



March 26, 2009

JORDAN M. SMALL  
VICE PRESIDENT, DELIVERY OPERATIONS

SUBJECT: Management Advisory – Management of City Letter Carriers’  
Street Performance (Report Number DR-MA-09-001(R))

This report presents the results of our response to a Postmaster General request on Management of City Letter Carriers’ Street Performance (Project Number 08XG026DR001). The objective was to determine if management could strengthen controls to reduce carrier misconduct. This review addresses operational risk. See [Appendix A](#) for additional information about this review.

### Conclusion

More than 222,000 city letter carriers deliver mail for the U.S. Postal Service. In recent years, the U. S. Postal Service Office of Inspector General (OIG) Office of Investigations (OI) has found a small percentage of carriers engaging in misconduct, ranging from theft of time to inappropriate behavior, while delivering the mail. Management was not always aware of the misconduct for two main reasons.

- City carriers are usually unsupervised during street delivery, especially when compared to the supervision received while casing mail in the office.
- Delivery unit management did not always effectively use available controls, such as performing street observations and reviewing operational reports that could help identify these situations.

We also found opportunities for the Postal Service to use controls such as Global Positioning System (GPS) technology and the city letter carriers national labor agreement discipline and compensation provisions as options to thwart these occurrences. More attention to preventing and identifying these incidents when they do occur may help the Postal Service avoid, among other things, payments to carriers for time that did not involve legitimate activities and the potential damage to the Postal Service’s brand and reputation.

## Carrier Misconduct

In the last 3 years, the OIG OI initiated 1,031<sup>1</sup> cases involving city letter carriers allegedly engaging in non-work activities on routes. Examples include 319 cases involving theft of government time, 301 inappropriate conduct cases, and 263 cases involving alcohol- and narcotics-related offenses.

The Postal Service has operational tools and reports to identify and help prevent carrier misconduct. However, we found:

- Postal Service policies were inconsistent regarding the number of Delivery Operations Information System (DOIS) reports that Supervisors must review daily.
- One important daily DOIS management report was difficult and cumbersome to use.
- Supervisors did not always discuss performance issues with carriers, conduct street observations, or take corrective action when misconduct occurred.
- Foreign posts were experiencing similar misconduct issues.
- OI investigations resulted in some city letter carriers receiving disciplinary action such as removals, suspensions, and letters of warning. However, based on the results from grievance arbitration procedures, disciplinary actions can be reduced or removed.
- City letter carriers receive compensation on an hourly basis instead of through a set evaluated compensation system.
- The number of routes and the geographical area covered reduced Supervisors' ability to provide effective "real-time" monitoring through street observations.

The Chicago District is currently testing GPS technology on 500 routes, and the technology is having some success in reducing overtime hours. Moreover, the installation of GPS technology provides a greater opportunity to monitor route activities in real time and reduce undue city letter carriers' time charges. The OIG's analysis of overtime found monetary savings of \$1,040,235 can be achieved through deployment of 400 GPS devices<sup>2</sup> in the Chicago District over the next 2 fiscal years (FY). We will

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<sup>1</sup> These are the actual number of cases identified by OI and may not include all incidents.

<sup>2</sup> The Postal Service plans to reassess GPS implementation nationwide following the Chicago District pilot. The OIG plans to further analyze selected districts that could benefit from GPS technology using results from our City Delivery Performance Analyses and Risk Indicator Scans model.

report this monetary impact as funds put to better use in our *Semiannual Report to Congress*.

The Postal Service incurs financial losses when city letter carriers engage in inappropriate activities during duty hours and receive pay for time that did not involve legitimate mail delivery activities. Additionally, these behaviors can lead to negative media reports and be very damaging to the reputation of the Postal Service and detrimental to its brand/image. Finally, the Postal Service may be liable for injuries and damages suffered by the public because of certain letter carrier misconduct. See [Appendix B](#) for additional information about this issue, and [Appendix C](#) for our detailed analysis of monetary impact.

### **Recommendations**

We recommend the Vice President, Delivery Operations:

1. Revise existing Postal Service policies and Standard Operating Procedures to reduce the number of required Delivery Operations Information System reports from eight to four to aid Supervisors in managing carrier street performance.

### **Management's Comments**

Management disagreed with the wording of the recommended action, stating that these eight reports represent less than 20 percent of all available DOIS reports. Management believes the eight reports provide critical data to run an efficient daily delivery operation. However, management plans to review all existing reports in DOIS with a goal of reducing the total number of reports to meet operational needs, and plans to include funding to support the needed changes to the DOIS as part of the FY 2010 budget cycle. See [Appendix D](#) for management's comments in their entirety.

2. Modify the Delivery Operations Information System Route/Carrier Daily Performance Analysis Report to show "exceptions" – i.e., only actual route times varying from projected route times.

### **Management's Comments**

Management disagreed with the wording of the recommended action, but provided an alternative planned action that should correct the problem. Management stated that if the Route/Carrier Daily Performance Analysis report was modified, Supervisors would not be able to recognize data integrity issues on the remaining routes in the unit. However, management agreed that exception reporting has value and agreed to explore developing an additional report that displays only variances to projections with a space to annotate performance discussions. Management plans to accomplish this action by March 31, 2010.

### Evaluation of Management's Comments

Management disagreed with the recommended action for recommendations 1 and 2, but provided alternative planned actions that should correct the problem. The OIG considers management's comments responsive to these recommendations and corrective actions should resolve the issues identified in the report.

3. Reinforce to delivery Supervisors and Managers the importance of holding performance discussions with city letter carriers, conducting street observations, and taking corrective actions for misconduct issues.

### Management's Comments

Management agreed with this recommendation. They plan, by March 31, 2009, to issue a memorandum to field Managers to reinforce the importance of discussing performance, conducting street observations, taking corrective actions, and holding performance discussion with city letter carriers.

### Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendation 3 and corrective actions should resolve the issues identified in the report.

4. Study the costs and benefits of converting the existing city letter carrier hourly compensation system to an evaluated compensation system similar to that of rural letter carriers. The analysis should include the Postal Service costs being incurred for street observations and grievances.

### Management's Comments

After further discussions, management altered their initial response to recommendation 4 and agreed with it in their subsequent comments dated March 11, 2009.

Management stated the concept of moving the city carrier hourly compensation to more of an elevated compensation system similar to rural letter carriers is desirable; however, many previous efforts to move in this direction have not been successful. Management plans to continue studying the feasibility and exploring all options to move city letter carriers to a more rural-like compensation system. See [Appendix E](#) for management's revised comments for recommendation 4.

## Evaluation of Management's Comments

The OIG considers management's March 11, 2009, comments responsive to recommendation 4 and corrective actions should resolve the issues identified in the report.

5. Deploy additional Global Positioning System technology for 400 motorized city routes in the Chicago District for more effective monitoring and tracking during street delivery.

## Management's Comments


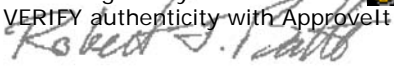
Management partially agreed with our recommendation and provided an alternate solution. Management did not feel the need to expand through purchasing additional GPS devices for the Chicago District, since 500 units were deployed during 2008. Management stated these 500 devices provide GPS coverage for approximately one-fourth of Chicago's mounted delivery routes, and district management has the latitude to transfer the GPS devices to the other sites where warranted. Additionally, management stated the initial response to GPS has been positive, and GPS is currently being deployed in the Albuquerque and Northern Virginia Districts. In a meeting with the OIG on February 4, 2009, management further stated that funding had been received to provide 500 devices for each of the other Postal Service areas. Since management can transfer the current GPS devices to the 400 vehicles in the other Chicago delivery units, as recommended, they can achieve the intent of our recommendation without the investment of the \$103,600 for additional GPS devices. As a result, in a subsequent meeting with management on February 18, 2009, management agreed in principle with the monetary impact.

## Evaluation of Management's Comments

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

The OIG considers recommendations 1, 2, 3, and 5 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 recommendation can be closed. We will report \$1,040,235 of funds put to better use in our *Semiannual Report to Congress*.

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

E-Signed by Robert Batta   
VERIFY authenticity with ApproveIt  


Robert J. Batta  
Deputy Assistant Inspector General  
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#### Attachments

cc: Patrick R. Donahoe  
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## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

On September 1, 2005, the OIG OI initiated the "Carrier Observation Program" based on allegations of letter carrier misconduct received from various sources nationwide including:

- Hotline allegations.
- Surveillance of Postal Service vehicles parked outside bars or similar establishments for prolonged periods.
- Contact with Postal Service Supervisors, Station Managers, Postmasters, and District Managers.

The Carrier Observation Program covered misconduct committed by letter carriers who were on duty, in uniform, and in public view. These investigations included – but were not limited to – letter carriers purchasing or consuming alcohol, selling illegal narcotics, driving with suspended state drivers' licenses, and deviating from their routes to conduct non-Postal Service business. In addition, Special Agents reviewed Overtime Usage Reports and Managed Service Points (MSP) Exception Reports to identify excessive early, late, or missing scans<sup>3</sup> that recurred over time for the same letter carriers and compared workload and resource usage.

The Postal Service designed the DOIS to assist delivery Supervisors in managing daily carrier operations, maintaining consistent Time of Day Delivery, and increasing the time available to perform street observations. The DOIS provides 42 reports that Supervisors and Managers can use on a daily, weekly, and monthly basis. These reports provide information on daily workload management, performance, planning and scheduling, route and unit maintenance, and street management. With these reports, Supervisors can discuss performance expectations and monitor performance issues with carriers.

During FY 2008, Postal Service Headquarters Delivery officials decided to conduct a pilot test of GPS devices to more closely monitor and track vehicles. GPS provides real time data on carrier street performance and monitors driver performance. The Postal Service installed GPS devices on 500 vehicles in the Chicago District, and established a set of monitoring parameters and exceptions that include traveling outside the established geo-fence,<sup>4</sup> speeding, idling and parking in one place for too long.

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<sup>3</sup> MSP is a tool to improve consistency of delivery times and enhance street management using the Mobile Data Collection Device (MDCD). City carriers use MDCDs to scan bar-coded labels placed at predetermined service points on the carrier's route.

<sup>4</sup> Invisible boundaries based on GPS coordinates.

The GPS device is Internet based, real time, and operated by satellite signals.<sup>5</sup> The device has no software to maintain or install and includes an alarm feature to notify the district office if the vehicle goes to a preprogrammed off-limits site.<sup>6</sup>

## OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine if management could strengthen controls to reduce carrier misconduct. To accomplish our objective, we reviewed OI background information on Carrier Observation Program cases and randomly selected 166 closed investigative cases, out of the 1,031 open, pending and closed cases over the last 3 years, to review the types of misconduct. The investigative files contained documentation of the investigators' observations of city letter carriers during street delivery, but case files did not provide the root causes of the misconduct.

We reviewed and analyzed DOIS documentation and applicable policies and procedures to evaluate performance reports available to Supervisors for managing office and street performance. We conducted interviews with Supervisors and Managers and observed the day-to-day operations in four judgmentally selected delivery facilities within the Great Lakes Area – Chicago District and the New York Metro Area – Long Island District.

We selected a sample of 62 weeks of delivery units' overtime to review opportunities in delivery units to decrease workhours. In addition, we considered results from the Carrier Observation Program in Chicago to assist in determining which judgmentally selected sites to visit. We used computer-processed data from the Web-based Enterprise Information System (WebEIS) generated in April 2008 to obtain performance metrics for the delivery units selected. We did not test controls over this system but discussed the results of our analyses with Postal Service officials.

We also evaluated the Chicago District's pilot program results involving the use of GPS devices in vehicles. See [Appendix C](#) for our cost savings methodology pertaining to this issue.

Finally, we developed and distributed a survey<sup>7</sup> on mail carrier operations to foreign posts to ascertain how they manage and monitor carrier performance.

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<sup>5</sup> GPS is a worldwide radio-navigation system formed from a constellation of 24 satellites and their ground stations that broadcast data and communicate specific locations. Advanced forms of GPS allow measurements more precise than a centimeter. GPS receivers have been miniaturized to just a few integrated circuits and, as such, are becoming more economical than in the past.

<sup>6</sup> Evaluation of privacy issues depends on several factors, including the specific application, the business relationships involved, the limitations imposed on the tracking, and the jurisdictions and laws involved.

<sup>7</sup> We received responses from the Australia, Belgium, Royal Mail and Spain Posts.



We conducted this review from May 2008 through March 2009 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management on September 9 and December 9, 2008, and included their comments where appropriate.

## PRIOR AUDIT COVERAGE

The OIG has issued three reports in the last few years related to our objective.

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Delivery and Retail Standard Operating Procedures – National Capping Report</i>	DR-MA-07-003	February 22, 2007	None
<i>City Letter Carrier Operations – National Capping Report</i>	DR-AR-06-004	March 31, 2006	\$7,061,060
<i>City Letter Carrier Operations – Rio Grande District</i>	DR-AR-05-009	December 2, 2004	\$92,726

The 2007 report summarizes nine area reports on standard operating procedures (SOP) in Delivery and Retail Operations. We found opportunities to improve implementation of the Delivery and Retail SOP within the Postal Service. Area management agreed with our findings and recommendations.

The 2006 report identified opportunities to improve the management of city letter carrier operations in the Pacific and Great Lakes Areas. Management agreed with our findings, recommendations, and monetary impact.

The 2004 report outlined opportunities to improve management of city letter carrier operations in the Rio Grande District. Delivery facility Supervisors and Managers did not adequately match workhours with workload, effectively use DOIS to manage daily operations, consistently perform street management or effectively use MSP to monitor city letter carriers' street time to correct negative trends. Management agreed with our findings, recommendations, and monetary impact.

## APPENDIX B: DETAILED ANALYSIS

### Carrier Observation Program Cases

In the last several years, a small percentage of city letter carriers have been identified as engaging in misconduct while delivering mail. Management was not always aware of the misconduct occurring on routes because city letter carriers are usually unsupervised during street delivery, especially compared to the supervision received while casing mail in the office. Further, management did not always effectively use controls, such as street observations and reviews of operational reports that could identify these situations. We also found opportunities for the Postal Service to use controls, such as GPS and city letter carriers national labor agreement provisions for discipline and compensation, to thwart these occurrences.

The 1,031 investigative cases represented a wide variety of misconduct, from theft of time to inappropriate conduct to alcohol- and narcotics-related offenses. See Table 1.

**Table 1. Carrier Observation Program Cases  
As of May 28, 2008**

COP Type	Total Number of Cases	Total Number of Closed Cases	Total Number of Open and Pending Cases	Total Number of Closed Case Files Reviewed
Alcohol-related	138	118	20	9
Drivers License-related	104	90	14	7
Inappropriate Conduct	301	244	57	15
Misuse of Government Property	20	20	0	1
Narcotics-related	125	86	39	4
Theft of Time	319	289	30	130
COP Type Not Selected	24	10	14	0
<b>Total</b>	<b>1,031</b>	<b>857</b>	<b>174</b>	<b>166</b>

Source: OIG OI

As Table 1 shows, the largest categories were theft of time, inappropriate conduct, and alcohol- and narcotics-related.

- Theft of time category – investigators identified 319 theft of time cases. Of these, 47 involved city letter carriers claiming 141 hours of unauthorized overtime. Postal Service Managers reported 32 percent of these theft of time cases to OI. Investigators observed carriers:
  - Going to gyms, tanning salons, and barbershops or picking up their children from school.
  - Going home after completing routes or extending and combining lunch with breaks.
  - Frequenting bars.

- Sitting idle in their Postal Service vehicles.
- Inappropriate conduct category – this included acts such as not disclosing prior convictions or workers' compensation claims, soliciting money and gifts, receiving pay for delivering mail, engaging in misconduct with a child, and discarding or failing to deliver mail.
- Alcohol and narcotics category – these cases involved letter carriers consuming alcohol or using illegal substances while on duty and sometimes while driving Postal Service vehicles. Some city letter carriers also engaged in drug trafficking or other drug activity at home while on duty and during route deliveries. (See pictures below.)

Redacted

Redacted

City letter carrier using illegal substance while on duty and driving a Postal Service vehicle.

City letter carrier drinking alcohol while on duty and driving a Postal Service vehicle.

### Street Management Criteria

The Postal Service has well-established oversight criteria for managing city letter carriers during street delivery. Postal Service Handbook M-39, *Management of Delivery Services*, requires Supervisors and Managers to perform street management duties. Street management is an extension of office management. It is essential for delivery Supervisors to accompany city letter carriers on the street, as needed, to be aware of any conditions that affect delivery and/or carrier performance. When such conditions are noted, Managers should act promptly to correct them.

In prior OIG work, we reported the Postal Service established internal controls and management tools to assist Supervisors and Managers in performing street management. The most critical duties and controls for street management included holding city letter carriers accountable by reviewing prior day DOIS/MSP performance reports, holding discussions with city letter carriers about missing MSP scans and not

completing street delivery within the agreed upon time, and monitoring the end of tour for unauthorized overtime.

**Causes and Additional Controls**

**DOIS Management Reports.** The number and type of reports Supervisors review can vary daily. The DOIS has 28 daily reports providing unit and carrier level data. Postal Service Headquarters officials, policies, and SOP designate eight of these daily reports that Supervisors are to use to manage workhours to workload and to inform discussions of performance expectations with carriers. However, the requirements for which reports to use on a daily basis are inconsistent. See Table 2.

**Table 2. DOIS Management Reports**

Required DOIS Management Reports	Supervisors Required to Use Certain DOIS Reports by:			
	Postal HQ Officials	DOIS SOP	AMSOP II Guidebook	Delivery SOP
Workload Status Report	X	X	X	X
Route/Carrier Daily Performance Analysis Report	X	X	X	X
Unit Daily Performance Report	X	X	X	X
Unit Feedback Report		X	X	X
MSP Route Report	X	X	X	
MSP Overview Report	X	X		X
Missed Scans Report		X		X
Late Leaving/Returning Report		X	X	
<b>Total Reports</b>	<b>5</b>	<b>8</b>	<b>6</b>	<b>6</b>

Source: Postal Headquarters (HQ), DOIS Daily Management SOP, AMSOP (Morning SOP) II Guidebook, and Delivery SOP

Eight reports can be somewhat cumbersome and time consuming for Supervisors to review while trying to manage daily mail operations. With morning activities that include measuring mail, negotiating overtime with carriers, and ensuring route coverage, Supervisors need pertinent and readily available data to address specific carrier or unit issues. Of the eight reports, Supervisors indicated the Workload Status Report and Route/Carrier Daily Performance Analysis Report were the most critical and most often reviewed. Supervisors also stated that the MSP Route Report and MSP Overview Report were important in managing street performance.

We reviewed the eight reports to determine if any should be modified or consolidated. Supervisors informed OIG that of the eight required reports, the Route/Carrier Daily Performance Analysis Report is the report they use daily to manage each individual route. Our review determined that management could modify the Route/Carrier Daily Performance Analysis Report to assist Supervisors in better managing street performance. This report provides Supervisors with individual carrier performance data, which may identify carriers using time over the projected route time. However, the report is difficult to use and we found that it:

- Did not provide exception reporting; therefore, Supervisors have to review each route and carrier line item to identify those carriers requiring performance discussions. Depending on the total number of routes and carriers in a unit, this report could be voluminous and require extra time to review and identify problematic routes or carriers.
- Did not provide Supervisors with a mechanism to annotate their notes or a signature block to verify they identified and discussed performance issues with carriers.

Although these daily reports provide operational information, in prior audits we learned that Supervisors could not always effectively perform their duties and responsibilities due to staffing and time pressures. Supervisors require relevant and pertinent data; therefore, it is essential that management reports readily identify actionable data for problematic routes the Supervisor can address immediately to correct operational issues for the unit and performance issues with individual carriers.

**Performance Discussions.** Supervisors did not always use DOIS reports to discuss performance issues with carriers. Our observations in the Long Island District showed Postmasters and Supervisors reviewing the Route/Carrier Daily Performance Analysis Report and maintaining a daily log of performance issues with carriers. In the Chicago District's [REDACTED] Stations, we observed Supervisors and Managers not holding discussions with individual carriers who used extended time on their routes the prior day. Management indicated that Supervisors did not always hold discussions due to inexperience and time availability.<sup>8</sup> Prior audit work has shown that Supervisors believed other higher priority duties prevented them from reviewing reports to take corrective actions.

**Street Observations.** We visited nine delivery units in the Chicago District, including units where OI investigated carrier misconduct, to determine if Supervisors conducted street observations. As indicated in Table 3, Supervisors did not consistently do so.

**Table 3. Street Observations Conducted May 2008**

Delivery Units	Street Observations Consistently Conducted
[REDACTED]	No
[REDACTED]	No
[REDACTED]	Yes
[REDACTED]	No
[REDACTED]	No

<sup>8</sup> Our observations are consistent with prior OIG audit reports, which also concluded that Managers and Supervisors did not use or review DOIS reports timely to monitor or correct performance.

Delivery Units	Street Observations Consistently Conducted
[REDACTED]	Yes
[REDACTED]	No
[REDACTED]	Yes
[REDACTED]	No

Source: WebEIS

According to Managers and Supervisors, they did not consistently conduct street observations primarily because they often had higher priority work such as route inspections and attendance and overtime issues.

In prior OIG reports, we addressed the issue of Supervisors not consistently conducting observations. Supervisors specifically expressed challenges in performing street observations to include meeting critical timeframes for daily mail delivery operations, unfamiliarity with MSP, and limited staffing.

**Disciplinary Actions.** The National Association of Letter Carriers Agreement with the Postal Service outlines disciplinary actions for carrier misconduct and provides grievance arbitration procedures to reduce or remove the discipline. The OI investigative cases we reviewed showed that some of the city letter carriers received removals, suspensions, or letters of warning. Employees can file a grievance to dispute the issued disciplinary actions.

Prior OIG work cited that Supervisors generally did not administer grievance arbitration procedures in accordance with all the national agreements. Specifically, Supervisors neither made offers nor took action to resolve disputes because they felt a lack of independence from the decisions involving disciplinary actions.<sup>9</sup> More recently, OIG work found that the Postal Service has implemented many initiatives over the past 5 years that have led to an overall reduction in the number of grievances filed and the number of backlogged grievances.<sup>10</sup>

We did not review the Grievance Arbitration Tracking System to determine costs the Postal Service may have incurred for grievances filed by carriers to remove or reduce discipline for these misconduct occurrences. Prior OIG work found that payments for specific grievances were difficult to track because there is no central source for recording grievance payment information. Management plans to enhance the Grievance Arbitration Tracking System by centralizing all grievance payment information by early FY 2009.<sup>11</sup>

<sup>9</sup> OIG report titled, *Effectiveness of Postal Service Grievance-Arbitration Procedures* (Report Number LM-MA-99-002, dated March 26, 1999).

<sup>10</sup> OIG report titled, *Nature of Grievances and the Initiatives Taken to Reduce and Prevent Them* (Report Number HM-OT-05-001, dated September 30, 2005).

<sup>11</sup> OIG report titled, *Grievance Settlement and Arbitration Award Payments* (Report Number HM-MA-08-002, dated September 16, 2008).

**Foreign Posts.** Survey results from foreign posts indicated they have experienced misconduct issues similar to those discussed above, and they monitor carrier performance much like the Postal Service does.

One additional tool our survey identified was used by Spain's Post, which reports carrier misconduct and inappropriate behavior to senior executives annually. Currently, there are no periodic reports prepared for Postal Service senior executives showing individual carrier misconduct. This type of report could provide senior management with trending data of city letter carriers who engage in misconduct and inappropriate behaviors during duty hours, giving visibility to the types and volumes of offenses. Ultimately, delivery unit management, district, and area labor relations officials are responsible for carrying out corrective actions on individual cases, but making senior executives aware of what is occurring would give them important information with which to make decisions regarding systemic corrective actions.

**City Letter Carrier Compensation.** The Postal Service compensates city letter carriers on an hourly basis for all time recorded on the clock. Per the Fair Labor Standards Act, the Postal Service must pay employees overtime for all hours in excess of 8 hours per day. Supervisors are responsible for controlling all bargaining employees' hours and ensuring they complete their duties and clock out if additional work is not necessary or the Supervisors have not authorized it. Supervisors are to disallow time not worked and document that the employee was not working during that period.

However, the Postal Service could avoid costs associated with unauthorized time<sup>12</sup> incurred on routes if they converted city letter carriers to an evaluated compensation system – similar to that of rural letter carriers. For city delivery, carriers can request overtime based on mail volume changes occurring daily on their routes. The Supervisor and the carrier negotiate on the amount of overtime required to deliver the mail on the route for that day based on the workload or mail volume. As a result, city letter carriers may not have an incentive to work more efficiently and could, in fact, take longer or work slower on routes because of the possibility of receiving overtime. In contrast, an evaluated compensation system, now used by rural letter carriers, pays carriers based on an established agreed-to completion time for each route. This method motivates carriers to complete their route as expeditiously as possible, since, for the most part, carriers would not receive any overtime pay in excess of the established completion time.

**GPS Technology.** In FY 2008, the Chicago District, with the assistance of Postal Service Headquarters Delivery Operations, acquired new technology – GPS devices – to assist in street management, monitoring, and tracking vehicles. The district installed 500 devices on vehicles assigned to 14 delivery units.

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<sup>12</sup> "Unauthorized time" consists of time used during duty hours while engaged in non-work related activities and overtime Supervisors have not approved.

We reviewed overtime charged from September 2007 through December 2008 in these 14 units. During this time, these units experienced a 40.3 percent decline in overtime, while the overtime percentage for the selected units without GPS decreased by 34.9 percent. We attribute the difference – 5.4 percent – to the installation of GPS.

District management informed the OIG that they began monitoring GPS activity at the district level to minimize any concerns with Supervisors' fairness in monitoring the system and to determine the best use of the vehicle fleet – not to specifically focus on carrier performance. GPS along with consistent street observations, where needed, will have a greater impact when management has concrete and usable data on the delivery process.

We reviewed street management data and determined further incremental deployment throughout the district would provide additional geographical area coverage and more effective “real-time” monitoring. Our analysis showed that deploying GPS devices on 400 motorized city routes<sup>13</sup> could have a net savings of over \$1 million over the next 2 fiscal years in the district. See [Appendix C](#). Postal Service Headquarters management agreed with the OIG that further, gradual GPS deployment would be beneficial in the Chicago District.

### **Impact of City Letter Carriers' Inappropriate Behavior**

The Postal Service incurs financial loss when city letter carriers engage in inappropriate activities during duty hours and receive pay for hours that did not involve legitimate mail delivery activities. Along with the cost impact, misconduct occurring on city routes can have operational and safety consequences as well. Delays in delivery can negatively affect service scores and spur customer complaints. Moreover, these types of behaviors can result in negative media reports detrimental to the Postal Service's brand/image and damaging to its reputation. Finally, Postal Service employees may injure themselves with some of the behaviors, and the Postal Service may be liable for injuries and damages the public may suffer because of certain city letter carrier misconduct.

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<sup>13</sup> OIG reviewed Chicago District street management performance data for all delivery units. We segmented the 14 units with GPS devices from the listing to review and analyze overtime hours. Based on the analysis of the remaining units' overtime hours, number of routes, number of units and discussions with management, we determined a gradual deployment of 400 GPS devices would be the most effective.



**APPENDIX C: COST SAVINGS CALCULATION**

The OIG identified \$1,040,235<sup>14</sup> in funds put to better use by deploying 400 additional GPS devices in the Chicago District.

**GPS Investment Costs**

Investment Cost							
	District	Total Number of Vehicles	GPS Installation Cost per Route	Investment Costs For Additional 400 Motorized Routes	Subscription Cost per GPS Device	Annual Subscription Cost (after 1 <sup>st</sup> Year)	FY 2008 Overtime (OT) Hours for Units Proposed To Receive GPS
	Chicago	400	\$259	\$103,600	\$22.95	\$110,160	317,600
Estimated Value of Overtime Due to GPS Installation							
All Units Without GPS OT Percentage Decrease Over 62 Weeks	GPS Units OT Hours For 31 Weeks <u>PRIOR</u> To GPS	GPS Units OT Hours For 31 Weeks <u>AFTER</u> GPS	GPS Units Percentage Decrease	Estimated Percentage OT Hours Reduced Due To GPS	Estimated Annual OT Hours Saved	Estimated FY 2009 Carrier Overtime Rate	Annual Value Of OT Hours Saved
34.9	214,136.69	127,872.39	40.3	5.4	17,150.40	\$36.75	\$630,277.50
Estimated Cost Savings							
	GPS Investment Costs (Note)	Cost Of Annual OT Hours Saved Due To GPS	Investment Year Savings	First Year Savings Less Subscription Cost <sup>15</sup>	Total Savings <sup>16</sup>		
	\$103,600	\$630,277.50	\$520,117.50	\$520,117.50	\$1,040,235		

<sup>14</sup> We computed the GPS investment cost using the cost data provided by management based on the current GPS contract. We estimated 17,150.4 OT hours saved by multiplying the percentage of decrease in overtime hours in the 14 units with GPS times the FY 2008 OT hours for the units proposed to receive GPS. We then calculated the dollar value of overtime savings by multiplying the city letter carrier overtime rate of \$36.75 times 17,150.4 estimated overtime hours saved. Our projected net savings over 2 years is the dollar value of overtime hours saved less the GPS investment costs.

<sup>15</sup> GPS units are already available and will be redeployed to the 400 vehicles noted above at no additional investment cost.

<sup>16</sup> Since the 400 GPS devices are a subset of the 500 devices placed on vehicles in April 2008, the first year savings on subscription costs do not apply.

## APPENDIX D: MANAGEMENT'S COMMENTS

JORDAN M. SMALL  
VICE PRESIDENT, DELIVERY OPERATIONS



January 23, 2009

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SUBJECT: Draft Management Advisory – Management of City Letter Carriers' Street Performance Report (Report Number DR-MA-09 DRAFT)

I have read the Draft Management Advisory – Management of City Letter Carriers' Street Performance Report (Report Number DR-MA-09 DRAFT). Below are my comments for each recommendation.

**Recommendation 1:**

Reduce existing Postal service policies and Standard Operating Procedures to reduce the number of required Delivery Operations Information System (DOIS) reports from eight to four to aid supervisors in managing carrier street performance.

**Response:**

Management does not agree with this recommendation. As indicated in the document, the DOIS provides 42 reports that supervisors and managers can use on a daily, weekly, and monthly basis. The eight identified reports represent less than 20 percent of all the available reports. Management believes that the eight reports provide local management with critical data to run an efficient daily delivery operation. Management will review all existing reports in the DOIS with a goal of reducing the total number of reports to meet operational needs. The deployment of the Flats Sequencing System (FSS) will alter many of the current office practices and result in different reporting scenarios. Funding to support the needed changes to the DOIS will be included as part of the fiscal year (FY) 2010 budget cycle.

Target Completion Date: March 31, 2010

**Recommendation 2:**

Modify the Delivery Operations Information System Route/Carrier Daily Performance Analysis Report to show "exceptions" – i.e., only actual route times varying from projected route times.

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- 2 -

**Response:**

Management disagrees with the recommendation to modify the Delivery Operations Information System Route/Carrier Daily Performance Analysis Report to show only exceptions – i.e., only actual route times varying from projected times. The existing version of this report provides the supervisor with a comprehensive overview of the prior day's office and street performance, as well as information on carrier clock rings, assignments and mail volume. We believe if the existing report is modified to only display routes with variance to projected times, the supervisor will not be able to recognize data integrity issues involving clock rings, assignments and mail volume on the remaining routes in the unit. This may also eliminate the need to access several other reports to find the same information. The supervisors only have one day to correct assignment and mail volume issues therefore, it is important for these to be identified and addressed immediately.

We concur that exception reporting has value and will explore developing an additional report that only displays variances to projections with a space to annotate performance discussions. Funding to support the needed changes to the DOIS will be included as part of the FY2010 budget cycle.

Target Completion Date: March 31, 2010

**Recommendation 3:**

Reinforce to delivery supervisors and managers the importance of holding performance discussions with city letter carriers, conduction street observations, and taking corrective actions for the misconduct issues.

**Response:**

Management agrees with this recommendation and will issue a memorandum to field managers reinforcing the importance of conducting street observations, taking any necessary corrective actions and holding performance discussions with city letter carriers.

Target Completion Date: March 31, 2009

**Recommendation 4:**

Study the costs and benefits of converting the existing city carrier hourly compensation system to an evaluated compensation system similar to that of rural letter carriers. Include in the analysis U. S. Postal Service costs being incurred for street observations and grievances.

**Response:**

[Redacted response text]



**Recommendation 5:**

Deploy additional Global Positioning System (sic) technology for 400 motorized city routes in the Chicago District for more effective monitoring and tracking during street delivery.

**Response:**

Management agrees with expanding the use of global positioning satellite (GPS) systems; however, not within the Chicago District. Five hundred units were acquired and deployed in the Chicago District during 2008. The quantity provides GPS coverage on approximately one fourth of Chicago's mounted delivery routes. The units were deployed to stations and branches where local management felt the greatest improvements could be made. Since the units are mounted in carrier vehicles, the district has the latitude to transfer the vehicles to other sites where warranted. Once specific carrier street performance is brought into line, the carrier can be held accountable for their demonstrated performance without ongoing GPS reliance. This allows management to rotate the GPS equipped vehicles and improve overall performance without incurring additional GPS implementation and reoccurring costs.

The initial response to the GPS has been positive and management has expanded GPS use within other areas and districts. The technology is currently being used in the Northern Virginia and Albuquerque Districts. Further expansion plans have been developed and are awaiting funding consideration.



Jordan M. Small

**APPENDIX E. REVISED MANAGEMENT'S COMMENTS**

JORDAN M. SMALL  
Vice President, Delivery Operations



March 11, 2009

Lucine M. Willis  
Director, Audit Operations  
1735 North Lynn Street  
Arlington, VA 22209-2020

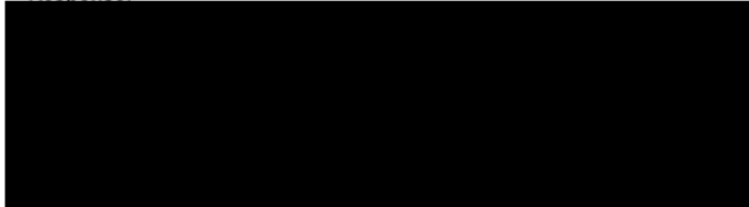
SUBJECT: Draft Management Advisory – Management of City Letter Carriers' Street Performance Report (Report Number DR-MA-09-001)

After further discussion with members of your audit team and my staff, I would like to alter my previous response to recommendation number four (4) of the subject report.

**Recommendation 4:**

Study the costs and benefits of converting the existing city carrier hourly compensation system to an evaluated compensation system similar to that of rural letter carriers. Include in the analysis U.S. Postal Service costs being incurred for street observations and grievances

**Response:**



Jordan M. Small

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