

August 29, 2002

HENRY A. PANKEY
VICE PRESIDENT, DELIVERY AND RETAIL

PAUL E. VOGEL
VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT

SYLVESTER BLACK
MANAGER, CAPITAL METRO OPERATIONS

SUBJECT: Management Advisory – Delayed Letter Carrier Operations in the Capital Metro Area (Report Number TD-MA-02-005)

Background

On November 19, 2001, the Office of Inspector General (OIG) announced an audit of carrier productivity to determine if letter carrier operations were effective, and to identify opportunities for cost savings (Project Number 02YG003TD000). The announcement responded to a request from the postmaster general.



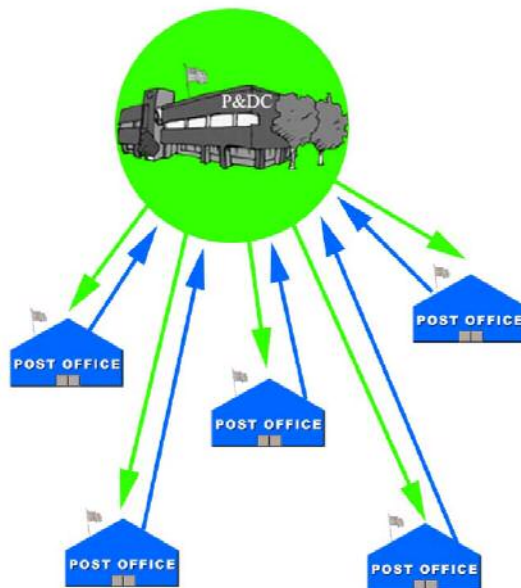
Letter carriers delivering mail.

Objective, Scope, and Methodology

The purpose of this management advisory was to notify Postal Service officials of letter carrier delays we observed in the Capital Metro Area during preliminary audit survey. During our work, we interviewed Postal Service officials at headquarters, in the Capital Metro Area, and in various other Postal Service areas. We visited 14 delivery units and other facilities in Northern Virginia and Baltimore; interviewed Postal Service managers and employees; and observed letter carrier operations. We also analyzed relevant Postal Service policies and procedures. Work associated with this advisory was conducted from March through August 2002 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and recommendations with appropriate management officials and included their comments, where appropriate.

Observations

Delayed Letter Carrier Operations. Every day, Postal Service processing and distribution centers distribute mail to local post offices, where letter carriers sort it, prepare it for delivery, and deliver it. On the mornings of March 26-27, 2002, we visited four Northern Virginia post offices, where we observed more than 100 letter carriers who were ready to begin their delivery routes, but were waiting for periods of up to 1 hour and 45 minutes. On the mornings of April 2-3, 2002, we visited two Baltimore post offices where we observed the same conditions—with more than 20 carriers waiting for periods of up to 45 minutes. Our inquiries revealed that the carriers were waiting for “missent” mail which processing and distribution centers had distributed to the wrong post office. Employees and managers we spoke to explained that under local procedures, missent mail was rerouted—using local transportation—to a

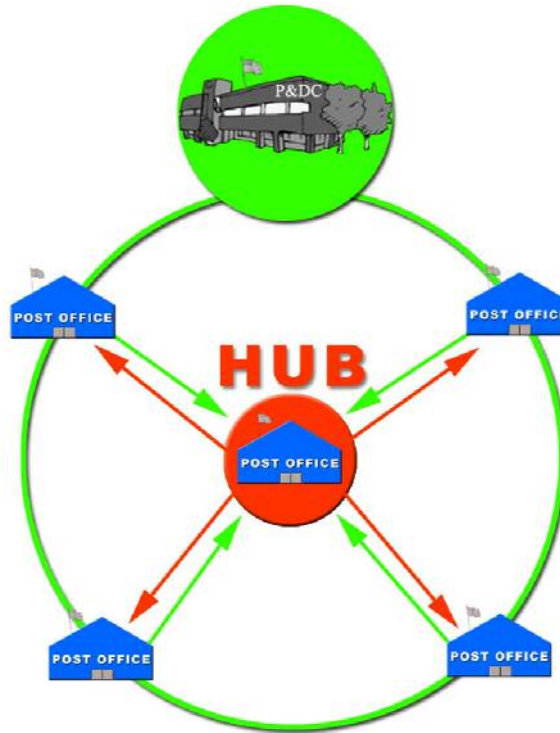


Daily distribution of mail from processing and distribution centers to local post offices. Mail sent to the wrong post office should normally be returned to the processing and distribution center.

centrally located post office or “hub,” where it was then sent directly to the correct post office for delivery.

HUB OPERATIONS

Under local procedures, missent mail is not returned to the processing and distribution center, but rerouted—using local transportation—through a central post office or “hub,” where it is sent directly to the correct post office.



Capital Metro Area “hub” resorting operations – mail is resorted in preparation for redistribution.

Letter carriers explained that waiting for the missent mail frequently delayed their departure onto delivery routes. Our analysis of Capital Metro Area records, and our interviews with officials, supervisors, and letter carriers, indicated that:

- The number of carrier routes in the Capital Metro Area affected by “hub” operations was substantial. Specifically, 5,607 routes, or more than 75 percent of the 7,461 total routes in the Capital Metro Area, were affected by hub operations.
- Missent mail volume was sometimes insignificant. For example, on March 27, 2002, at one Post Office, 23 carriers waited 1 hour and 45 minutes for 799 pieces of mail—less than 1 percent of that day’s mail volume at that facility. In addition, our analysis of three Capital Metro Area facilities, revealed that on average, carriers waited for about one-half percent of the facilities’ daily mail volume, or approximately ten letters per day, per carrier.

Postal Service officials we spoke to in other Postal Service areas told us that hub operations in their areas were eliminated because hub operations were too costly. Our analysis of the Capital Metro Area indicated that in addition to the cost of late customer delivery, the cost of making carriers wait for missent mail may have included:

- Unnecessary overtime. For example, on the days we observed carriers waiting for missent mail, the post offices involved approved overtime.
- Duplicate transportation costs. For example, local hub transportation can duplicate regularly scheduled transportation.



Capital Metro Area hub transportation may duplicate regularly scheduled transportation.

When we discussed our observations with Capital Metro Area officials, they stated that hub operations may not be meeting their original intent, and they subsequently instructed local managers to monitor hub operations to determine the impact on delivery operations.

In April 2002, after our initial visits to the Capital Metro Area, Postal Service Headquarters issued Handbook PO-441 Rehandling of Mail Best Practices. Our review of the handbook revealed that area hub operations were inconsistent with handbook provisions. Specifically, the handbook stated that when processing and distribution centers send mail to the wrong post office, the mail should be identified, segregated, and returned to the processing and distribution center. The handbook also characterized this step as “one of the most important elements in improving mail service,” but acknowledged that in order to ensure timely delivery, some districts may have special instructions.

After the handbook was issued, we discussed it with senior Capital Metro Area officials. The officials told us that it was their intent to eliminate or substantially reduce hub operations, and that based on our previous discussions, they had already taken aggressive action to do so.

Recommendation

We recommend the manager, Capital Metro Area Operations:

1. Continue to analyze area hub operations; discontinue or modify operations that are not operationally or cost effective; and where hub operations are to continue, provide “special instructions” to ensure operations are cost effective.

Management’s Comments

Management stated that they recognized the impact hub operations had on the performance of delivery units, and that employees waiting for mail to arrive from a central hub location was neither good business nor good for employee moral. They also:

- Directed district managers to terminate hub operations not later than the last day of fiscal year (FY) 2002.
- Referred district managers to the missent mail handling instructions specified in Handbook PO-441 Rehandling of Mail Best Practices, dated April 2002.
- Stipulated that any continuation of hub operations beyond the last day of FY 2002 must be specifically approved by Capital Metro Area Operations.

Recommendation

We recommend the vice president, Delivery and Retail, and the vice president, Network Operations Management:

2. Provide nationwide guidance to ensure missent mail hub operations, if employed, are necessary, effective, and efficient.

Management's Comments

In a letter addressed to area vice presidents, dated August 8, 2002, management:

- Emphasized the discontinuance of hub operations that could not be proven cost effective.
- Referred area vice presidents to the missent mail handling instructions specified in Handbook PO-441 Rehandling of Mail Best Practices, dated April 2002.
- Directed each area to review current hub operations, discontinue or modify operations that were not cost effective, and complete their review by September 15, 2002.

Evaluation of Management's Comments

Management's comments are responsive to our recommendations. We consider the actions taken and planned sufficient to address the issues we identified. Management comments, in their entirety, are included in the appendix of this report.

The OIG considers recommendations 1 and 2 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Joe Oliva, director, Transportation and Delivery, at (703) 248-2100, or me at (703) 248-2300.

B. Wayne Goleski
Assistant Inspector General
for Core Operations

Attachment

cc: Patrick R. Donahoe
John A. Rapp
Michael F. Spates
Anthony M. Pajunas
Walter F. O'Tormey
Susan M. Duchek

APPENDIX. MANAGEMENT’S COMMENTS



August 8, 2002

RONALD K. STITH
ASSISTANT INSPECTOR GENERAL
CORE OPERATIONS

SUBJECT: Management Advisory Number TD-MA-02-Draft—Delayed Letter Carrier Operations

In reference to your July 9 management advisory for delayed letter carrier operations in the Capital Metro Area, the following actions are planned to address missent mail hub operations.

Recommendation 1:

Continue to analyze area hub operations, discontinue or modify operations that are not operationally or cost-effective, and where hub operations are to continue, provide “special instructions” to ensure operations are cost-effective.

Planned Action:

The attached letter dated July 31 from the manager, Capital Metro Operations clearly defines parameters and actions to discontinue missent mail hub operations.

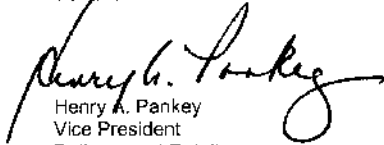
Recommendation 2:

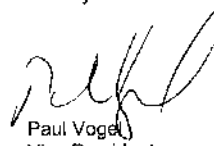
Provide nationwide guidance to ensure missent mail hub operations, if employed, are necessary, effective, and efficient.

Planned Action:

The attached joint letter from the vice president, Delivery and Retail, and the vice president, Network Operations Management, will be issued to the area vice presidents concerning missent mail hub operations. This document emphasizes the discontinuance of any hub operation for missent mail that cannot be proven cost-effective. The issuance of this letter will be no later than August 9 and will be copied to your office.

Should you have any questions or concerns, please contact Roy Gamble at 202-268-4332 or David Goldstein at 202-268-5072.


Henry A. Pankey
Vice President
Delivery and Retail


Paul Vogel
Vice President
Network Operations Management

Attachments

475 LEXAS PLACE SW
WASHINGTON, DC 20260
WWW.USPS.COM



August 8, 2002

VICE PRESIDENTS, AREA OPERATIONS
MANAGER, CAPITAL METRO OPERATIONS

SUBJECT: Office of Inspector General (OIG) Management Advisory –
Delayed Letter Carrier Operations

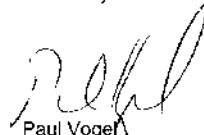
Recent audits of letter carrier productivity conducted by the OIG revealed that the use of hub operations to reroute missent mail to other delivery units delayed letter carrier operations.

Delivery units in some instances were delaying letter carriers from departing to the street for periods up to and beyond an hour while waiting for as little as ten pieces of missent mail. This practice results in carrier standby time supplemented through unnecessary overtime assistance, duplication of transportation costs, and late delivery to our customers.

Each area is to review current hub operations for missent mail and discontinue or modify operations that are not cost-effective. We also recommend a review of Handbook PO-441, *Rehandling of Mail Best Practices* which can provide assistance in the proper handling of missent mail. Please complete your reviews by September 15.

Should you have any questions on this subject, please contact Roy Gamble at (202) 268-4332 or David Goldstein at (202) 268-5072.


Henry A. Pankey
Vice President
Delivery and Retail


Paul Vogel
Vice President
Network Operations Management

cc: Roy Gamble
David Goldstein

MANAGER
CAPITAL METRO OPERATIONS



July 31, 2002

DISTRICT MANAGERS
SENIOR PLANT MANAGERS

SUBJECT: Missent Mail Hub Operations

Capital Metro Operations recognizes the impact that hub operations have on the overall performance of individual delivery units. Instances where employees are in an idle state simply waiting for mail to arrive from a central hub location is neither good for business nor for employee morale.

As these operations are indicative of even more significant problems, continuing them without addressing the root cause(s) is costly in both work hours and dollars. Specific instructions on the handling of missent mail have been provided by headquarters in Handbook PO-441, Rehandling of Mail Best Practices, dated April 2002.

The decision has been made to eliminate the use of these hub operations beginning Fiscal Year 2003. Only in cases where these operations can be proven to be cost-effective and absolutely necessary will they be permitted to remain in existence. Any hub operations which fit these parameters provided, and are considered to be necessary to continue past the last day of Fiscal Year 2002, must be approved by this office.

Please contact Joseph Martin at 301-548-1418 if you need further information concerning this matter.

A handwritten signature in black ink, appearing to read "Jerry D. Lane".

Jerry D. Lane

cc: Mike Cronin

MAILING ADDRESS
15601 SHADY GROVE ROAD
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301 548-1410
FAX: 301 548-1434

PHYSICAL ADDRESS:
8 MONTGOMERY VILLAGE AVENUE
SUITE 665
GAITHERSBURG, MD

MANAGER, DELIVERY PROGRAMS SUPPORT
CAPITAL METRO OPERATIONS



July 29, 2002

ROBERT McLEAN

SUBJECT: Draft Management Advisory – Delayed Letter Carrier Operations in the Capitol Metro Area
(Report Number TD-MA-02-DRAFT)

Attached is Capital Metro Operations response to Recommendation 1 on the above subject report. It was suggested via Mike Spates that both Capital Metro Operations and Network Operations Management implement the requested information into a joint document. A copy of the final response would be appreciated.

A handwritten signature in black ink, appearing to read "J. Martin, Sr.", with a checkmark at the end.

Joseph A. Martin, Sr.

Attachment

cc: Mike Spates

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301 548-1410
FAX: 301 548-1434

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GAITHERSBURG, MD

Capital Metro Operations – Recommendation 1

Capital Metro Operations recognizes its role in developing and maintaining efficiency in all of its operations including the impact that hub operations have on the overall performance of individual delivery units. Instances where it was implied that employees were in an idle state simply waiting for mail to arrive from a central hub location is neither good for business nor for employee morale. These operations are under scrutiny within the districts as well as at the area level.

As these evaluations indicate, the operations will be targeted for discontinuance. The Baltimore District has indicated these operations will be eliminated at the beginning of Fiscal Year 2003. The Capital District, due to the temporary closing of the Brentwood facility, has had to revise its processing operations. Until the reopening of Brentwood, there may be a need to continue limited hub operations. The Northern Virginia District currently has interstation runs established from the main office to accommodate mail flows within that area. Where those operations are deemed to be necessary, specific instructions, detailing costs and benefits will be submitted by the district office to the area for review by both Delivery Programs Support and In-Plant Support for their concurrence.

To measure associated workhours for these operations, area option line 3 in CSDRS will be activated on day 1 of Accounting Period 13. Continued efforts to reduce missent mail to delivery units are under way. Daily missent mail volumes reported in CSDRS are provided to both area and district staff for their review and subsequent follow-up. The top ten missent mail offices are highlighted each accounting period for further analysis. These efforts have resulted in a 12.95 percent reduction of missent volume to the delivery units as reported in CSDRS through Accounting Period 11 of this year compared to SPLY.