Retail and Customer Service Operations Efficiency

AUDIT REPORT

Report Number 24-111-R25 | February 11, 2025

Table of Contents

Cover

Highlights 1

- Background 1
- What We Did 1
- What We Found 1
- Recommendations and Management's Comments 1

Transmittal Letter 2

Results 3

- Introduction/Objective 3
- Background 3
- Finding #1: Function 4 Program Data Quality 6
  - Recommendation #1 7
  - Recommendation #2 7
  - Postal Service Response 7
  - OIG Evaluation 7
- Finding #2: Function 4 Review Enhancement Opportunities 8
  - Recommendation #3 8
  - Recommendation #4 9
  - Recommendation #5 9
  - Postal Service Response 9
  - OIG Evaluation 10
- Looking Forward 10

Appendices 11

- Appendix A: Additional Information 12
  - Scope and Methodology 12
  - Prior Audit Coverage 14
- Appendix B: Function 4 Labor Distribution Codes 15
- Appendix C: Management's Comments 16

Contact Information 20

Highlights

Background

The U.S. Postal Service operates over 31,000 post offices and retail units where staff perform various operations, including scanning packages upon arrival or measuring mail. These Retail and Customer Service (i.e., function 4) operations accounted for 145 million workhours and $6.9 billion in costs in fiscal year 2023. The Postal Service's ability to capture efficiencies, including through targeted operational reviews at selected units, can help drive its Delivering for America plan's financial goals.

What We Did

Our objective was to assess the efficiency of Retail and Customer Service Operations nationwide. We assessed related policies and processes, observed operations at 12 units nationwide, analyzed performance data, and interviewed management and staff.

What We Found

While the Postal Service reported attaining its function 4 operational efficiency goal in fiscal year 2023, we identified concerns with key data that underlie these results. National data showed instances of misaligned mail volume and workhour data, such as mail volumes being processed with no workhours or workhours incurred with no reported mail volumes. This happened because staff did not always properly record their workhours. We observed similar conditions during our fieldwork, as well as instances of staff improperly measuring mail. These shortcomings, which occurred due to inadequate oversight, hinder the reliability of the underlying operational performance data, and could be mitigated with better system controls. We estimate $134 million of funds that could have been put to better use between October 2022 and March 2024.

We also found issues related to the management of its targeted operational reviews. First, the centralized system for recording these reviews did not track key performance elements or retain historical data. Second, the related policies are outdated, which may cause confusion among staff and hinder optimal site selection. Addressing these issues would enhance the impact of function 4 reviews, provide better operational and performance visibility, and help drive efficiencies and future cost savings.

Recommendations and Management's Comments

We made five recommendations to address the issues identified in the report, and Postal Service management agreed with all five. We consider management's comments responsive, as the corrective actions should resolve the issues. A summary of management's comments and our evaluation are at the end of each finding and recommendation. See Appendix C for management's comments in their entirety

Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

February 11, 2025

MEMORANDUM FOR: JENNIFER T. VO
VICE PRESIDENT, RETAIL AND POST OFFICE OPERATIONS

STEPHEN M. DEARING
VICE PRESIDENT, CHIEF DATA AND ANALYTICS OFFICER

FROM: Amanda Stafford
Deputy Assistant Inspector General
for Retail, Marketing, and Supply Management

SUBJECT: Audit Report – Retail and Customer Service Operations Efficiency (Report Number 24-111-R25)

This report presents the results of our audit of Retail and Customer Service Operations Efficiency.

All recommendations require U.S. Postal Service Office of Inspector General (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All 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.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Josh Bartzen, Director, Retail Directorate, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of retail and customer service operations (Project Number 24-111). Our objective was to assess the efficiency of Retail and Customer Service Operations nationwide. See Appendix A for additional information about this audit.

Background

The U.S. Postal Service operates over 31,000 post offices and retail units throughout the country. Postal Service staff (mainly clerks) at these facilities perform retail and customer service operations including conducting sales at the counter; helping customers in the lobby; measuring mail for manual processing;[1] scanning packages upon arrival; sorting mail and packages; or distributing mail to Post Office Boxes (PO Boxes) or for carriers to deliver.[2] The Postal Service assigns these activities (and related workhours and associated labor costs) to the "function 4" category – Retail and Customer Service Operations. Employees are expected to conduct corresponding "clockrings" throughout the day to reflect the workhours spent on different function 4 related operations.

Employees who execute function 4 operations processed or distributed over 12 billion pieces of mail and handled over 665 million customer visits in fiscal year (FY) 2023. These operations accounted for almost 145 million workhours and $6.9 billion in costs in FY 2023 across various labor segments — or labor distribution codes (LDC) — as shown in Table 1.

> "Employees who execute function 4 operations processed or distributed over 12 billion pieces of mail and handled over 665 million customer visits in fiscal year (FY) 2023."

Table 1. Function 4 LDC Performance

LDC	LDC Category[a]	FY 2023 Workhours	Percent of Total Workhours
41	Unit Distribution – Automated/Mechanized	795,643	0.55%
42	Business Return Service	2,057,402	1.42%
43	Unit Distribution – Manual	42,630,543	29.42%
44	PO Box Distribution	6,261,786	4.32%
45	Window Service	36,528,175	25.21%
46	Unassigned	1,000	<0.01%
47	Administrative and Clerical – Larger Offices	28,508,465	19.67%
48	Administrative and Clerical – Customer Services	25,198,519	17.39%
49	Computerized Forwarding	974,994	0.67%
94	Operations Customer Service Training Hours	1,945,816	1.34%
Total		**144,902,343**	**100.00%**

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of Postal Service data from eFlash.
[a] See Appendix B for additional information on each LDC category

1 Mail that is unable to be processed on automated equipment is processed manually by Postal Service staff.
2 Other retail and customer service-related activities including processing returns under the Business Return Service, forwarding mail from a customer's previous address to their new one through the Computerized Forwarding System, selling stamps, and related administrative, clerical, and supervisory tasks.

Local Postal Service management — mainly supervisors and postmasters — are responsible for assigning, managing, and monitoring retail and customer service operations daily. This includes ensuring adherence to policies and procedures for mail distribution, mail volume and workhour recording, and staff efficiency. Postal Service headquarters, area, and district staff provide broader oversight and support by establishing and enforcing overall policies and procedures, including those associated with function 4 efficiency reviews.

Function 4 Operations Efficiency Metrics

The Postal Service's primary process for measuring and assessing function 4 operational efficiency in larger units[3] is through the Customer Service Variance (CSV) model (over 11,000 units are measured in CSV, and they account for over 75 percent of all function 4 workhours). The CSV model compares "earned"[4] workhours against actual workhours to determine "percent achieved" performance (see sidebar example). The Postal Service's target for CSV percent achieved is 95 percent. For smaller-sized units, the Postal Service tracks operational efficiency in a somewhat comparable method to CSV through the Small Office Variance (SOV) metric.[5]

CSV Calculation

CSV Function 4 Efficiency Calculation

$$\frac{\text{Earned Workhours}}{\text{Actual Workhours}} \times 100 = \text{Percent Achieved}$$

CSV Function 4 Efficiency – Example

$$\frac{\text{55,000 Earned Workhours}}{\text{56,000 Actual Workhours}} \times 100 = \text{98.2\% Achieved}$$

Postal Service Target: 95% Achieved

Source: OIG analysis of Postal Service data.

The Postal Service reported achieving its function 4 operational efficiency goal in FY 2023 with a CSV score of 95.65 percent. This performance slightly regressed through the first half of FY 2024, with the Postal Service reporting a national CSV score of 94.09 percent from September 30, 2023, through March 31, 2024, reflecting 3.2 million actual workhours over earned amounts (see Table 2).

Table 2. CSV Performance, FY 2024 Q1 and Q2

Retail & Delivery Area	Function 4 Percent Achieved	Function 4 Hours Variance (Actual – Earned)
Atlantic	89.91	1,613,848
Central	94.84	599,807
WestPac	96.05	505,242
Southern	96.28	530,739
Total (National)	**94.09**	**3,249,637**

Source: OIG analysis of Postal Service CSV data from the Workhour Efficiency Management System (WEMS). WEMS is a management model that provides complement, workhour, productivity, workload, and route and delivery analysis. This model calculates actual versus earned performance against standardized target productivity expectations and trends performance from national results to the unit level.

As part of managing function 4 operations, the Postal Service also tracks Arrival at Unit (AAU) scans performed by clerks on packages they manually process in their office. The associated workhours for these operations are to be recorded to LDC 43, *Unit Distribution – Manual.* The Postal Service tracks the performance of these activities to identify when potential operational efficiency issues appear such as the following:

- *AAU Scans Performed but No LDC 43 Workhours Charged.* This occurs when clerks are manually performing AAU scans on packages, but not recording these workhours by clocking into the LDC 43 operational code.
- *LDC 43 Workhours Charged but No AAU Scans.* This occurs when clerks charge workhours to LDC 43, but there is no package volume scanned related to these workhours.

3 These are larger offices and categorized by the Postal Service in Cost Ascertainment Groups A-G as determined by revenue generated each year (total revenues of these offices was over $74 billion in FY 2024). There were 11,382 retail units (37 percent of all units) measured in the CSV model in the first half of FY 2024, and these offices accounted for 76 percent of function 4 workhours and 92 percent of function 4 full-time employees.

4 The CSV model takes key inputs from other Postal Service systems – e.g., mail volumes, deliveries, routes, PO Boxes, retail transactions, etc. – and then calculates the number of function 4 workhours allocated (e.g., earned) for an organizational component (e.g., office or district) to perform these operations.

5 Post offices in Cost Ascertainment Groups H-L as determined by revenue generated at offices each year are measured using SOV. In FY 2024, offices in this group captured revenues of nearly $2.5 billion.

Operations Efficiency Assessment Tool: Function 4 Reviews

Postal Service management developed a process for conducting targeted reviews of retail and customer service operations at units throughout the country. The Postal Service stated the intent of these reviews is to address program structure concerns, identify performance possibilities, and make staffing adjustment recommendations. There are three levels of function 4 reviews, each with different levels of analysis and engagement as follows:

- *Level One Review.* The primary purpose of this one-day review centers on analyzing and validating key workload data (i.e., amount and types of volumes[6] and workhours) used for unit CSV modeling and operational targets. Local or district staff are to complete and certify the review, record and communicate results, and direct next actions to local management and key officials at the district level. A level one review is to be completed annually for most units[7] and is a prerequisite for a level two review.
- *Level Two Review.* This is a more in-depth review of issues identified from the level one review as deemed necessary by district staff. This review is primarily focused on either validating the unit's workload data (in instances it was unable to do so during the level one review) or workload reporting procedures. This review includes a series of more robust observations, data, and analysis. District staff are to (a) complete and certify the review; (b) record and communicate results and next actions (e.g., major findings or deficiencies, short and long-term strategies, and scheduled follow-up review dates) to local management and other key stakeholders; and (c) if necessary, update the workload tracking systems (CSV) with any needed corrections.
- *Level Three Review.* This is a more in-depth review of issues identified from the level two review and can be initiated by local, district, or headquarters staff based on a unit's deficient workhour performance. Postal Service policy states that level three reviews should be based on an estimated return on investment and have a clearly defined expectation to support the selection. This review entails performing an extensive review of critical workload data and a full review of the unit's entire operations. Local, district, or headquarters staff are to (a) complete and certify the review; (b) develop an "exit package" that shows the earned workhours and authorized complement; (c) host multiple meetings to discuss results and next actions (e.g., such as major findings or deficiencies identified during the review, short and long-term strategies, and scheduled follow-up review dates); and (d) if necessary, update the workload tracking systems (CSV) with any needed corrections.

Postal Service headquarters officials made some slight adjustments to the FY 2024 methodology for selecting potential units for level three reviews. They streamlined/bypassed certain steps of the level one and two review processes and independently analyzed performance and operational data across the following efficiency metrics to more quickly identify higher opportunity offices: (1) earned versus actual workhour performance; (2) overtime; (3) Distribution Up Time[8] performance; (4) employee availability,[9] and (5) volume.

Table 3 shows the number of completed function 4 reviews, by type, as recorded in the Postal Service's WEMS tracking system.

Table 3. Function 4 Reviews

Level Review	FY 2023	FY 2024
1	Not tracked	Not tracked
2	0	0
3	8	612

Source: OIG analysis of Postal Service data from WEMS.

6 Postal Service staff review the Mail Arrival Profile, which is an estimate of the percentage of mail by class/type arriving each hour of each tour.
7 Every customer service unit included in the CSV model.
8 Distribution Up Time is the time of day that all mail is completed and available for carriers and/or PO Boxes.
9 Employee availability is the percentage of normally scheduled hours worked by employees.

Finding #1: Function 4 Program Data Quality

Based on our national data review and 12 site visits throughout the country, we found reliability issues with some function 4 data underpinning key program efficiency metrics. Our review of national workhour and scan data[10] between October 2022 and March 2024 showed multiple instances of misaligned volume and workhour data, such as volumes processed with no workhours or workhours incurred with no corresponding volume, as follows:

- *AAU Scans Being Performed but No LDC 43 Workhours Were Charged.* Two billion AAU scans (23 percent of the total) were performed with no corresponding LDC 43 workhours being charged.
- *LDC 43 Workhours Being Charged but No AAU Scans.* Over 2.2 million workhours (7.5 percent of the total LDC 43 workhours) were charged, but the data showed no corresponding AAU scans.

> "We found reliability issues with some function 4 data underpinning key program efficiency metrics."

These misalignments indicate employees were not properly recording their workhours (e.g., performing "clockrings") to the correct LDC in accordance with Postal Service policy.[11] We found comparable clockring accuracy issues at some of the sites we visited, including staff visibly performing work under one LDC while clocked into a different LDC. In addition to these clockring issues, we also observed staff at five of 12 units improperly measuring mail that required manual processing in accordance with Postal Service policy.[12] For example:

- We observed a clerk measuring nearly 12 feet of mail that should not have been included in the manual count.[13]
- We observed a clerk not using a ruler, as required, to measure the mail. Rather, the clerk just made an estimate based on their visual inspection (resulting in an overestimated amount of mail by over 80 percent: 36 inches instead of the actual 20 inches).

As manual processing is less efficient compared to automated processing, units are budgeted ("earn") more workhours for volumes requiring manual processing. Improperly measuring this mail segment could drive inconsistencies when assessing operational efficiencies in a unit. Clerks, and local and district management acknowledged these clockring and mail measurement issues and attributed them to a variety of factors such as clerks either not complying with the policy or management not providing sufficient oversight of these operations (such as supervisors not observing clockrings or verifying mail measurements).

These shortfalls threaten the reliability of key program data used to monitor retail and customer service operational efficiency and performance. First, improper clockrings and related lack of oversight prevent visibility into the actual workhours used on the various LDCs. For example, as mentioned earlier, Postal Service data between October 2022 and March 2024 showed 2.2 million LDC 43 workhours costing approximately $134 million with no corresponding AAU scans. Considering the lack of quantifiable justification for these workhours, we are designating the corresponding $134 million in workhour costs as funds that could have been put to better use[14] during this time. Second, improper mail measurement and related oversight misrepresents the actual volumes requiring manual processing and related workhours. Continued data quality issues not only threaten the accuracy of CSV efficiency assessments (as workhours and mail volumes

10 We reviewed the Volume Arrival Profile (VAP) – AAU report, which shows the number of workhours clerks used each day for distribution of packages.
11 Postal Service Handbook PO 209 *Retail Operations Handbook,* 4-4.2 states that employees are required to perform clockrings to the correct designated LDC and that management is responsible for the accuracy of the clockrings.
12 Postal Service policy stipulates the type of mail that should be manually measured, the corresponding procedures, and that local supervisors should be periodically verifying compliance with these procedures.
13 The clerk was counting letter and flat mail that had already been sorted to the route level (and thus, did not require manual processing).
14 Funds Put to Better Use is a monetary impact category defined as funds the Postal Service could use more efficiently by implementing recommended actions.

are key inputs into their models), but also limit management's ability to accurately assess retail and customer service operational efficiency, identify areas of concern, and develop corrective actions.

Leading practices suggest that in instances where problematic performance is occurring — such as in the Postal Service's misaligned workhours and scanning operations — it is beneficial for organizations to effectively utilize related system controls (e.g., data tripwires or performance indicators) to inform management of these irregularities in a consistent, timely manner. Postal Service management stated that it has controls available to help staff identify performance irregularities, such as daily and weekly data reviews or other operational analyses. While we acknowledge these controls, it would be helpful to develop an approach for enhancing them to better notify management of performance irregularities. Furthermore, the Postal Service could also create accountability mechanisms to help ensure staff are conducting clockrings and measuring mail, and managers are providing related oversight, in accordance with policy.

Recommendation #1

We recommend the **Vice President, Retail and Post Office Operations**, enhance system controls to notify management of workhours and scanning operation irregularities in a consistent, timely manner.

Recommendation #2

We recommend the **Vice President, Retail and Post Office Operations**, create accountability mechanisms to help ensure staff are conducting clockrings and measuring mail, and managers are providing related oversight, in accordance with policy.

Postal Service Response

Management generally agreed with the finding and recommendations but disagreed with the monetary impact. Regarding the finding, management agreed that opportunities exist to improve volume and workhour recording and reporting. Regarding recommendation 1, management recognized the importance of having system controls to manage workhours and scanning irregularities, and stated it has system controls in place. Management stated it will provide examples with a target implementation date of February 28, 2025. Regarding recommendation 2, management agreed with the need for accountability mechanisms to ensure clockrings are conducted, mail is measured, and oversight is provided. Management stated it implemented measures to address these concerns and will provide examples with a target implementation date of February 28, 2025. Regarding the monetary impact, management stated the impact was overstated, and that the OIG failed to take into account various factors that would impact results.

OIG Evaluation

The OIG considers management's comments responsive to the recommendations, and the corrective actions should resolve the issues identified in the report. Regarding the monetary impact, the OIG believes our approach to identifying the monetary impact is accurate and represents the workhours that did not have corresponding AAU scans due to a lack of clockring oversight.

Finding #2: Function 4 Review Enhancement Opportunities

We also found limitations related to the management of its targeted, function 4 operational reviews. First, the Postal Service's national system for recording these reviews, WEMS, does not contain data on key elements — such as who conducted the review, the results, and the impact and status of corrective actions — or retain historical data. These system shortfalls limit visibility into the short – and long-term performance of these reviews, including how they are helping drive efficient function 4 operations. Second, the related policy framework is outdated, which may cause confusion among staff and hinder optimal site selection and the overall impact of function 4 reviews.

> "We also found limitations related to the management of its targeted, function 4 operational reviews."

Limited Tracking System

WEMS contains some basic information from function 4 reviews, including the number of level 2 and 3 reviews completed, complement levels, and workhours. We, however, identified some limitations related to the amount and type of information included in WEMS as follows:

- *Excludes Level 1 Reviews.* It only tracks information from level 2 and 3 reviews.
- *Limited Historical Data.* It only retains data for the current fiscal year, limiting progress monitoring.
- *Lacks Key Data Elements.* It does not include data on key review elements such as who initiated and performed the review (headquarters or the district/field); recommendations or corrective actions; status of recommendations/corrective actions; post implementation impacts/performance (e.g., captured cost-savings or other performance improvements); or certifying officials (for any of the aforementioned actions).

Headquarters officials acknowledged the limitations in WEMS, but noted that some of the detailed, historical information may be stored at the individual district or unit level. While we acknowledge this information may be available at the local unit level upon request, not having this detailed program information easily accessible to staff and managers throughout the organization via WEMS (or some other centralized system) will continue to hinder visibility into the effectiveness of its function 4 reviews and corresponding corrective actions. Enhancing national system capabilities related to data collection, retention, analysis, certification, and reporting associated with function 4 reviews would be a positive step to promoting better visibility and facilitate more targeted future cost-saving improvements.

Recommendation #3

We recommend the **Vice President, Retail and Post Office Operations**, collaborate with the **Vice President, Chief Data and Analytics Officer**, to enhance system capabilities for collecting, retaining, analyzing, certifying, reviewing, and reporting data from function 4 operational reviews.

Potential Policy Framework Enhancements

The effectiveness of the Postal Service's function 4 reviews could be further enhanced by updates or clarifications to its related policy framework.[15] First, the current policy — last revised in 2011 — lists key management roles and responsibilities for positions that no longer exist in the Postal Service management structure. Some of these positions include Manager, Operations Programs Support; Manager, Finance; or Manager, Marketing. These policy shortfalls could cause uncertainty around who is responsible among retail staff and managers.

Second, while the Postal Service's policy allows for managerial discretion in terms of determining level two and three reviews, there are opportunities to improve the selection criteria to better identify

15 *Function 4 Business Plan Process* #CSS-2011-01.

candidate offices and drive optimal use of limited function 4 review resources:

- *Recent Results.* Postal Service data showed no level 2 reviews were conducted between October 2023 and September 2024. As these reviews can be valuable tools for identifying and correcting operational efficiencies, it would be helpful to reassess and/or clarify the policies for initiating these types of reviews.

Automated Delivery Unit Sorter

The ADUS automates the sorting of smaller packages (up to 30 pounds). ADUS machines can sort 2,600 packages per hour to the carrier level for delivery. In comparison, the hourly target distribution rate for a clerk to manually sort packages is 270 per hour.

Source: U.S. Postal Service.

- *Operational Enhancements – New Automation.* The Postal Service continues to deploy automated package sorting equipment in local offices that are intended to enhance productivity and achieve cost savings by reducing less-efficient function 4 manual package processing workhours. The Postal Service installed package sorting machines at 123 units between October 2022 and March 2024 (see an example in sidebar). However, only 11 percent of the offices that received machines during that time were selected for a corresponding function 4 review. As the Postal Service continues to seek ways to promote operational efficiency through increased automation where possible, it would be helpful to reassess and/or clarify the policies for initiating reviews based on these types of major enhancements.[16]
- *Local Management Input.* Managers at some of the lower-performing units we visited stated they had asked for function 4 reviews, but none materialized while others were cancelled. As these local staff can have significant knowledge of a unit's operational efficiency, it would be helpful to reassess and/or clarify the policies for capturing local input when considering moving forward with level 2 or 3 reviews.

The Postal Service has increased attention on level 3 reviews, including conducting 612 in FY 2024 (up from eight in FY 2023) and updating the site selection criteria. However, the effectiveness of the Postal Service's collective function 4 review program could be advanced with updates or clarifications to its related policy framework. These improvements could help drive targeted, effective, efficient, and impactful reviews throughout the country.

Recommendation #4

We recommend the **Vice President, Retail and Post Office Operations**, update the function 4 review policies to reflect the current management structure.

Recommendation #5

We recommend the **Vice President, Retail and Post Office Operations**, evaluate and update policies for initiating the function 4 reviews, including selection criteria, factoring in major operational enhancements, and local management input.

Postal Service Response

Management disagreed with aspects of the finding but agreed with the recommendations. Regarding the finding, management disagreed with statements suggesting no level 2 reviews were conducted during FY 2024; that

16 These package sorting machines include both the Automated Delivery Unit Sorter and the Small Delivery Unit Sorter.

management needs to reassess and/or clarify policies for initiating reviews; that requests for reviews did not materialize or were cancelled; and that the policy was obsolete and did not reflect the "current policy" for key management roles and responsibilities for function 4 reviews. Regarding recommendation 3, management stated that it will determine the elements required for revision or addition to the function 4 review process and modify the WEMS platform to capture these reviews. The target implementation date is May 31, 2025. Regarding recommendation 4, management stated it removed the document referenced in the report from the Postal Service resource library and provided the OIG a copy of the current management structure as displayed in the WEMS. The target implementation date is February 28, 2025. Regarding recommendation 5, management stated it already has a robust set of processes in place for initiating function 4 reviews and will provide examples to the OIG, with a target implementation date of February 28, 2025.

OIG Evaluation

The OIG considers management's comments responsive to the recommendations, and the corrective actions should resolve the issues identified in the report. Regarding management's disagreement with parts of the finding, the OIG maintains our report fairly and accurately represented the evidence available during the fieldwork. Specifically, regarding management's position that level 2 reviews no longer exist, they did exist during the period we mentioned in the report — October 2023 to September 2024 — per discussions with Postal Service officials. Level 2 reviews also were evident from tracking data capabilities in WEMS and the *Function 4 Business Plan Process* policy at that time. Similarly, management stated that the *Function 4 Business Plan Process* did not reflect the "current policy." However, it was included in the policy framework during the time of our fieldwork, and key aspects were discussed during various meetings with Postal Service officials. While the document was subsequently deemed obsolete and removed from the resource library, officials were unable to clearly define when the policy change occurred.

Management also stated it has stringent policies for initiating function 4 reviews. We acknowledged these policies in our report but noted it would be helpful to reassess and/or clarify the policies for initiating reviews when offices receive operational enhancements (such as new automation) aimed at driving more efficient function 4 operations. Management also disagreed with our finding related to factoring local management input into fuction 4 reviews. We reported that managers at some of the lower-performing units we visited stated they had asked for function 4 reviews, but none materialized while others were cancelled. We believe that it would be helpful to reassess and/or clarify the policies for capturing local input (whether at the District or Headquarters level) when initiating function 4 reviews.

Looking Forward

Retail and customer service operations are crucial to the Postal Service's performance; they are a central touchpoint with customers and a major Postal Service cost center. Key tenets of the Postal Service's *Delivering for America* 10-year plan and its current update[17] center on enhancing efficiencies, revenues, and customer service. As the Postal Service continues to modernize its operations, particularly related to deploying automation in select retail units, it will be critical to improve the quality and reliability of function 4 performance data and targeted operational reviews. Such corrective actions can help promote better visibility into function 4 performance, develop impactful corrective actions, and drive operational efficiencies.

17 Postal Service, *Delivering for America, 2.0. Fulfilling the Promise*, September 30, 2024.

Appendices

Appendix A: Additional Information....12
Scope and Methodology....12
Prior Audit Coverage....14
Appendix B: Function 4 Labor Distribution Codes....15
Appendix C: Management's Comments....16

Appendix A: Additional Information

Scope and Methodology

Our objective was to assess the efficiency of retail and customer service operations nationwide. To accomplish our objective, we:

- Reviewed documentation and policies and procedures related to retail and customer service operations, including function 4 reviews.
- Obtained and analyzed operational data such as workhours, volumes, scans, CSV performance, and function 4 reviews.
- Conducted site visits to 12 judgmentally selected retail units (see Table 4) to observe and assess function 4 operations and interview local staff. The units were selected from a district within each of the Postal Service's four retail and delivery areas — Atlantic, Central, Southern, and Western-Pacific — based primarily on CSV percent achieved between October 2023 and March 2024. We also factored in the performance (e.g., offices with both "high" and "lower" performance compared to the 95 percent national target), the presence of rural delivery, and geographic clustering.
- Interviewed headquarters, area, district officials, and customer service unit personnel to discuss customer service operations and related data, initiatives, management/oversight mechanisms, performance, gaps, training, etc.
- Reviewed data analysis leading practices.
- Reviewed past OIG audit work.

Table 4. CSV Performance, FY 2024 Quarters 1 and 2

Area/District	Facility Name	Function 4 Percent Achieved[a]	Function 4 Hours Variance (Actual – Earned)
Atlantic/MA-RI	Warwick Post Office* (RI)	75.7%	2,802
	Pawtucket Post Office (RI)	86.6%	1,119
	North Kingstown Post Office* (RI)	104.9%	(407)
Central/IA-NE-SD	Dubuque-West Side Annex* (IA)	67.9%	2,998
	Davenport-Northwest Station* (IA)	82.0%	1,776
	Cedar Rapids – West Station* (IA)	104.7%	(473)
Southern/TN	Jonhson City Post Office*	56.2%	5,140
	Kingsport Post Office*	78.0%	2,899
	Greeneville Post Office*	103.8%	(276)
WestPac/CO-WY	Casper Post Office (WY)	66.4%	6,495
	Fort Collins Post Office* (CO)	70.6%	6,704
	Loveland Post Office* (CO)	99.6%	47

Source: OIG analysis of Postal Service CSV data from WEMS.

* Indicates a unit with Rural Delivery.

[a] The Postal Service's national target is 95.0 percent. Office performance can exceed 100% in instances where actual workhours used are less than earned workhours.

We conducted this performance audit from July 2024 through February 2025 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 January 10, 2025, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the Postal Services function 4 related internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following two components were significant to our audit objective: Control Activities and Monitoring.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to control activities and monitoring that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of WEMS, eFlash, and multiple other systems (i.e., Facilities Database, Daily Condition Visualization, Customer Service Adjusted Workload, Scan Point Management System, Retail and Delivery Applications & Reports, Informed Visibility, and Web Complement Information System) through various manners including conducting onsite observations, interviews with knowledgeable officials, other research and tests. We determined that the data were sufficiently reliable for the purposes of this report. We also interviewed knowledgeable officials in the delivery units we visited and from the Postal Services Retail and Post Office Operations groups about how the data was collected. Furthermore, we assessed the reliability of VAP-AAU system data from Informed Visibility by performing logical tests of completeness, accuracy, and reasonableness on key fields. In instances where we found concerns about the accuracy of the data resulting from improper clock rings and improper mail measurement, we included those as findings in our report and made recommendations for corrective actions.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
Capping Report – Efficiency of Selected Processes at Select Retail Units, Massachusetts-Rhode Island District	Review cash and stamp inventories, daily reporting activities, clockring errors, and employee separations at the Fort Point Station, Woburn and Norwood Post Offices.	22-188-R23	2/15/2023	$12,210
Efficiency of Selected Processes – Fort Point Station, Boston, MA	Review cash and inventory, daily reporting activities, clockring errors, and employee separations at the Fort Point Station.	22-188-1-R23	11/22/2022	$0
Efficiency of Selected Processes – Norwood Post Office, Norwood, MA	Review cash and inventory, daily reporting activities, clockring errors, and employee separations at the Norwood Post Office.	22-188-2-R23	11/22/2022	$0
Efficiency of Selected Processes – Woburn Main Post Office, Woburn, MA	Review cash and inventory, daily reporting activities, clockring errors, and employee separations at the Woburn MPO.	22-188-3-R23	11/22/2022	$0
Property Condition Reviews – Cochituate, Winchester, and John F. Kennedy Post Offices in Massachusetts	Determine if Postal Service management is adhering to building maintenance, safety and security standards, and employee working condition requirements at post offices.	21-144-R21	6/17/2021	$0
Mail Delivery and Customer Service Operations – Holiday City Station, Memphis, TN	Evaluate select mail delivery and customer service operations and determine whether internal controls were effective at the Holiday City Station in Memphis, TN.	21-089-R21	3/16/2021	$0

Appendix B: Function 4 Labor Distribution Codes

As Postal Service staff perform various function 4-related activities, they are required to assign and log their respective workhours to specific LDCs. The LDC is a 2-digit code that identifies major work assignments of employees. Table 5 provides a description of each of the LDC's related to function 4 activities.

LDC	LDC Description
40	**Supervision**. All supervisory work hours in support of Customer Services activities.
41	**Unit Distribution – Automated/Mechanized**. All non-supervisory work hours used at stations, branches, and associate offices involved in the automated/mechanized distribution of letters and flats.
42	**Business Return Service**. All non-supervisory work hours used at stations, branches, and associate offices for activities associated with the identification of Merchandise Return Services and Business Reply Mail by permit number, counting, weighing, and rating, dispatch, customer account maintenance and other tasks associated with the processing of this service. Also includes work hours associated with the staging, scanning, and dispatched of Parcel Return Service packages. Do not charge hours used in the incidental handling of this type of workload to this operation, these should be charged to the operation in which the incidental handling occurred.
43	**Unit Distribution – Manual**. All non-supervisory work hours used at stations, branches, and associate offices for manual distribution of all mail types to carrier routes and box section. Includes allied distribution activities including setup/stage, pull down, spreading of mail, and the distribution of carrier route sorted bundles. Excludes distribution of mail to PO Boxes.
44	**Post Office Box Distribution**. All non-supervisory work hours used at stations, branches, and associate offices for manual distribution of all mail types to PO Boxes, dedicated box mail distribution cases, and detached PO Box units.
45	**Window Service**. All non-supervisory work hours used at stations, branches, and associate offices in serving customers at the windows, firm callers, general delivery customers, and other activities in support of retail operations. Includes work hours used in serving customers in the lobby and other activities in support of retail operations (lobby assistant). Also includes work hours used by Sales and Service Associate to perform in person proofing for the candidates that will be hired by Census.
46	**Unassigned**
47	**Administrative & Clerical (Cost Ascertainment Group (CAG)a H-L Offices)**. All non-supervisory work hours used at stations, branches, and associate offices in Customer Services activities in CAG H-L offices only.
48	**Administrative & Clerical – Customer Services**. All non-supervisory work hours used at stations, branches, and associate offices for scanning of all mail types using handheld scanner, delivery of Express Mail by non-carrier employees, dispatch activities, processing of Premium Forwarding Service or reshipments. Also included are hours used in support of delivery services, such as working Postage Dues, Insured, Collect on Delivery, Customs, serving the carrier cage, performing markup activities in units other than Computerized Forwarding System sites, miscellaneous office work and record keeping, standby time, steward's duty time, travel time, and meeting time.
49	**Computerized Forwarding Systems**. All non-supervisory work hours used at Computerized Forwarding System sites for processing of all non-machinable letters, machinable and non-machinable flats, Combined Input-Output Subsystem rejects, and flat Postal Automated Redirection System rejects on a flat forwarding terminal or non-machinable terminal. Both forwardable, non-Address Change Service and Address Change Service Return to Sender mail flows are included.
94	**Training — Customer Services**. Supervisor and non-supervisor work hours of employees undergoing training while on duty. Includes the following activities: ▪ Classroom training and on-the-clock scheme study. ▪ Work hours for on-the-job training (if where the work performed by the trainee makes a contribution to production, then the hours are charged to the appropriate production operation).

Source: Postal Service LDC Labor Distribution Codes.
a Cost Ascertainment Grouping is a method that the Postal Service uses to classify Post Offices according to volume of revenue generated. CAG H-L offices generate less revenue than the CAG A-G offices.

Appendix C: Management's Comments

UNITED STATES POSTAL SERVICE

January 30, 2025

VICTORIA SMITH
ACTING DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Retail and Customer Service Operations Efficiency (24-111-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the Findings and Recommendations contained in the draft audit report, Retail and Customer Service Operations Efficiency.

Finding #1: National workhour and scan data showed instances of misaligned volume and workhour data.

Management Response: While Management has taken ongoing steps to improve the accuracy of volume and workhour data, it **generally agrees** that opportunities still exist in recording and reporting this information.

Finding #2: There were limitations related to the management of targeted, Function 4 operational reviews.

Management Response: Management **disagrees** with the following statements found in Finding #2:

> *Recent Results:* OIG indicates that data showed no Level 2 Reviews were conducted between October 2023 and September 2024. However, Level 2 Reviews no longer exist and so one would not expect data to be reported under this description.
>
> *Operational Enhancements*: OIG suggests that Management reassess and/or clarify policies for initiating reviews based on these major enhancements. However, Management has stringent polices in place for initiating reviews
>
> *Local Management Input:* OIG indicates some units asked for F4 Reviews, but the reviews did not materialize or were cancelled. Districts however, not Headquarters, would field such requests and determine the direction moving forward. The role of Headquarters is to determine the criteria for conducting a Function 4 Review.

Finding #2 Continued: The effectiveness of the Postal Service's Function 4 reviews could be further enhanced by updates or clarifications to its related policy framework.

Management Response: Management **disagrees** with this statement. The document "*Function 4 Business Plan Process* #CSS-2011-01" as referenced by the OIG in the Draft Report is obsolete and does not reflect the "current policy" for key management roles and responsibilities as they pertain to Function 4 Reviews. #CSS-2011-01 was not identified as a resource by Management in the initial Entrance Conference and has been removed from the Resource Library to eliminate any confusion for the Field. The current management structure is clearly outlined in the Workhour Efficiency Management System (WEMS).

Monetary Impact: Management **disagrees** with the Monetary Impact.
Management found the Monetary Impact statement to be overstated due to OIG failing to take into account that the CSV goal is set at 95% - not 100%, that 8% of AAU pieces have unreadable scans/no barcodes and that internet/machine anomalies can impact reporting. Management provided its analysis to the OIG for consideration.

The following are Management's comments on each of the five recommendations.

Recommendation #1:
We recommend the **Vice President, Retail and Post Office Operations,** enhance system controls to notify management of workhours and scanning operation irregularities in a consistent, timely manner.

Management Response/Action Plan: Management **agrees** with Recommendation.
Management recognizes the importance of having system controls to manage workhours and identify scanning operation irregularities timely. Management has system controls in place and will provide examples to validate for Closure:

- Weekly CSV Deep Dives
- VAP reviews
- Back Office Play
- Daily F4 Variance messaging
- Gemba walk performance

Target Implementation Date: 02/28/25

Responsible Official:
Director, Post Office Operations and A/Director, Retail and Post Office Operations Support

Recommendation #2:
We recommend the **Vice President, Retail and Post Office Operations,** enhance accountability mechanisms to help ensure staff are conducting clock-rings and measuring mail, and managers are providing related oversight, in accordance with policy.

Management Response/Action Plan: Management **agrees** with Recommendation.
Management sees value in having accountability mechanisms to ensure clock-rings are conducted, mail is measured, and oversight is provided. Management has implemented measurement to address those concerns and will provide examples of the following to validate for Closure: the reduction of Operational Codes, use of MDDIO scanning, CSAW guardrails identifying volume irregularities, performance Gemba Walks, and "Skyscraper" reporting sent out daily.

Target Implementation Date: 02/28/25

Responsible Official:
Director, Post Office Operations and A/Director, Retail and Post Office Operations Support

Recommendation #3:
We recommend the **Vice President, Retail and Post Office Operations,** collaborate with the **Vice President, Chief Data and Analytics Officer,** to enhance system capabilities for collecting, retaining, analyzing, certifying, reviewing, and reporting data from function 4 operational reviews.

Management Response/Action Plan: Management **agrees** with Recommendation. The Chief Data and Analytics Office will partner with Retail and Post Office Operations to determine elements required for revision and/or addition to the current Function 4 Review process.

This will include, but is not limited to, identifying required elements, revising current storage methods for retaining Function 4 Review records, enhancing current reporting methods, and identifying other areas for revision. Additionally, the WEMS platform will be modified to capture these reviews and identified elements as a result of the partnership with the Retail and Post Office Operations group. While a target implementation date has been provided; it is contingent on final designation of metrics to be tracked. The date will be outlined based on the level of effort needed to accomplish these tasks while adhering to Postal Service Developmental guidelines.

Target Implementation Date: 5/31/25

Responsible Official:
Director, Post Office Operations, A/Director, Retail and Post Office Operations Support and Director, and Sr. Director, Enterprise Insights & Reporting

Recommendation #4:
We recommend the **Vice President, Retail and Post Office Operations,** update the function 4 review policies to reflect the current management structure.

Management Response/Action Plan: Management **agrees** with Recommendation. Management has removed the document referenced in the report from the Resource Library. Management has provided a copy of the current management structure displayed in Work Hour Efficiency Management System (WEMS) and is requesting OIG to consider a Closure at Issuance for this Recommendation.

Target Implementation Date: 2/28/25

Responsible Official:
Director, Post Office Operations and A/Director, Retail and Post Office Operations Support

Recommendation #5:
We recommend the **Vice President, Retail and Post Office Operations,** evaluate and update policies for initiating the Function 4 reviews, including selection criteria, factoring in major operational enhancements, and local management input.

Management Response/Action Plan: Management **agrees** with Recommendation. Management already has a robust set of processes in place for initiating Function 4 Reviews. Management will provide examples to the OIG for Closure.

Target Implementation Date: 2/28/25

Responsible Official:
Director, Post Office Operations and A/Director, Retail and Post Office Operations Support

E-SIGNED by Jennifer.T Vo
on 2025-01-30 14:37:25 EST

Jennifer T. Vo
A/Vice President, Retail and Post Office Operations

E-SIGNED by Steve.M Dearing
on 2025-01-30 12:29:24 EST

Stephen M. Dearing
Vice President, Chief Data and Analytics Officer

cc: *Corporate Audit & Response Management*

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