



General Government Division

B-282374

April 30, 1999

The Honorable Richard K. Arney
Majority Leader
House of Representatives

The Honorable Dan Burton
Chairman, Committee on Government Reform
House of Representatives

The Honorable John M. McHugh
Chairman, Subcommittee on the Postal Service
Committee on Government Reform
House of Representatives

The Honorable Fred Thompson
Chairman, Committee on Governmental Affairs
United States Senate

Subject: The Results Act: Observations on the Postal Service's Preliminary Performance Plan for Fiscal Year 2000

This letter responds to your request to review the Postal Service's preliminary performance plan for fiscal year 2000. Our assessment was generally based on our comparison of the plan with the requirements of the Government Performance and Results Act of 1993 (the Results Act); our knowledge of the Postal Service's operations and programs; and our numerous reviews of the Service, including our review of the Service's preliminary performance plan for fiscal year 1999.

Results in Brief

The Postal Service's preliminary performance plan for fiscal year 2000 will be useful to decisionmakers in that it articulates well the Service's mission and performance goals and provides more measures to track intended performance. For example, the Service's preliminary performance plan for fiscal year 2000 includes a discussion of the Service's mission that is consistent with the Service's 5-year Strategic Plan; goals that respond to key challenges and appear balanced and challenging; and continued development of performance measures and targets to track intended performance. As the Service develops its final performance plan for fiscal year 2000, it could enhance its usefulness by improving the linkage between performance goals, strategies, and resources; providing more complete baseline data on past performance; and by identifying the top goals for the year covered by the plan. For example, we believe that the plan could be more useful to decisionmakers if it

clearly indicated how the Service's human capital will contribute to achieving performance goals, such as those that relate to improving timely mail delivery.

Our review of the Service's preliminary performance plan for fiscal year 2000 represents our assessment of a work in progress. Unlike other federal agencies, the Service is not required to submit its performance plan to the Office of Management and Budget (OMB) and is not subject to OMB's Circular A-11, part 2. The Service submitted its plan to Congress in February 1999 by filing its preliminary performance plan for fiscal year 2000 as part of the Service's annual Comprehensive Statement on Postal Operations. The Service's preliminary performance plan for fiscal year 2000 is provisional until resources have been allocated and the Board of Governors adopts the Service's budget. The Service plans to publish its final performance plan for fiscal year 2000 by September 30, 1999, after adoption by the Board of Governors, which is to include final decisions on resource allocations. Figure 1 highlights major strengths of the Postal Service's preliminary annual performance plan for fiscal year 2000 and improvements needed as the Service develops its final performance plan for fiscal year 2000.

Figure 1: Major Strengths of the Postal Service's Preliminary Performance Plan for Fiscal Year 2000 and Improvements Needed as the Service Develops its Final Performance Plan

<p>Major Strengths of Preliminary Plan</p> <ul style="list-style-type: none"> • Discussion of mission that is consistent with the Service's 5-year Strategic Plan • Goals that respond to key challenges and appear balanced and challenging • Continued development of measures to track intended performance <p>Improvements Needed for Final Plan</p> <ul style="list-style-type: none"> • Better linkages between performance goals, strategies, and resources • More complete baseline data on past performance • Identification of the top goals for the year covered by the plan

The Postal Service's preliminary annual performance plan for fiscal year 2000 represents moderate improvement over the Service's preliminary performance plan for fiscal year 1999, in that it corrects a number of the weaknesses we identified in our assessment of the Service's preliminary plan for fiscal year 1999. We observed that the Service's preliminary performance plan for fiscal year 1999 provided a partial picture of the Service's intended performance. We said that the Service's preliminary performance plan for fiscal year 1999 articulated well performance goals for many areas that defined expected performance and were quantifiable and results-oriented. However, we said that the preliminary plan did not fully capture the Service's mission and did not completely discuss the strategies and resources (i.e., human, capital, information, or other resources) that will be needed to achieve its goals. We made a number of recommendations directed at improving these weaknesses, and the Service was generally responsive in addressing these recommendations in its final performance plan for fiscal year 1999. In addition, Service officials said they would work to improve the Service's performance plan in future cycles. For example, Service officials stated that they would work toward improving linkages between performance goals, program activities, and budgetary resources, and planned to make adjustments in the budget

reporting process to capture detail on budgetary resources needed to meet performance goals.

The Postal Service has continued to strengthen its performance plan. Among improvements in the Service's preliminary performance plan for fiscal year 2000 are (1) a more complete discussion of the Service's mission that is consistent with its 5-year Strategic Plan; (2) restated goals that better respond to key challenges and appear balanced and challenging; and (3) the development of additional measures and targets to track intended performance. The Service also has used an assessment of its management system, called *CustomerPerfect!*, against the criteria of the Malcolm Baldrige National Quality Award¹ to identify opportunities for improvement. This assessment led the Service to incorporate new goals into its preliminary performance plan for fiscal year 2000 and to specify new strategies that will be needed to achieve intended results. For example, the Service revised and expanded the subgoals relating to the workplace and human capital. The subgoal in last year's plan to "Ensure a safe work environment" was revised in the preliminary performance plan for fiscal year 2000 to "Improve employees safety, security and well-being." The subgoal to "Enhance workplace environment to improve relationships with employees" was revised to "Improve workplace relations by building leadership skills and behaviors." Further, the subgoal to "Ensure that employees demonstrate in the workplace the required proficiencies for their assigned work" was revised to "Ensure that each and every employee is given the knowledge, tools, training and encouragement to successfully meet the expectations for their positions." Moreover, the Service added subgoals to "Improve understanding of employee issues and concerns" and "Ensure an inclusive and fair environment with opportunities for all employees."²

The Service's performance plan could be more useful if it further improved the linkage of major performance goals, the strategies to achieve these goals, and the related resource commitments—human, capital, information, and other resources. Further, the plan needs to include more complete baseline data so that readers can gauge the Service's progress in achieving its goals. Also, although the Results Act does not specify that performance plans prioritize goals, the Service's performance plan could be more useful to stakeholders if it identified the goals that are of highest priority in the year covered by the plan. This will enable the Service and stakeholders to engage in a dialogue about past performance and future goals for areas such as timely mail delivery, improvements in the workplace, and bottom-line financial performance. Service officials agreed with our observations regarding improving the Service's preliminary performance plan for fiscal year 2000 and said they would respond to them in developing the Service's final performance plan for fiscal year 2000.

¹ The Malcolm Baldrige National Quality Award is given annually to recognize U.S. companies for business excellence.

² The Postal Service dropped the subgoal to "Anticipate complement needs and deploy people to meet organizational requirements." The Service reported that this subgoal appeared to be a cause of success for other goals, rather than a subgoal for the workplace environment.

As we reported on the Service's draft strategic plan for fiscal years 1998 through 2002, providing multiple goals is a strength because achieving success on multiple dimensions is necessary for organizational success.³ We noted concerns that improved delivery of overnight First-Class Mail had come at the expense of 2-day and 3-day First-Class Mail and said that the Postal Service faces an even more difficult challenge in successfully implementing the full set of goals and subgoals in its draft strategic plan. These challenges are not new to the Service. For example, as we testified in 1991, "As the Postal Service moves to keep costs below inflation over the next several years, the balancing act between productivity and service could become more difficult but not impossible."⁴ We testified that in a 1988 Postal Service Planning Department paper on productivity measurement, the Department said "It is possible to achieve simultaneous gains in both productivity and service, but this requires careful management. Otherwise, gains in one area are likely to come at the cost of declines in the other." These issues appear to be relevant today as the Service's preliminary performance plan for fiscal year 2000 includes subgoals for keeping price increases below the rate of inflation while improving productivity and service. The Service's preliminary performance plan for fiscal year 2000 contains 3 overall goals, 16 subgoals, and about 50 indicators or areas in which indicators are to be developed. The Service officials recognized that the Service will be challenged to achieve multiple objectives in fiscal year 2000, such as improving or maintaining the quality of service, while also controlling costs and achieving its targets for net revenues. In this context, the Service officials told us that a senior management committee is working to do strategic planning and define the key goals that the Service will make its top priorities for the year covered by the performance plan.

The Postal Service's Preliminary Plan Provides a General Picture of Intended Performance Across the Service

The Postal Service's preliminary performance plan for fiscal year 2000 provides a general picture of intended performance across the Service. The Service's preliminary performance plan for fiscal year 2000 is consistent with the intent of the Results Act that annual performance plans be aligned with a systematic management process that uses results-oriented goals and strategies as well as performance indicators to measure progress toward these goals.

The performance goals are results-oriented and appear balanced in addressing the Service's three broad corporate goals relating to (1) earning customer business by providing quality products and services at competitive prices; (2) building an inclusive and welcoming workplace that fosters success; and (3) achieving financial performance that ensures viability, competitive pricing, and sufficient cash flow. The Service's preliminary performance plan for fiscal year 2000 effectively presents its performance goals, measures, and targets in a summary table.

³ The Results Act: Observations on the Postal Service's June 1997 Draft Strategic Plan (GAO/GGD-97-163R, July 31, 1997).

⁴ Organizational Performance of the United States Postal Service (GAO/T-GGD-91-9, March 5, 1991).

In addition, more measures and targets have been developed, which continue the process of developing a more complete basis for assessing the Service's performance. For example, the Service included two additional measures of timely mail delivery and two additional measures of workplace safety. At the same time, it will be important for the Service to continue to make tangible progress toward implementing a more complete set of performance measures and targets. This information is also important to many postal stakeholders. For example, mailers and postal customers have expressed concern about the delivery service for advertising mail and periodicals and have said that measures are needed to track the Service's performance in these areas. The Service's preliminary performance plan for fiscal year 2000 reported that a performance measure for on-time delivery of advertising mail has been implemented and reported that the Service will develop a similar measure for periodicals by the end of fiscal year 1999. By adding performance measures in these areas, the Service and stakeholders will be able to assess the Service's progress and discuss targets for future performance. The Service has committed to implement additional measures and targets in future cycles. In working toward this objective, the Service has said that it intends to use a phased approach to develop performance measures for all of its products and services as soon as possible.

The Postal Service's preliminary performance plan for fiscal year 2000 represents moderate improvement in addressing the weaknesses that we identified in our assessment of the Service's preliminary performance plan for fiscal year 1999 as it relates to providing a clear picture of intended performance across the Service. We reported in July 1998 that the Service's preliminary performance plan for fiscal year 1999 did not fully capture its mission.⁵ We noted that fully articulating the Service's mission is particularly important in light of the Results Act's emphasis on the relationship between the Service's program activities and its mission. In response, the Service revised and expanded the discussion of its mission in its final performance plan for fiscal year 1999.

In the Service's preliminary performance plan for fiscal year 2000, the Service has restated its three main corporate goals to better reflect key challenges facing the Service. For example, the corporate goal in the Service's final performance plan for fiscal year 1999 relating to employees was to "Improve employees' and organizational effectiveness by having the right people in the right place with the right tools at the right time to consistently provide superior customer value and ensure commercial viability in a dynamic market." The Service concluded that this original statement was perceived to reflect the voice of management more than the voice of all postal employees. The restated goal in the Service's preliminary performance plan for fiscal year 2000 is to "Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety, and security: where everyone is given the tools, training, and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success." Enclosure I lists management challenges facing the Service and the applicable goals and measures in the Service's preliminary performance plan for fiscal year 2000.

⁵ The Results Act: Observations on the Postal Service's Preliminary Annual Performance Plan (GAO/GGD-98-144, July 10, 1998).

The Service's preliminary performance plan for fiscal year 2000 also includes some actual performance data that can be used as a baseline to gauge progress toward some goals—which represents progress compared with the Service's preliminary performance plan for fiscal year 1999—but the baseline data are not as complete as they could be. The Service had agreed with our 1998 recommendation to include baseline data in its performance plans and began to include such data in its final performance plan for fiscal year 1999. However, in some areas, such as financial goals and associated measures, the Service's preliminary performance plan for fiscal year 2000 still did not include baseline data. Service officials told us that the Service's preliminary performance plan for fiscal year 2000 will be revised so that the Service's final performance plan for fiscal year 2000 will include baseline data when such data are available.

The Preliminary Plan Provides a General Discussion of Strategies and Resources to Achieve Goals

The Postal Service's preliminary performance plan for fiscal year 2000 provides a general discussion of strategies and resources that will be used to achieve its performance goals. Although the Postal Service's preliminary performance plan for fiscal year 2000 represents progress compared with the Service's preliminary performance plan for fiscal year 1999, the Service could further improve the linkage of its major performance goals, the strategies to achieve these goals, and the related resource commitments—budgetary, capital, information, and human resources. The Results Act states that the Service shall prepare an annual performance plan covering each program activity set forth in the Service's budget. The Results Act recognizes that for the Postal Service, a program activity is defined as “a specific activity related to the mission of the Postal Service.”

Although we recognize that developing meaningful linkages between performance goals, program activities, and budgetary resources is a difficult task, these linkages are incomplete in the Postal Service's preliminary performance plan for fiscal year 2000. Service officials have stated in response to our 1998 report that in the long term they plan to make adjustments to the Service's financial systems that would enable them to capture detail on budgetary resources needed to meet performance goals.⁶ However, Service officials have said that the Service does not currently have the specific information that would be needed to estimate budgetary and other resources associated with achievement of each of its goals. The Postal Service's budget submission to Congress for fiscal year 2000 included the Service's planned obligations in nine general categories that are based on its accounting system—which in turn has been structured to provide data required to set postal rates. For example, the largest category of obligations in the Service's budget submission for fiscal year 2000 was postal field operations (\$44.5 billion), which accounted for most of the Service's compensation costs.⁷ Although these field obligations could generally be related to most of

⁶ GAO/GGD-98-144.

⁷ The Postal Service does not depend on federal appropriations for its basic operations. The Service reported \$60 billion in operating revenues in fiscal year 1998, of which \$67 million was for some congressionally mandated services, such as free and reduced rate mail.

the Service's performance goals, such as providing timely delivery and achieving gains in labor productivity, information is not readily available on how much of the \$44.5 billion is linked to any specific goal.

In addition, Service officials agreed in response to our 1998 report to include more detail in the Service's performance plans to clarify the linkages that connect the Service's performance goals with strategies and budgetary resources that will be needed to achieve targeted improvements.⁸ The Service's preliminary performance plan for fiscal year 2000 included 10 major programs with planned spending of \$1.7 billion in fiscal year 2000, as well as 10 cost reduction programs with planned spending reductions of \$449 million. For example, the Service's preliminary performance plan for fiscal year 2000 included a number of specific programs that are primarily oriented to initiatives involving the Service's infrastructure, such as expenses and cost savings related to mail processing equipment, new retail terminals for window clerks, and infrastructure enhancements for postal facilities. These types of linkages help decisionmakers to understand how the Service intends to meet its performance goals, and we encourage the Service to continue developing more specific linkages between its goals, strategies and programs, and associated budgetary and other resources.

In addition to better linkages with budgetary resources, we believe that the Postal Service's performance plan could be more useful to decisionmakers if it clearly indicated how the Service's human capital will be used to achieve performance goals. The Service has nearly 900,000 employees and employee-related costs accounted for 79 percent of its expenses in fiscal year 1998. The Service's preliminary performance plan for fiscal year 2000 states that "If the customer goals require it, the Postal Service is committed to developing appropriate additional human resources and investing additional financial resources to improve value." A more specific discussion could be helpful in this area. For example, the Service could discuss how the Service's human capital will contribute to achieving the subgoal of providing timely delivery. The Service has set a target of on-time performance of 2-day and 3-day First-Class Mail at the 90-percent level, which would represent a record level of performance.⁹ The Service has also set on-time performance goals for certain types of advertising mail and ground packages. In this context, improved linkages between goals, strategies, and resources in the Service's performance plan would be consistent with the intent of the Results Act to provide a better understanding of how budgetary and other resources are used to achieve performance goals.

In addition, the Postal Service's performance plan for fiscal year 2000 could be more useful if the Service improved the linkage between each of its specific goals that the Service designates are to be of highest priority in the year covered by the performance plan, the associated strategies and programs, and the budgetary and other resources that will be required to achieve these goals. An example of such linkage in the Service's preliminary

⁸ GAO/GGD-98-144.

⁹ The national performance for 2-day and 3-day First-Class Mail for the first quarter of fiscal year 1999 was 86.6 percent, according to the Postal Service's preliminary performance plan for fiscal year 2000.

performance plan for fiscal year 2000 related to the goals of providing timely delivery performance and achieving targeted net income; the strategy was to implement delivery confirmation by providing delivery confirmation information to improve service for all Priority Mail and Standard B mail (which is primarily parcels and Bound Printed Matter). The resources specified were \$108 million in spending planned for fiscal year 2000. It would be useful to see this kind of linkage of strategies and resources to each of the goals that the Service designates as its highest priority for fiscal year 2000. Service officials have told us that they plan to identify their highest priority goals later this year and include a discussion in the final plan of the budgetary and other resources that are to be used to help achieve these goals. The Service's budgetary resources for fiscal year 2000 are to be finalized by September, and the Service plans to publish its final performance plan for fiscal year 2000 by September 30, 1999.

The Preliminary Plan Discusses Steps to Ensure the Credibility of Performance Information

As required by the Results Act, the Postal Service's preliminary performance plan for fiscal year 2000 discusses the means to be used to verify and validate measured values. We reported in 1998 that the Postal Service's preliminary performance plan for fiscal year 1999 was not complete in its discussion of how data would be verified and validated.¹⁰ The Service's preliminary performance plan for fiscal year 2000 made progress in addressing this weakness by adding an overview of systems and processes used or planned for verification and validation of various performance data. For example, the Service specified, for its residential and business customer satisfaction surveys, that the contractor who collects the data is responsible for data verification and data quality checks. In addition, the plan points out that some of the performance data, such as net income, are included in Postal Service financial statements that are audited each year by an independent public accounting firm.

In addition to discussing verification and validation in its performance plan, it will be important for the Postal Service to ensure that performance data are reliable. In January 1998, the Service's Inspector General designated "data integrity" as one of the 10 most serious management concerns facing the Service. For example, the Service has acknowledged that some of its employees attempted to undermine the integrity of the Service's performance data on one of its key performance measures—the timeliness of overnight First-Class Mail. In response, the Service reported that it made changes to prevent manipulation of the data.

The Postal Service's Inspector General has said that it plans to follow-up on data integrity issues by providing independent analysis and validation of key data elements and reviewing the Service's information management and data processing systems. Consistent with our practice of avoiding duplication of audit work with the Service's Inspector General, we have not assessed the quality of the Service's current performance data, internal controls that relate to that data, financial management systems, and information systems. In connection

¹⁰ GAO/GGD-98-144.

with fulfilling our requirement to audit the financial statements of the U.S. government, including its internal control report on financial reporting, our work has been limited to reviewing fiscal years 1997 and 1998 financial statement audits performed by the Service's independent public accounting firm. Therefore, except for data that come directly from the Service's audited financial statements, we have no basis to assess whether the Postal Service has the information sources and the capacity through its information systems that are needed to generate reliable data to support its performance plan and to produce credible performance reports.

Agency Comments

In a letter dated April 26, 1999, signed by the Chief Financial Officer/Senior Vice President, and Vice President, Strategic Planning, the Postal Service provided comments on a draft of this letter. These comments are included in enclosure II. In general, the Postal Service stated that the letter was balanced and helpful in providing the Service with guidance to improve its final performance plan for fiscal year 2000, which is to be published by September 30, 1999, following review and approval by the Board of Governors. The Service also agreed with our suggestions for improvements to the preliminary performance plan for fiscal year 2000 and indicated how it plans to respond to each suggestion in developing the Service's final performance plan for fiscal year 2000. The Service agreed to provide additional information on linkages between performance goals, strategies, and resources, including more information on how its human capital is to contribute to achieving its performance goals; more complete baseline data; and identification of the goals that are of highest priority for the year covered by the performance plan.

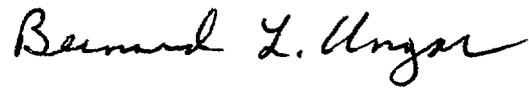
The Service has been responsive to our past recommendations about performance plans and continues to work constructively with us. Typically, there is a long learning process in understanding what constitutes a good plan, and it may take some time to develop improvements in the plan. Therefore, it is reasonable to expect additional improvement in future cycles.

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We are sending copies of this letter to Representative Richard A. Gephardt, House Minority Leader; Representative Henry A. Waxman, Ranking Minority Member, House Committee on Government Reform; Representative Chaka Fattah, Ranking Minority Member, Subcommittee on the Postal Service, House Committee on Government Reform; Senator Joseph Lieberman, Ranking Minority Member, Senate Committee on Governmental Affairs; Senator Thad Cochran, Chairman, and Senator Daniel Akaka, Ranking Minority Member, Subcommittee on International Security, Proliferation and Federal Services, Senate Committee on Governmental Affairs; William J. Henderson, Postmaster General; and other interested parties. Copies will also be made available to others upon request.

B-282374

Major contributors to this letter are listed in enclosure III. If you have any questions, please call me on (202) 512-8387.

A handwritten signature in cursive script that reads "Bernard L. Ungar".

Bernard L. Ungar
Director, Government Business
Operations Issues

Enclosures – 3

Postal Service Management Challenges, Goals, and Measures in its Preliminary Annual Performance Plan for FY 2000

GAO Management Challenge and/or Postal Inspector General Management Concern^a	Applicable Goals and Measures in the Postal Service's Preliminary Annual Performance Plan for Fiscal Year 2000
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GAO: Long-Standing Challenges in Labor-Management Relations	Goal: "Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety, and security; where everyone is given the tools, training and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success."
IG: Labor-Management Relations	

Subgoal: "Improve workplace relations by building leadership skills and behaviors."

Performance measures: For fiscal year 2000, the Postal Service is to:

- Make the REDRESS process (an alternative to the traditional Equal Employment Opportunity process) available to all employees in the 85 geographically based units called Performance Clusters.
- After completion of the labor negotiations, set a contract compliance target based on the percentage of grievances denied by an arbitrator.
- Respond to all employee suggestions within 6 months.

Subgoal: "Improve understanding of employee issues and concerns."

Performance measures: For fiscal year 2000, the Postal Service is to:

- Conduct an employee survey.
 - Monitor the percentage of required labor/management meetings held.
 - Develop an index and performance baseline for the workplace environment and set targets.
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Enclosure I
Postal Service Management Challenges, Goals, and Measures in its Preliminary Annual Performance Plan for FY 2000

GAO Management Challenge and/or Postal Inspector General Management Concern **Applicable Goals and Measures in the Postal Service's Preliminary Annual Performance Plan for Fiscal Year 2000**

GAO: The Continuing Challenge of Containing Postal Costs and Protecting Revenues Goal: "Generate financial performance that assures commercial viability as a service provider in a changing competitive marketplace and generate cash flow to finance high-yield investments for the future while providing competitively priced products and services."

Postal Service Inspector General: Financial Management Subgoal: "Control costs by achieving productivity gains."

- Performance measures: For fiscal year 2000, the Postal Service is to:
- Achieve a Total Factor Productivity (a measure of total resource usage efficiency, including capital) gain of 0.5%.
 - Achieve a labor productivity (a measure of labor resource usage efficiency) gain of 1.0%.

Subgoal: "Improve overall business performance."

Performance measures: For fiscal year 2000, the Postal Service is to:

- Generate positive indexed economic value added.
- Achieve a capital commitment budget of \$4 billion.
- Achieve an overall net income of \$150 million.

Subgoal: "Keep price increases below the rate of inflation."

Performance measure: For fiscal year 2000, the Postal Service is to:

- Maintain current rates.

Subgoal: "Restore original equity."

Performance measure: For fiscal year 2000, the Postal Service is to:

- Ensure compliance with the equity restoration policy of Board of Governors' Resolution 95-9 by achieving net income of at least \$377 million per year averaged over the current rate cycle.

The Postal Service's preliminary performance plan for fiscal year 2000 also identifies \$449 million in projected cost savings from 10 major fiscal year 2000 cost reduction programs. These programs are linked to a number of the Service's subgoals that relate to generating financial performance and earning customers' business.

GAO: The Need to Implement Reliable Indicators of Postal Performance

Postal Service Inspector General: Data Integrity

The Postal Service's preliminary performance plan for fiscal year 2000 sets a number of specific objectives for implementing additional indicators of postal performance. For example, in the section that describes the goal of earning customers' business and the subgoal of providing timely delivery, the Service's preliminary plan for fiscal year 2000 states that the Service is to "Develop on-time performance indicators for Periodicals and International Mail by the end of FY 1999, and develop performance baselines by the end of FY 2000."

The Service's preliminary performance plan for fiscal year 2000 also discusses "The specific Postal Service systems and processes planned for the verification and validation" of various performance measures. However, in March 1999, the Service's Inspector General reported that providing additional information in the plan to address these issues would be helpful in assessing the reliability of the data being used to gauge progress toward the Service's performance goals. In response, the Service said that its final plan is to include additional information about the general strategies, procedures, data sources, data standards, and challenges for improving the data verification and validation process for its performance targets.

Enclosure I
Postal Service Management Challenges, Goals, and Measures in its Preliminary Annual
Performance Plan for FY 2000

GAO Management Challenge and/or Postal Inspector General Management Concern ^a	Applicable Goals and Measures in the Postal Service's Preliminary Annual Performance Plan for Fiscal Year 2000
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GAO: Postal Service at Risk of Year 2000 Problems Postal Service Inspector General: Year 2000	None. The Postal Service's preliminary performance plan for fiscal year 2000 discusses the Service's Year 2000 program and ties it to the subgoal to "Provide timely delivery." The Service's preliminary performance plan for fiscal year 2000 projects that the Year 2000 program cost is to be \$150 million in fiscal year 2000. The Service's preliminary performance plan for fiscal year 2000 does not contain measures to track the progress of the Year 2000 program.
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However, in a recent response to the Postal Service's Inspector General, the Service agreed that progress in addressing its Year 2000 challenge could be better assessed by including specific goals, indicators, and targets in its performance plan. The Service reported that it intends to include these Year 2000-specific items in its final performance plan for fiscal year 2000 as well as more details on resources and project plans that relate to its Year 2000 initiative.

Postal Service Inspector General: Violence in the Workplace	Goal: "Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety, and security: where everyone is given the tools, training and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success."
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Subgoal: "Improve employees safety, security and well-being."

Performance measures: For fiscal year 2000, the Postal Service is to:

- Develop indicator and performance baseline for security of postal facilities.
- Develop process for identification and resolution of hostile environment.

Postal Service Inspector General: Workers' Compensation	Goal: "Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety, and security: where everyone is given the tools, training and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success."
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Subgoal: "Improve employees safety, security and well-being."

Performance measures: For fiscal year 2000, the Postal Service is to:

- Keep lost workdays due to injury per 200,000 work hours below 1.96.
 - Keep total accidents per 200,000 work hours below 11.36.
 - Keep motor vehicle accidents per million miles driven below 10.90.
 - Develop/update safety indicators to match Occupational Safety and Health Administration requirements and set targets.
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Enclosure I

Postal Service Management Challenges, Goals, and Measures in its Preliminary Annual Performance Plan for FY 2000

GAO Management Challenge and/or Postal Inspector General Management Concern^a **Applicable Goals and Measures in the Postal Service's Preliminary Annual Performance Plan for Fiscal Year 2000**

Postal Service Inspector General: Service Delivery Goal: "Earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices."

Subgoal: "Provide timely delivery."

Performance measures: For fiscal year 2000, the Postal Service is to:

- Achieve overnight First-Class Mail on-time performance of at least 93%.
- Increase 2-day and 3-day First-Class Mail on-time performance to 90%.
- Complete development of a First-Class remittance mail on-time performance indicator; establish a performance baseline; and set an FY 2000 target when data are available.
- Achieve targeted Priority Mail on-time performance, as measured by the Delivery Confirmation system. (The target is not released because it is proprietary information.)
- Achieve 97 percent on-time performance for Ad Mail delivered within a requested sales window, using the ADVANCE measurement system.
- Achieve targeted on-time performance for destination-entered ground packages, using the Delivery Confirmation system.
- Develop on-time performance indicators for Periodicals and International Mail by the end of FY 1999, and develop performance baselines by the end of FY 2000.

Subgoal: "Provide consistent service."

Performance measure: For fiscal year 2000, the Postal Service is to:

- Validate recently developed Customer Service Measurement indicators of delivery within 30 minutes of the scheduled time for business and residential customers.

Subgoal: "Provide accurate service."

Performance measure: For fiscal year 2000, the Postal Service is to:

- Validate recently developed Customer Service Measurement indicators of complaints or claims for misdelivery, damage, or loss.

Subgoal: "Ensure that the service is easy to use."

Performance measures: For fiscal year 2000, the Postal Service is to:

"Improve performance against Ease-of-Use Indices, which use customer satisfaction surveys to measure how easy it is for customers to do business with the Postal Service. Both composite and customer segment Ease-of-Use Index goals are shown below (based on a maximum value of 1000):"

- Increase the Composite Ease-of-Use Index to 710.
- Increase the Residential Ease-of-Use Index to 760.
- Increase the Premier Accounts Ease-of-Use Index to 700.
- Increase the Business Ease-of-Use Index to 740.
- Increase the National Accounts Ease-of-Use Index to 685.

Subgoal: "Explore customer needs segmentation as an alternative to product segmentation."

Performance measure: For fiscal year 2000, the Postal Service is to:

- Develop indicators and targets based on customer needs segmentation.

Subgoal: "Develop 'best value' criteria based on Customer Value Analysis."

Performance measures: For fiscal year 2000, the Postal Service is to:

- Develop indicators and targets using the Customer Value Analysis technique.
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GAO Management Challenge and/or Postal Inspector General Management Concern^a Applicable Goals and Measures in the Postal Service's Preliminary Annual Performance Plan for Fiscal Year 2000

Postal Service Inspector General: Subgoal: "Explore concept of customer loyalty for competitive products."
Service Delivery (continued)

Performance measures: For fiscal year 2000, the Postal Service is to:
• Develop customer loyalty indicators and targets.

Postal Service Inspector General: Systems Automation None. However, the Postal Service's preliminary performance plan for fiscal year 2000 describes investments in automation and mechanization equipment and links them to performance goals and resources. For example, in fiscal year 2000, a total of \$1.9 billion is to be used for automation and mechanization investments to enhance previously deployed technologies and expand the technology base available to support postal operations. The plan states that while most of these investments are directly targeted at the subgoal of controlling costs by achieving productivity gains, many investments also are to contribute to improvements in the subgoals regarding service quality (i.e., provide timely delivery, consistent service, and accurate service) and ease of use (i.e. ensure that the service is easy to use).

The Postal Service's preliminary performance plan for fiscal year 2000 also describes a number of specific automation programs. For example, the Robotics program is designed to acquire over 300 robots to automatically unload letter mail trays and flat tubs from mail containers. These robots are to replace current labor-intensive operations in the opening unit and container breakdown operations of Processing and Distribution Centers, Bulk Mail Centers and Air Mail Centers with automated equipment. In addition, the Tray Management System program is an automated material handling technology program designed to reduce allied labor expense and improve operational efficiency while providing real-time work-in-process information.

Postal Service Inspector General: Ratemaking Goal: "Generate financial performance that assures commercial viability as a service provider in a changing competitive marketplace and generate cash flow to finance high-yield investments for the future while providing competitively priced products and services."

Subgoal: "Keep price increases below the rate of inflation."

Performance measure: For fiscal year 2000, the Postal Service is to:
• Maintain current rates.

Postal Service Inspector General: Electronic Commerce None. However, the Postal Service's preliminary performance plan for fiscal year 2000 describes programs designed to facilitate various methods of making electronic payments to the Postal Service. For example, the Postal Electronic Payment Platform is to create a platform that combines all electronic automated clearinghouse and wire payments into a single, Postal Service financial institution, and is to provide business customers with a cohesive method of paying the Postal Service electronically as well as on-line reporting that supplies all necessary payment information to them.

^a The four challenges attributed to GAO are based on Major Management Challenges and Program Risks: U.S. Postal Service (GAO/OCG-99-21, Jan. 1999). The 10 management concerns attributed to the Postal Service's Office of Inspector General are the most recent available list and are based on the Inspector General's January 20, 1998, letter to Majority Leader Dick Army. This letter responded to Rep. Army's December 15, 1997, request to identify the 10 most serious management problems in the Postal Service.

Comments From the U.S. Postal Service



April 26, 1999

Mr. Bernard L. Ungar
Director, Government Business
Operations Issues
United States General Accounting Office
Washington, DC 20548-0001

Dear Mr. Ungar:

Thank you for providing us an opportunity to review the draft report to the Congress entitled: The Postal Service's Preliminary Annual Performance Plan for FY 2000. This plan was issued as Chapter IV in our 1998 Comprehensive Statement on Postal Operations, as required by the Results Act.

In general, we believe that the report is balanced and helpful in providing the Postal Service with guidance to improve our final FY 2000 Annual Performance Plan, which will be published by September 30, 1999, following review and approval by our Board of Governors.

As you have noted in your earlier reports, the Results Act provides the Postal Service an opportunity to document and publish the results of the stages of our internal management system that we call *CustomerPerfect!*. The Preliminary Performance Plan provides a concluding statement to our fall cycle of establishing performance goals and preliminary performance measures. The final Performance Plan will reflect the conclusion of our spring deployment process in which resources are allocated to program activities.

While noting that the major strengths of the Preliminary Plan were the consistency of the mission statement with the earlier Strategic Plan, balanced and challenging goals that responded to key challenges, and continued development of measures to track performance, you also suggested a number of improvements, and we want to respond to each of them.

Better Linkages between Performance Goals, Strategies and Resources

You suggested that we further improve the linkage of major performance goals with strategies and the human, capital, information, and other resources that will be needed to achieve targeted improvements. As we discussed in our meeting with you last month, we will provide additional information on these linkages in the final Performance Plan. Specifically, we will include information on program strategies and resources for the major performance targets in the summary table of goals, subgoals, indicators, and targets (page 97 of the 1998 Comprehensive Statement). We will also provide more information on how our human capital will contribute to achieving the various performance goals. As we have discussed previously, linkage information will require refinement over time, and we look forward to working with GAO to achieve continuous improvement in future Performance Plans.

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260

More Complete Baseline Data on Current Performance

You suggested that we provide more complete baseline data so that readers can gauge progress in achieving the goals, especially in the Voice of the Business area. We believe that this information will be a helpful addition to the final Performance Plan. To the extent possible based on the availability of historical data, we will provide baseline data on each performance measure for each of the three preceding fiscal years.

Identification of the Top Goals for the Year Covered by the Plan

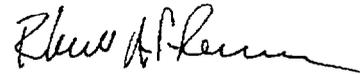
You mentioned that our Performance Plan could be more useful to stakeholders if it identified the goals that are of highest priority in the year covered by the plan. This would allow a constructive dialogue between the Postal Service and our stakeholders on past performance and future goals in all three *CustomerPerfect!* Voice areas. We agree with your assessment. In fact, following the development of the Preliminary Performance Plan, we identified the top priority targets and the other targets as the first step in our internal deployment of resources. In the final Performance Plan for FY 2000, we will identify the high-priority goals and associated measures of performance.

We appreciate the time you and your staff took to meet with us on these issues and we look forward to additional discussions in the future.

Sincerely,



M. Richard Porras
Chief Financial Officer &
Senior Vice President



Robert A. F. Reisner
Vice President
Strategic Planning

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