in delivery walk sequence. Unworked flat mailpieces that arrive at delivery units and are not processed on the FSS machines negatively impact delivery operations by requiring manual casing and sorting to put the mailpieces in sequenced order for delivery. The OIG recommended the Mid-America district manager continue to collaborate with business mailers to ensure flat mailpieces meet automation requirements and reduce the amount of unworked flat mail sent to delivery units.</p>			

Report Title	Report Number	Final Report Date	Monetary Impact
<i>The Effects of the Flats Sequencing System on Delivery Operations – Columbus District</i>	DR-MA-10-002	9/17/2010	None
<p><b>Report Results:</b> About 2 million mailpieces were not carrier routed and required manual sorting and casing to put them in delivery walk sequence. Unworked flat mailpieces that arrive at delivery units and are not processed on the FSS machines negatively impact delivery operations by requiring manual casing and sorting to put the mailpieces in sequenced order for delivery. The OIG recommended the Columbus District manager continue to collaborate with business mailers to ensure flat mailpieces meet automation requirements and reduce the amount of unworked flat mail sent to delivery units.</p>			
<i>Flats Sequencing System: Program Status and Projected Cash Flow</i>	DA-AR-10-007	7/27/2010	\$1,400,000
<p><b>Report Results:</b> The Postal Service’s revised operating performance projections did not use current actual machine performance and its projections appeared optimistic. The OIG recommended the Postal Service use actual machine performance and operational target data to more accurately report the progress of the FSS program’s financial outcomes.</p>			
<i>Flats Sequencing System Operational Issues</i>	DR-AR-10-005	7/1/2010	None
<p><b>Report Results:</b> Several FSS machines were unavailable for several months and processing issues negatively impacted delivery operations. The OIG recommended the Postal Service track and monitor FSS processing operations to reduce labor hours associated with additional manual sorting of unworked flat mail sent to delivery units; and require plant and district managers to coordinate efforts in reviewing, updating, and complying with their integrated operating plans to ensure sequenced flat mail arrives timely to delivery units.</p>			

## Appendix D: Management's Comments

JOSEPH CORBETT  
CHIEF FINANCIAL OFFICER  
EXECUTIVE VICE PRESIDENT



June 7, 2013

JUDITH LEONHARDT  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Delivering Results, Innovation, Value, and Efficiency (DRIVE) Management  
(Report Number DP-AR-13-DRAFT)

Thank you for the opportunity to review and provide comments on the subject draft audit report. We agree with both of the audit recommendations and have a comment on one portion of the audit.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.

### **Management General Comments:**

Page 2, 1<sup>st</sup> paragraph: The report states "*The DRIVE program has not implemented regular audits and control for each project at a program level...*". DRIVE in fact does control and provide reviews or "audits" of strategic programs and projects. Each strategic program tracks critical milestones, impacts, risks, and issues from projects that support the program. We conduct biweekly Deep Dive meetings with the Executive Leadership Team (ELT) and corporate officers to address program risks, critical issues, and variance to plans. Additionally, each ELT member has detailed insight into the projects supporting their roadmaps. We recommend deleting this statement.

### **Recommendation 1:**

*Evaluate implementing regular audits and controls for each project at the program management level.*

### **Management Response/Action Plan:**

Management Agrees: The DRIVE process serves to audit and control DRIVE projects at a program level. Additionally, the current process of bi-weekly Deep Dive reviews with the ELT serves as an ongoing audit. Each DRIVE program with variances, critical issues, or high/medium risks is required to identify the root cause and resolution path.

Also, the Office of Strategic Planning is currently in the process of implementing a Risk Assessment process at the DRIVE program management level to evaluate and provide feedback on the extent to which Roadmap Owners are adhering to Program Management best practices. Some of these

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best practices include: 1) detailed project schedules with tasks that precede the milestones and sufficient resources to execute those tasks at project level; 2) risk/issue tracking at the project level, a TMOS-based risk/issue log, and an escalation process that is integrated with the corporate Enterprise Risk Management process; and, 3) regularly scheduled program/project team status meetings (in addition to Deep Dives) to communicate and coordinate with key stakeholders. Last, OSP is proactively propagating best practices for program management by providing ongoing project management training to Postal Service project managers on various topics based on Project Management Institute methodologies. To date we have filled over 560 seats and have provided access to project management best practices, guides, and templates on the public Blue Share Web site.

**Target Implementation Date:** Ongoing, Risk Assessment Process established by Q4, FY2013

**Responsible Official:** Emil J. Dzuray, Jr., Director, Strategic Planning

**Recommendation 2:**

*Develop and implement a Postal Service-wide program management policy that identifies the best practices currently employed by the Postal Service, as well as differentiates between mandated and optional practices. This process should also take into consideration best practices, including those provided by the U.S. Postal Service Office of Inspector General.*

**Management Response/Action Plan:**

Management Agrees: CFO will establish and publish a Postal Service-wide program management policy for strategic programs based on industry best practices no later than Q2, FY2014.

**Target Implementation Date:** March 2014

**Responsible Official:** Emil J. Dzuray, Jr., Director, Strategic Planning



Joseph Corbett