OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Customer Service Operations Efficiency – Chicago District

Audit Report

**Report Number
MS-AR-15-005**

April 28, 2015

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Highlights

During FY 2014, 12 of 13 facilities had actual workhours in excess of estimated workhours and eight of 13 had lower efficiency rates than the national goal of 82.5 percent.

In FY 2013, all 13 facilities had actual workhours in excess of estimated workhours and 12 of 13 had lower efficiency rates than the national goal of 87.5 percent.

Background

In March 2010, the U.S. Postal Service unveiled a comprehensive action plan for the next decade to increase efficiency and address the elements of managing costs under its control. To this end, the U.S. Postal Service uses a customer service variance model to monitor retail customer service workhours and productivity.

Managers manually enter mail volume data into the variance model, which estimates the workhours and staff necessary to process the mail. Area management uses mail volume data from the same period in the previous year to report to customer service managers and determine workhour and staffing needs for the current year.

Retail customer service employees use time clocks to record actual workhours, which the Time and Attendance Collection System tracks. As employees move from one operation (task) to another, they must record their movement by clocking in again and changing their operation code.

Managers determine the efficiency rate of operations by dividing estimated workhours (generated by the variance model) by actual workhours (recorded by employees). They compare the efficiency rate to national performance goals to determine whether the unit is meeting those goals.

Our objective was to assess overall efficiency in retail customer service operations in the Chicago District.

What The OIG Found

Customer service operations in the Postal Service's Chicago District are inefficient. During FY 2014, 12 of 13 facilities had actual workhours in excess of estimated workhours and eight of 13 had lower efficiency rates than the national goal of 82.5 percent. Additionally, in FY 2013, all 13 facilities had actual workhours in excess of estimated workhours and 12 of 13 had lower efficiency rates than the national goal of 87.5 percent. Retail managers did not use reports from the variance model or refer to performance goals to manage workhours because they were not familiar with the reports or the goals.

Additionally, although employees knew they were supposed to clock into a new operation when moving from one task to another, they did not always do so because other duties took priority. This distorted customer service efficiency variance results and made it difficult for managers to be effective. We are not projecting a dollar impact because the variance systems were not fully functional during our review due to the Postal Service cyber intrusion reported in November 2014.

What The OIG Recommended

We recommended the vice president, Great Lakes Area, train customer service supervisors on the customer service variance model and its reports and emphasize required time clock procedures. We are not making a recommendation related to performance goals because the Great Lakes Area is piloting an effort to post performance goals at all units.
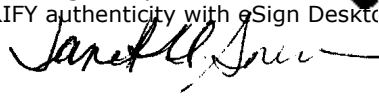
Transmittal Letter

April 28, 2015

MEMORANDUM FOR: Jacqueline Krage Strako
                                    Great Lakes Area Vice President

E-Signed by Janet Sorensen
VERIFY authenticity with eSign Desktop

FROM: Janet M. Sorensen
               Deputy Assistant Inspector General
               for Revenue and Resources

SUBJECT: Audit Report – Customer Service Operations Efficiency – Chicago District (Report Number MS-AR-14-005)

This report presents the results of our audit of Customer Service Operations Efficiency – Chicago District (Project Number 15RG008MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joseph Wolski, director, Retail, Sales and International, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Table of Contents

Findings

Retail managers did not use reports from the CSV model or refer to performance goals to manage workhours because they were not familiar with the reports or the goals.

Although employees knew they were supposed to clock into a new operation when moving from one task to another, they did not always do so because other duties took priority. This distorted customer service efficiency variance results and made it difficult for managers to be effective.

Introduction

This report presents the results of our self-initiated audit of Customer Service Efficiency Operations – Chicago District (Project Number 15RG008MS000).[1] Our objective was to assess overall efficiency in retail customer service operations in the Chicago District. See Appendix A for additional information about this audit.

In March 2010, the U.S. Postal Service unveiled a comprehensive action plan for the next decade to increase efficiency and address the elements of managing costs under its control. To this end, the Postal Service uses a customer service variance (CSV) model and its reports to monitor retail customer service workhours and productivity. In August 2012, the U.S. Postal Service Office of Inspector General (OIG) issued an audit report titled *Efficiency of Customer Service Operations* (Report Number EN-AR-12-003, August 17, 2012) recommending management require customer service unit managers to use all available reports and tools to allocate resources based on projected workload. This report assesses management's use of those tools to manage customer service unit costs in the Chicago District.

Conclusion

The Postal Service had operational inefficiencies in retail customer service operations at the 13 units we visited in the Chicago District. Retail managers did not use reports from the CSV model or refer to performance goals to manage workhours because they were not familiar with the reports or the goals. Additionally, although employees knew they were supposed to clock into a new operation when moving from one task to another, they did not always do so because other duties took priority. This distorted customer service efficiency variance results and made it difficult for managers to be effective. We are not projecting a dollar impact because the variance systems were not fully functional during our review due to the Postal Service cyber intrusion reported in November 2014.

Operational Efficiency

The Postal Service had operational inefficiencies in retail customer service operations at all 13 units we visited in the Chicago District (see Tables 1 and 2). As shown in Table 1, during fiscal year (FY) 2013, actual workhours exceeded earned workhours at all units visited. Earned workhours represent the estimated number of hours that should have been charged, based on workload. Twelve units were below the national performance goal of 87.5 percent.

---

1   The inspector general requested the audit based on stakeholder concerns with DUO compliance with the revised guidelines and the accuracy of the cost study analyses.

Table 1: FY 2013 Function 4 Workhours and Efficiency

FY 2013	Earned Workhours	Actual Workhours	Efficiency Rate	Efficiency Rate Variance
Cardiss Collins	77,770	82,632	94%	6.5%
Norwood Park Station	10,160	12,086	84%	-3.5%
Elmwood Park Branch	10,252	12,504	82%	-5.5%
Mary Alice Henry	6,500	8,037	81%	-6.5%
Lincoln Park Carr	20,706	25,793	80%	-7.5%
Harwood Heights	17,409	22,086	79%	-8.5%
Robert Leflore Station	8,565	11,318	76%	-11.5%
Roberto Clemente	20,752	27,445	76%	-11.5%
Ontario Station	5,237	7,523	70%	-17.5%
Nancy B. Jefferson	7,755	11,388	68%	-19.5%
Daniel J. Doffyn	18,178	27,484	66%	-21.5%
Ogden Park Station	6,462	10,388	62%	-25.5%
Merchandise Mart	4,097	7,204	57%	-30.5%

Source: Postal Service retail metrics data from CSV, FY 2013.

Workhours

Efficiency Rate

As shown in Table 2, actual workhours in FY 2014 exceeded earned workhours at all but one of the 13 units visited. Additionally, eight of the 13 units had an efficiency rate below the FY 2014 national performance goal of 82.5 percent.

Table 2: FY 2014 Function 4 Workhours and Efficiency

FY 2013	Earned Workhours	Actual Workhours	Efficiency Rate	Efficiency Rate Variance
Cardiss Collins	81,495	80,288	102%	19.5%
Daniel J. Doffyn	19,501	21,581	90%	7.5%
Norwood Park Station	10,229	11,827	86%	3.5%
Harwood Heights	15,662	18,383	85%	2.5%
Elmwood Park Branch	10,295	12,327	84%	1.5%
Robert Leflore Station	9,155	11,102	82%	-0.5%
Lincoln Park Carr	21,203	26,491	80%	-2.5%
Mary Alice Henry	6,495	8,370	78%	-4.5%
Roberto Clemente	21,329	27,435	78%	-4.5%
Nancy B. Jefferson	8,044	12,081	67%	-15.5%
Ogden Park Station	6,569	10,643	62%	-20.5%
Ontario Station	3,966	6,515	61%	-21.5%
Merchandise Mart	3,241	5,722	57%	-25.5%

Source: Postal Service retail metrics data from CSV, FY 2014.

Workhours

Efficiency Rate

Customer Service Reports

Managers in customer service units were not using reports from the variance model to manage clerk workhours and workload because they were not familiar with the applications that generate the reports. Specifically, unit managers were not effectively using the CSV, the Customer Service Adjusted Work Schedule (CSAW),[2] the Mail Arrival Profile (MAP), or the Integrated Operations Plan (IOP) applications to manage clerk workhours. The CSV and CSAW applications compare actual to target productivity[3] to identify staffing needs; and MAP and IOP provide the expected mail type, volume, and arrival times. Management should use available variance tools to identify the optimal number of workhours and to adequately staff the unit to avoid unnecessary overtime hours.[4]

Performance Goals

Customer service unit managers were not tracking their office performance goals against national performance goals. According to Postal Service guidance, managers should plan and organize work to achieve unit goals;[5] however, eight of 13 unit managers we interviewed stated that they did not know what the national performance goals were. District and area managers are aware that goals and other customer service information are not always disseminated to unit managers. In response, the Great Lakes Area has taken proactive steps and is piloting an effort during FY 2015 to have communication boards at all units that include customer compliments, unit level performance indicators, and tools for customer support. Deliver the Brand is a promotion the Great Lakes Area initiated to increase awareness at customer service units. Since the area office is piloting an effort to improve communication of performance goals, we are not making a recommendation for this finding.

Time Clock Procedures

Employees did not follow required time clock procedures in the Time and Attendance Collection System (TACS).[6] Employees must use correct clocking procedures to ensure they record hours spent in the operation; and identify the local unit, finance type facility, and finance number where the work is performed.[7] However, employees at five of the 13 units visited were not clocking into the new operation as required when they moved from one operation to another. Employees knew how to perform the clock ring moves and were aware of the requirement,[8] but often they did not comply and management did not enforce the regulations because other duties took priority. Clock ring time needs to be properly recorded so time spent in each operation is correct, retail efficiency reports are accurate, and workhour requests are justified. We are not projecting a monetary impact because the variance systems were not fully functional due to the announcement of the November 2014 cyber intrusion.

---

2 The CSV and CSAW tools are described in the Function 4 Guidebook- *Post Office Operations,* February 2014.
3 CSV computes target workhours by applying national performance standards to actual workloads and comparing target to actual workhours.
4 Function 4 Guidebook- *Post Office Operations*, February 2014.
5 Handbook PS-209, *Retail Operations Handbook*, Section 1-3, updated with *Postal Bulletin* revisions through August 23, 2012.
6 Provides supervisors with immediate access to employee time records and clock ring corrections to allow monitoring of employees' clock rings and ensure they are paid correctly.
7 Handbook M-32, *Management Operating Data Systems* (MODS), Section 4-4.3, March 2009.
8 The process of clocking into a new operation is called a "clock ring move."

Recommendations

We recommend the area vice president, Great Lakes Area:

1. Train customer service supervisors on the use of the customer service variance model and reports.

2. Require unit management to emphasize the importance of following time clock procedures during scheduled stand-up talks with unit employees.

Management's Comments

Management agreed with the findings and recommendations.

Regarding recommendation 1, management will conduct training to ensure that supervisors have the ability to analyze and use the customer service variance models and reports to make data-driven decisions. Further, management will conduct spot reviews to ensure compliance with usage of the variance programs. Management's target implementation date for these actions is June 30, 2015.

Regarding recommendation 2, management will conduct training for supervisors and stand-up talks for employees to ensure required time clock procedures are followed. Management's target implementation date for these actions is June 30, 2015.

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

Evaluation of Management's Comments

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

Appendices

Click on the appendix title

to the right to navigate to

the section content.

Appendix A
Additional Information

Background

Customer service clerks in retail units perform a variety of functions. They sort and distribute mail processed in the mail processing units and also perform duties at retail windows for customers and mailers. Unit managers use a variety of tools to manage workhours and staffing to assure they meet Postal Service operational and service needs without incurring unnecessary costs.

Management uses these programs to analyze complement, workhour, productivity, workload, and route delivery data. The models calculate actual versus earned workhours[1] and track performance from the national to the finance level. The models use integrated data to identify savings opportunities in a relevant work environment, allowing managers to identify and recognize opportunities to improve performance. Variance applications enhance management's ability to proactively manage a changing environment in a standardized format. The database from the variance programs helps create additional performance management tools that can be used to target daily savings opportunities. The variance programs give managers the following tools they should use to increase operational efficiency:

- CSV – a management model that analyzes complement, workhours, productivity, workload, and route delivery data. CSV calculates actual versus earned workhour performance against standardized target productivity expectations and trends performance from a national to a unit level.

- CSAW – a management model that uses a running average of the previous 12 weeks to project expected workload and earned workhours. Supervisors use earned workhours and workload data to develop the weekly schedule by adjusting daily staffing needs to best match earned workhours. As the week progresses, actual workload is input or imported daily and earned hours are generated by labor distribution code. Actual workhours used are automatically downloaded from TACS the day after they occur and the performance variation is displayed. Management uses the data to improve performance through scheduling opportunities and to measure the results of the decisions and execution of the plan. Volumes loaded or manually entered into the CSAW each day are uploaded to the eFlash system on Saturday mornings.

- Small Office Variance (SOV) – a management model that analyzes complement, workhour, productivity, workload, and route delivery data. SOV calculates actual versus earned workhour performance against standardized target productivity expectations and trends performance from the national to the unit level.

MAP and IOP worksheets are additional tools retail unit managers can use to determine operational efficiency.

---

1   Daily earned workhours are calculated based on the actual or projected workload.

Objective, Scope, and Methodology

Our objective was to assess overall efficiency in retail customer service operations in the Chicago District. Specifically we:

- Obtained, reviewed, and analyzed retail CSV data obtained from Postal Service Headquarters management for unit performance during FYs 2013 and 2014.

- Interviewed the Chicago District manager and manager of Operations Program Support, the Chicago postmaster, and 13 selected station managers regarding how they match workhours to workload.

- Reviewed applicable Retail Operations/Customer Service Operations policies and procedures and other pertinent documentation.

- Obtained the universe of customer service operations units in the Cost Ascertainment Group[2] for FYs 2013 and 2014 from management.

- Eliminated units with no more than one full-time equivalent employee and units without customer service operations.

- Identified opportunities to decrease workhours for each fiscal year by subtracting earned workhours from actual workhours.

- Statistically selected and visited 13 units (both high- and low-performing units) to observe operations, interview unit managers and employees, identify best practices, and determine causes of underperformance.

- Observed judgmentally selected retail units and discussed observations, best practices, and low performance with district management to identify initiatives they have in place or have planned to improve performance.

We conducted this performance audit from November 2014 through April 2015, 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 March 24, 2015, and included their comments where appropriate.

We assessed the reliability of CSV data by accessing the systems used to retrieve and analyze various data elements and interviewing personnel knowledgeable about the data in the system. We determined that the data were sufficiently reliable for the purposes of this report.

---

2   Method used to classify post offices according to revenue and mail volume they received each year.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
Efficiency of Customer Service Operations	EN-AR-12-003	8/17/2012	$285.7

Report Results: Our report determined that the Postal Service has improved its customer service efficiency; however, units still performed below the national efficiency performance goals of 88 percent for FYs 2010 and 2011 and 90 percent for FY 2012. Additionally, managers at customer service units are not fully using available reports as tools to manage operations. There are opportunities for managers to improve performance by implementing best practices at customer service units. We recommended districts develop and implement action plans to better use workhours and best practices at applicable customer service units and train customer service managers to effectively use available reports and tools. Finally, we recommended management require customer service unit managers to use the available reports and tools to allocate their resources based on the projected workload. Management agreed with our findings and monetary impact. Management stated that headquarters planned to implement the Staffing and Scheduling Tool program nationally as an action plan to better address matching workhours with earned workhours at under performing units.

JACQUELINE KRAGE STRAKO
VICE PRESIDENT, OPERATIONS
GREAT LAKES AREA

UNITED STATES
POSTAL SERVICE

April 16, 2015

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Customer Service Operations
Efficiency – Chicago District
Report Number: MS-AR-14-DRAFT
Project Number: 15RG008MS000

Management appreciates the efforts the Office of Inspector General (OIG) has taken in regards to the overall efficiency in customer service operations in the Chicago District and agrees with the findings. The following is in response to the above subject audit and management's comments on the findings.

<u>Recommendation 1:</u>
Train customer service supervisors on the use of the customer service variance model and reports.

Management Response/Action Plan:
Management is in full agreement with the finding. Training will ensure the ability, utilization and assistance in making effective data driven decisions. Moreover, new supervisors will obtain knowledge and understanding. In addition, management will document the names of all employees receiving the training.

<u>Conduct Training – All Supervisors, 204B Supervisors and Managers</u>
- Training will be provided on CSAW (Customer Services Adjusted Workload)
  - Definition and purpose
  - Daily usage/management
    - Volume recording
    - Work hour projections/data driven decisions
    - Scheduling/budget/planning
    - Analyzing earned work hours vs actual hours vs plan

500 FULLERTON AVENUE
CAROL STREAM IL 60199-1000
630-539-5556
FAX: 630-539-7171

- Training will be provided to show managers how to read CSV reports for performance scores
  - CSSOM
  - Lean Matrix
- Conduct Spot Audits – Compliance of Variance Programs Usage
  - District will conduct follow up F4 Audits to observe that SOP's are in place and being adhered.
  - Progress reports will be shared with District Manager, Mgr. Operations Programs Support, Mgr. Delivery/Customer Service Programs, CSOMs and Station Managers.

Target Implementation Date:
Actions will be completed by end of quarter 3, FY 2015.

Responsible Official:
Tangela Bush, Acting Executive Postmaster
Donald Good, Manager, Operations Program Support

Recommendation 2:

Require unit management to emphasize the importance of following time clock procedures during scheduled stand-up talks with unit employees.

Management Response/Action Plan:

Management is in full agreement with the finding. It is essential for unit management to emphasize the importance of following the required time clock procedures and believes that scheduled stand-up talks with unit employees, which allows us to capture the largest opportunity, is an effective method for ensuring accurate time clock procedures. In addition, management will document the names of all employees receiving the stand-up talk.

- Unit managers will emphasize the importance of following time clock procedures during scheduled stand-up talks with unit employees.
- Provide training to supervisors on all Function 4 operations numbers and descriptions of task.
- Provide placards for units, to be displayed near time clock, that display the correct operation numbers and explain the importance of proper clock rings.
- Require all station management to give documented training to all Function 4 employees on responsible clock ring procedures when performing/changing tasks.

- Require all station management to give documented training to all Function 4 employees on responsible clock ring procedures when performing/changing tasks.

Target Implementation Date:

Actions will be completed by end of quarter 3, FY 2015.

Responsible Official:

Tangela Bush, Acting Executive Postmaster
Donald Good, Manager, Operations Program Support

Please contact Gregory W. Johnson, District Manager, Chicago, via email or by phone at 312-983-8030, should you have any questions regarding this response.

Jacqueline Krage Strako

cc: Gregory W. Johnson, District Manager, Chicago

OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

Contact us via our Hotline and FOIA forms, follow us on social
networks, or call our Hotline at 1-888-877-7644 to report fraud, waste
or abuse. Stay informed.

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