United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on the Postal Service, Committee on Government Reform
House of Representatives

September 2000

U.S. POSTAL SERVICE

Enhancements Needed in Performance Planning and Reporting

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United States General Accounting Office
Washington, D.C. 20548

General Government Division

B-286261

September 19, 2000

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

Dear Mr. Chairman:

This letter responds to your request for information on the Postal Service's performance measures, reports, and plans. In this, our initial effort to respond to your request, we focused on the Service's fiscal year 1999 performance report and its fiscal year 2001 preliminary performance plan as presented in the Service's fiscal year 1999 comprehensive statement of postal operations. Our objectives were to determine (1) how well the Service's fiscal year 1999 performance report addressed the Service's progress toward achieving the goals established by the fiscal year 1999 performance plan and (2) whether the Service's fiscal year 2001 preliminary performance plan demonstrates continued progress in developing a reasonable basis for establishing accountability for results. This letter also addresses the concerns that you raised regarding both the performance report and preliminary performance plan in a letter dated April 24, 2000, to the Postal Service's Board of Governors.

As you know, this was the Service's first annual performance report and third annual preliminary performance plan prepared in response to the Government Performance and Results Act of 1993 (GPRA). We previously commented on the Service's fiscal years 1999 and 2000 preliminary performance plans, recognizing the positive aspects of each. We also offered a number of suggestions on how the preliminary plans could be improved and, for the most part, those suggestions were incorporated into the Service's fiscal year 1999 and 2000 plans when they were issued in final.

Preliminary performance plans are considered provisional until the Postal Service Board of Governors completes the budget cycle and makes its final decisions on the allocation of Postal Service resources. Once those decisions are made, the Service is to make the necessary revisions to the preliminary performance plan and issue it in final—traditionally in September of each year.

The Service’s annual performance report is subject to two key requirements under GPRA.[1] First, the performance report is to compare actual performance achieved with the performance goals set forth in the annual performance plan for that fiscal year. Second, the performance report is to explain and describe, for performance goals not met, (1) why the goal was not met; (2) plans and schedules for achieving the established goal; and (3) if the goal is impractical or infeasible, why that is the case and what action is to be taken.

In general, GPRA requires that annual performance plans (1) establish performance goals that set forth the results to be achieved by program activities; (2) identify the measures that will be used to compare actual results with the established goals; and (3) specify the processes, skills, technology, and resources required to meet the performance goals.[2] Annual performance plans are to be in sufficient detail to provide a reasonable basis for establishing accountability for results.

Results in Brief

Our assessments of the Service’s fiscal year 1999 performance report and its fiscal year 2001 preliminary performance plan are not as positive as our prior years’ assessments of the Service’s efforts under GPRA. Although both the fiscal year 1999 performance report and fiscal year 2001 performance plan contain several positive aspects, we did not see the continued progression of improvements in the Service’s GPRA-related documents that we observed in the past. More specifically, we believe that some aspects of the Service’s fiscal year 1999 performance report were not as straightforward and clearly stated as intended by GPRA, and some aspects of the Service’s fiscal year 2001 preliminary performance plan were not as comprehensive as they had been in prior plans. We also have concerns about other aspects that may limit the plan’s usefulness.

It appears that some aspects of the Service’s fiscal year 1999 performance report could be misleading. For example, the Service’s highlighted results for timely delivery of First-Class Mail could lead readers to mistakenly conclude that for fiscal year 1999, the Service exceeded its on-time delivery targets for both overnight and 2- and 3-day deliveries. For fiscal year 1999, the Service met, but did not exceed, its goal for on-time overnight deliveries of First-Class Mail and fell a little short of its goal for 2- and 3-day deliveries. This information, however, must be gleaned from the more detailed text of the report. The report could also mislead readers

[1]See 39 U.S.C. 2804.

[2]See 39 U.S.C. 2803.

into concluding that the Service's Total Factor Productivity increased during fiscal year 1999 due to the report's portrayal of negative postal productivity as a strongly positive result.

There are also a number of reasons why the Service's fiscal year 2001 preliminary performance plan may not have been as useful to Congress, postal managers, and others as it could have been. Those reasons include instances where (1) without detailed explanation, several prior years' subgoals—and their associated indicators and targets—were not carried forward into the fiscal year 2001 preliminary performance plan; (2) the criteria the Service used to measure its success toward achieving certain goals were unclear; (3) the descriptions of strategies to accomplish certain results were incomplete; (4) information contained in prior years' plans were carried forward into the current year's plan without always being updated to reflect known or anticipated changes; and (5) little or no explanation was given on why the plan lacked baseline data for some quantitative indicators.

We identify areas where we believe improvements could be made to the Service's future performance reports and plans and make recommendations to the Postmaster General as to what changes could be made to enhance those reports and plans. In commenting on a draft of this report, the Service generally agreed with the facts and planned to implement the recommendations.

Positive Aspects of the Service's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Preliminary Performance Plan

The Service's fiscal year 1999 performance report and its fiscal year 2001 preliminary performance plan contained several positive aspects. This was the Service's first annual performance report and its third preliminary performance plan issued under GPRA. We previously reported on the Service's fiscal year 1999 and fiscal year 2000 preliminary performance plans.[3] Overall, we reported that the plans exhibited a good effort on the part of the Service to provide the reader with a reasonable basis for understanding the Service's intended performance. While our overall assessment of the plans was generally positive, we did offer a number of suggestions for improving the plans. For the most part, those suggestions were incorporated into the final plans.

[3] The Results Act: Observations on the Postal Service's Preliminary Annual Performance Plan (GAO/GGD-98-144, July 10, 1998), and The Results Act: Observations on the Postal Service's Preliminary Performance Plan for Fiscal Year 2000 (GAO/GGD-99-72R, Apr. 30, 1999).

Like its prior strategic and performance plans, the Service's fiscal year 1999 performance report contained several positive aspects. For example, the performance report

- provided a useful summary of the Service's performance in a number of areas,
- presented results in a useful tabular format, and
- acknowledged the importance of setting performance goals and targets linked to the Service's mission.

The Service's fiscal year 1999 performance report contained a useful summary of the Service's performance in a number of areas, including net income, restoration of equity, and a composite measure of how easy it is for customers to do business with the Service. In each of these areas, the performance report succinctly summarized the goal as stated in the Service's performance plan for fiscal year 1999 and the actual level of performance. The performance report also provided useful information to put actual performance into perspective, such as pointing out that fiscal year 1999 was the fifth consecutive year in which the Service achieved positive net income.

The performance report also included useful summaries of achieving cost savings, delivering employee training, and ensuring a safe workplace environment. The performance report summarized how the Service achieved more than $1 billion in cost reductions in fiscal year 1999, compared to its goal of achieving $734 million from budgeted cost reduction programs initiated at headquarters and in the field. In addition, the "Performance Highlights" section of the performance report contained useful information on the Service's cost reduction program and the reasons cost reductions were deemed necessary. The performance report also (1) summarized the goals and results by employee group when discussing required training and (2) identified key elements of the Service's safety program when discussing the Service's progress toward ensuring a safe workplace environment.

The Service's fiscal year 1999 performance report used a tabular format for summarizing all of the Service's goals, subgoals, indicators, targets, and performance results that was easy to understand. The format was the same as that used in the fiscal year 1999 performance plan to summarize the Service's performance goals, subgoals, indicators, and targets, except the format added a column that readily identified actual performance relative to the target. This tabular format was easy to follow and very user-friendly.

In acknowledging the importance of performance goals and targets, the Service stated in its fiscal year 1999 performance report that the "goals, subgoals, indicators, and targets for management improvement that are reported on here are central to the ongoing strategic management and direction of the Service. They are exactly those that the Postal Service itself employs to assess its performance through its Management Process." These acknowledgments in the performance report were useful in establishing postal management's active support for setting performance goals and targets linked to the Service's mission. These acknowledgments also made it clear that the goals included in the performance plans and reports were the same ones that the Service's management used to hold itself accountable.

The Service's fiscal year 2001 preliminary performance plan also contained several positive aspects, including additional performance indicators and targets for tracking intended performance in selected subgoals, such as (1) targets for overall customer satisfaction (residential and business); (2) resolving employee complaints (Resolving Employee Disputes, Reaching Equitable Solutions Swiftly--REDRESS); and (3) Voice of the Employee survey—which is the vehicle used by the Service to improve its understanding of employee issues and concerns.

Some Aspects of the Service's Fiscal Year 1999 Performance Report Were Not As Straightforward As They Could Have Been

The Service's fiscal year 1999 performance report's usefulness to Congress, postal managers, and others, may be reduced because of instances of possible misleading reporting or incomplete explanations of results. In a letter dated April 24, 2000, to the Postal Service's Board of Governors, Chairman McHugh expressed concerns about the comprehensiveness of the Service's fiscal year 1999 performance report. The Board responded to the Chairman, in a letter dated May 23, 2000, that it had asked the Postmaster General to review the fiscal year 1999 performance report and recommend an approach for addressing the Chairman's concerns in the fiscal year 2000 performance report.

There were several instances where the Service's fiscal year 1999 performance report appeared to be misleading. For example, the performance report's highlighted results for timely delivery of First-Class Mail could lead readers to conclude incorrectly that for fiscal year 1999, the Service exceeded its on-time delivery targets for both overnight and 2- and 3-day (2/3-day) deliveries.

As noted earlier, GPRA requires that agencies set strategic and annual goals, measure performance, and report on the degree to which goals are met. The Service's fiscal year 1999 performance plan established 93 and 87 percent targets for on-time delivery for overnight and 2/3-day First-Class Mail, respectively, and portrayed these as annual targets. Nothing in the Service's performance plan indicated that these targets were not for the entire fiscal year.

The Service's fiscal year 1999 performance report highlighted that the Service exceeded its on-time delivery performance targets. However, the report did not acknowledge, in the highlights section, that this determination was based on performance for selected quarters (i.e., quarters 3 and 4), when delivery scores were at their highest point for the year. That information was found only in the detailed text of the report. When all 4 quarters of fiscal year 1999 performance data were aggregated, the Service met, but did not exceed, its goal of 93 percent on-time delivery of overnight First-Class Mail, and delivered 86 percent of the 2/3-day mail on-time—one percentage point less than the established target of 87 percent.

We believe that it was misleading for the performance report to highlight that the Service exceeded its targets for overnight and 2/3-day on-time deliveries, particularly when there was not an accompanying acknowledgment that less than a full year's performance was used in making that determination. In addition, given that the Service's performance for all 4 quarters of fiscal year 1999 either met or came close to meeting the established targets, we question why the Service chose to highlight information that did not include performance for the full fiscal year.

The Board, in responding to a concern raised by Chairman McHugh as to why only selected quarters were used in highlighting fiscal year 1999 on-time delivery performance, stated that the performance report contained results for both the third and fourth quarter composite performance and a 4-quarter composite score.

Another example of reporting performance that could be misread was the Service's portrayal of negative postal productivity as a strongly positive result. The fiscal year 1999 performance plan did not expect the Service's Total Factor Productivity (TFP) to grow from fiscal year 1998. The plan explained that the Service did not expect TFP to increase during fiscal year 1999 primarily due to expenditures to enhance service.[4] Rather, the

[4] TFP measures the changes in the relationship between the Service's outputs and resources expended in producing those outputs. The Service's main outputs are mail volumes and servicing an expanding delivery network. By tracking outputs and resource usage, TFP provides a measure of historical performance.

plan established a target for fiscal year 1999 that anticipated a 0.4 percent decline from fiscal year 1998. TFP for fiscal year 1999 did decline from fiscal year 1998, but not as much as the fiscal year 1999 performance plan anticipated. The fiscal year 1999 performance report, however, presented that information in such a positive manner that we had to read the report carefully to understand that TFP for fiscal year 1999 had actually decreased since fiscal year 1998.

The fiscal year 1999 performance report prominently highlighted that the Service had achieved 133 percent of its TFP target. Only in the detailed discussion of performance goals did we fully understand that TFP actually declined from fiscal year 1998. In other possibly misleading text, the performance report noted that in addition to the Service achieving 133 percent of its TFP target, it had also improved TFP 2.3 percent in the fourth quarter of fiscal year 1999. The performance report emphasized that this was the Service's largest quarterly improvement in 5 years. While these are positive trends, we believe the performance report should clearly inform the reader that TFP for fiscal year 1999 declined from 1998—although not as much as anticipated. Implicit in GPRA is Congress' intent that agencies provide performance data that is clear and understandable, and allows interested parties to see how well agencies are improving performance.

In his April 24, 2000, letter to the Board of Governors, Chairman McHugh noted that the Service's positive portrayal of TFP in the "Performance Highlights" lacked proper qualifications to let the reader know that TFP actually fell 0.3 percent from the previous year. The Board responded that it concurred with Chairman McHugh's statements regarding TFP performance for fiscal year 1999 and, as noted earlier, had asked the Postmaster General to recommend an approach for addressing the Chairman's concerns in the fiscal year 2000 performance report.

There are also other instances where the Service's fiscal year 1999 performance report may not have been as straightforward as it could have been. With regard to capital commitments, for example, the fiscal year 1999 performance plan did not compare actual performance with the targets established in the fiscal year 1999 performance plan. The fiscal year 1999 performance plan set a target for the Service to commit $4.4 billion in capital spending. However, the fiscal year 1999 performance report indicated, in the detailed text, that the target had been revised downward to $4 billion "in the [Service's] ongoing management planning cycle and continuous review of major programs." The performance report stated that the Service had met all its capital investment objectives with only $3.8 billion in commitments, realizing a $200 million savings from plan and achieving 105 percent of its fiscal year 1999 capital commitment plan target. The performance report did not fully explain, as intended by GPRA, why the Service revised its capital commitment target from $4.4 billion downward, nor did it fully explain how the Service was able to achieve its stated objectives at less cost.

In responding to Chairman McHugh's concern that the Service had not measured actual performance against the targets established in its 1999 performance plan for achieving a capital commitment budget of $4.4 billion, the Board responded that during fiscal year 1999 the Service had been able to meet its capital investment objectives at a slightly lower commitment rate, and therefore, committing capital at less than plan was appropriate.

There were several instances in the Service's fiscal year 1999 performance report where the presentation of information on results was incomplete. For example, the fiscal year 1999 performance plan stated that regarding Priority Mail, the Service would achieve targeted Priority Mail on-time performance. Although the performance plan stated that the Service increased its Priority Mail on-time performance, the fiscal year 1999 performance report did not inform Congress, postal managers, and others whether or not the Service met its target. The performance report stated that the Service's Priority Mail on-time performance information is proprietary. We believe that the Service could have disclosed whether it met its target, fell short of its target, or exceeded its target, without disclosing specific proprietary information.

Other areas where the Service's fiscal year 1999 performance report omitted or did not provide complete information, as required by GPRA, included:

- Ease of Use Indexes. The performance report did not explain why the Service did not meet its targets relating to three of its five "Ease-of-Use" indexes, including its Composite Ease-of-Use index, Residential Ease-of-Use index, and Business Ease-of-Use index. The report also omitted plans and schedules for achieving these targets and, in cases where targets were considered impractical or infeasible, failed to explain why that was the case and what action was planned.
- Proficiency Indexes. The performance report did not explain why the Service did not achieve its targets with regard to increasing (1) retail unit/process proficiency and (2) automation maintenance and operations proficiency.

- Development of Baselines. The performance report did not explain why the Service did not meet targets in its performance plan regarding the development of baselines for some of its indicators. For example, the fiscal year 1999 performance plan stated that the Service would "complete development of a new indicator for consistency and establish a performance baseline." The fiscal year 1999 performance report stated that the Service had "achieved performance of 100 percent of the target of developing a new indicator for consistent service." However, the report did not indicate that the Service had established a baseline, nor explain why it had not.
- Employee Knowledge of Goals. The Service's fiscal year 1999 performance plan established targets of improving employees' knowledge of their unit goals and unit performance to 90 percent. The Service's fiscal year 1999 performance report stated that the Service achieved 98 percent of those two targets, but did not explain why the targets were not met. Also, the report noted that an independent evaluation of the survey used to determine employees' knowledge of their unit goals and unit performance led to the elimination of the survey from the fiscal year 2000 performance plan. No further explanation was given.

Some Aspects of the Service's Fiscal Year 2001 Preliminary Performance Plan Were Not As Useful As They Could Have Been

The preliminary performance plan was not as comprehensive as its predecessor because several subgoals, indicators, and targets that were included in the Service's fiscal year 2000 performance plan were not carried forward into the fiscal year 2001 preliminary performance plan. In addition, the usefulness of the fiscal year 2001 preliminary performance plan is further limited because the plan (1) contained criteria that was unclear to us for measuring the Service's success toward achieving certain goals, (2) contained an incomplete description of strategies to accomplish certain results, (3) failed to always update the information contained in the fiscal year 2000 performance plan to reflect known or anticipated changes in certain areas, and (4) failed to fully explain why baseline data for some quantitative indicators were not included in the plan.

Chairman McHugh raised similar concerns regarding the Service's fiscal year 2001 preliminary plan to the Postal Service Board of Governors. In responding to the Chairman's concerns, the Board indicated that the Service's fiscal year 2001 performance plan will be more comprehensive when it is issued in final. The Service anticipates issuing the fiscal year 2001 performance plan, in final, in September 2000.

The Service's fiscal year 2001 preliminary performance plan eliminated three of the five Voice of the Business subgoals--and their associated indicators and targets--that had been included in the Service's final performance plan for fiscal year 2000. The preliminary performance plan did not fully explain why these subgoals, indicators, and targets were dropped. Subgoals dropped from the preliminary performance plan for fiscal year 2001 included:

- Keeping price increases at or below the rate of inflation. The Service had included a subgoal relating to price increases in its Five-Year Strategic Plan covering fiscal years 1998 through 2002 and in its performance plans for fiscal years 1999 and 2000. The Service set a subgoal in its final performance plan for fiscal year 2000 to "keep price increases at or below the rate of inflation" as measured by the Consumer Price Index (CPI). The Postmaster General recently reaffirmed this subgoal when he informed the House Subcommittee on the Postal Service that "…the Postal Service strives for rate increases at or below the rate of inflation that will provide sufficient revenues to enable the organization to maintain, improve, and develop necessary postal services." However, the Service dropped this subgoal from its preliminary plan for fiscal year 2001. In responding to Chairman McHugh as to why this subgoal was dropped, the Board replied it was decided that simplification of the Voice of the Business goals and an increased focus on bottom-line business performance would lead to a more businesslike and accountable goal framework. This explanation implies that the Service will have increased accountability by dropping its subgoal relating to keeping price increases at or below the rate of inflation. However, in our opinion, if the Service does not set a goal concerning price increases, it will be more difficult to hold the Service accountable for its performance in this area.
- Controlling costs by achieving productivity gains. The Service had included a subgoal of controlling costs by achieving productivity gains in its Strategic Plan for fiscal years 1998 through 2002 and in its annual performance plans for fiscal years 1999 and 2000. Specific indicators and targets had also been developed for this subgoal, including one for overall productivity. However, this subgoal and its associated indicators and targets were dropped from the Service's preliminary performance plan for fiscal year 2001. The Service stated that it was dropping its overall productivity TFP target as a measure of productivity for fiscal year 2001 because, in essence, the overall Voice of the Business performance goal encompasses productivity gains. On April 12, 2000, the Service's Vice President for Strategic Planning told us that the fiscal year 2001 preliminary performance plan, in effect, took TFP from a nationwide score down to individual scores by performance cluster. Nevertheless, during our discussion, the Vice President for Strategic Planning told us that the Service would restore a national TFP goal to its fiscal year 2001 performance plan. The Board reiterated this in May 2000, when it told

Chairman McHugh that it had decided to restore TFP as a national-level results indicator. We believe the decision to do this was the correct one.

- Restoring equity. According to the Service, it should have maintained an equity balance transferred to it from the U.S. government when the Postal Service was established in 1971 from the reorganized U.S. Post Office Department. Because expenses exceeded revenues in the early years of the Postal Service, that equity was eroded. The Service, in its Strategic Plan for fiscal years 1998 through 2002, and in its annual performance plans for fiscal years 1999 and 2000, set a subgoal of restoring that equity. However, that subgoal was dropped from the Service's preliminary performance plan for fiscal year 2001. The Service said this subgoal was dropped because simplification of Voice of Business targets and an increased focus on bottom-line results will lead to a more businesslike and accountable goal framework—the same reason the Service gave for dropping the goal relating to keeping rate increases at or below the rate of inflation. The Service is required by law to break even from its operations. However, the Service's expenses exceeded its revenues in the period 1971 through 1994. By the end of 1994, the Service had $9 billion in cumulative net losses. The Service's Board of Governors adopted a resolution in July 1995, affirming the Service's commitment to restore equity by recouping the accumulated losses. During the period 1995 through 1999, the Service earned net income totaling $5.5 billion, which has enabled the Service to recover more than half of the prior years' losses. At the end of fiscal year 1999, the Service still had $3.5 billion in prior years' losses. It is not clear why the Service has dropped this subgoal, but it is clear that its elimination will remove the restoration of equity from the list of goals and subgoals that the Service will be held accountable for in its fiscal year 2001 performance report.

In addition, the Service's fiscal year 2001 preliminary performance plan eliminated, without detailed explanation, an indicator and associated target for one of the two remaining Voice of the Business subgoals that had been included in the fiscal year 2000 performance plan. The indicator that was eliminated was economic value added, which is a measure used by the Service to determine financial performance and allocate performance incentive funds to individuals. This indicator had been included in the Service's annual performance plans for fiscal years 1999 and 2000 but was dropped from the fiscal year 2001 preliminary performance plan with no reason given. The Board, in responding to Chairman McHugh as to why this indicator was dropped, stated that the indicator was dropped because it moves in parallel with corporate net income and is primarily a technical measure used in a Service performance incentive system.

We are also concerned that the usefulness of the Service's fiscal year 2001 performance plan may be limited because the preliminary plan contained unclear criteria for measuring the Service's success toward achieving certain goals. For example, the fiscal year 2001 preliminary plan states that the Service will "as an Area target, improve productivity over a threshold value specific to each Area." However, the threshold values and baseline data for this target were not disclosed in the preliminary plan. In addition, the preliminary plan set a performance subgoal of ensuring "an inclusive and fair environment with opportunities for all employees" that is to include performance indicators for quarterly management reviews at various levels regarding (1) representation of all employee groups in details and special assignments, (2) representation of all employee groups in succession plans, and (3) activities supporting the affirmative employment plan. It is not clear what the targets are for this subgoal (i.e., whether quantitative targets will be established to measure success, or if other criteria will be used to define success in achieving this subgoal).

Also, the usefulness of the fiscal year 2001 preliminary performance plan may be limited because it lacks complete descriptions of strategies to accomplish certain results. For example, the preliminary performance plan states that the Service intends to create new products and services that can respond to changing customer requirements, but provides no elaboration of what types of new products and services are planned or how new ones will be identified and developed. In addition, the preliminary plan provides virtually no discussion of the Service's e-commerce initiatives. The Board, in responding to concerns raised by Chairman McHugh in this area, stated that the strategies for new products and services and e-commerce were not included in the fiscal year 2001 preliminary performance plan because they were in an intermediate stage of development. The Board assured the Chairman that the final fiscal year 2001 performance plan will include more detail on these strategies.

In addition, the fiscal year 2001 preliminary performance plan's usefulness may be limited because it did not always update the discussion of the linkage between performance goals and major programs contained in the fiscal year 2000 performance plan to reflect known or anticipated changes. For example, the description used for the Service's corporate advertising program in its fiscal year 2001 preliminary performance plan was unchanged from the fiscal year 2000 performance plan even though the Service plans to spend $270 million on corporate advertising in fiscal year 2001, up from the $150 million planned for fiscal year 2000. Further, the description used for the Service's expedited supplies program in its fiscal year 2001 preliminary performance plan was unchanged from the fiscal year 2000 performance plan even though the Service plans to spend $57 million in fiscal year 2001, down from the $81 million planned for fiscal year 2000. No explanation was given in the fiscal year 2001 preliminary plan for the change in either of these programs. The Board, however, in responding to concerns raised by Chairman McHugh, said that the resources to be allocated to these programs are currently under review, and assured the Chairman that additional details on the status and resources of these and other major programs would be provided in the final fiscal year 2001 performance plan.

We are also concerned that the Service's fiscal year 2001 preliminary performance plan provided little or no explanation as to why baseline data for some quantitative indicators were not included in the plan. For example, the preliminary performance plan does not present baseline data for the following 10 quantitative indicators and provides little or no explanation as to why the data are missing:

- on-time delivery of advertising mail;
- accuracy of mail delivery;
- change of address accuracy;
- consistency of delivery;
- overall customer satisfaction (residential and business);
- overall value (residential and business);
- availability of, and participation in, REDRESS, a program to resolve employee complaints;
- safety program evaluation;
- total accidents per 200,000 workhours; and
- motor vehicle accidents per million miles driven.

In responding to a concern of Chairman McHugh in this area, the Board stated that most of these indicators are either in the process of being developed, or have just recently been deployed. It further stated that baseline data are not reported until the indicators have been deployed and several quarters of actual results are available to allow detection and correction of any flaws in the process. The Board did, however, state that baseline data for the four indicators listed below are being collected and will be reported in the final fiscal year 2001 performance plan, and the baseline data for the other six indicators will be reported in future performance plans as soon as accurate results are available. The indicators are as follows:

- on-time delivery of advertising mail;

- availability of, and participation in, REDRESS, a program to resolve employee complaints;
- total accidents per 200,000 workhours; and
- motor vehicle accidents per million miles driven.

Subsequent to the Board's response to Chairman McHugh, Service management told us, in September 2000, that baseline data for safety program evaluations will also be reported in the Service's final fiscal year 2001 performance plan. Service management also told us that the Service will no longer pursue the overall value indicator because customers' perception of value is actually part of their overall perception of performance.

Conclusions

Our assessments of the Service's fiscal year 1999 performance report and its fiscal year 2001 preliminary performance plan are not as positive as our assessments of the Service's prior years efforts under GPRA. Although the fiscal year 1999 performance report and fiscal year 2001 preliminary performance plan contain positive aspects, we are concerned that they may not be as useful to Congress, postal managers, and others as they could have been.

Our primary concern with the fiscal year 1999 performance report was that some aspects were not as straightforward and clearly stated as intended by GPRA and contained possibly misleading information or incomplete explanations of results. For example, the report contained language that could lead readers to mistakenly conclude that for fiscal year 1999, the Service exceeded its on-time delivery targets for both overnight and 2/3-day deliveries. Similarly, the report attempted to portray negative TFP in a strongly positive and possibly misleading light.

The fiscal year 2001 preliminary performance plan was also less useful than it could have been. The performance plan (1) provided little or no explanation as to why several subgoals, indicators, and targets that were included in the Service's fiscal year 2000 performance plan were not carried forward into the fiscal year 2001 preliminary performance plan, (2) contained unclear criteria for measuring the Service's success in achieving certain goals, (3) did not completely describe strategies to accomplish some results, (4) failed to adequately update some information contained in the fiscal year 2000 performance plan to reflect known or anticipated changes when discussing the linkage between performance goals and major programs, and (5) failed to provide adequate explanations as to why baseline data was not provided for some quantitative indicators.

We believe that in preparing future performance plans and performance reports that will assist Congress, postal managers, and others, the Service needs to focus more acutely on providing and presenting information that is clear and understandable. Accordingly, interested parties would be able to more easily determine how well the Service is improving performance and achieving its goals, as intended by GPRA.

Recommendations

In order to improve the Service's future performance reports, we recommend that the Postmaster General ensure that all sections of future reports reflect straightforward and clearly stated comparisons of planned targets and results so that readers are not mislead regarding performance.

In order to improve the usefulness of the Service's future performance plans, we recommend that the Postmaster General include in the Service's future plans (1) detailed explanations when subgoals, indicators, and targets contained in the prior year's plan are not carried forward into the current year plan; (2) clear criteria, including baseline data where possible, for measuring the Service's success toward achieving stated goals; (3) complete descriptions of strategies to accomplish stated goals; (4) updated information to reflect known or anticipated changes when discussing the linkage between performance goals and major programs; and (5) where applicable, explanations as to why baseline data are not being provided.

Agency Comments and Our Evaluation

We received comments from the Service's Vice President for Strategic Planning on September 1, 2000. Those comments are summarized below and reprinted in appendix I. We also incorporated technical comments provided by Service officials into the report where appropriate. The Service's Vice President for Strategic Planning stated that the Service generally agreed with the report's recommendations and that future performance reports and plans will incorporate additional material responding to concerns raised and recommendations made in this report. More specifically, he stated that the Service's final performance plan for fiscal year 2001 will contain a section describing the reasons why several subgoals, indicators, and targets that were included in the Service's fiscal year 2000 performance plan were not carried forward into the fiscal year 2001 plan. He also stated, with regard to our concerns about the lack of clear criteria and baseline data for measuring success in achieving certain goals, that the Service's fiscal year 2001 final performance plan will, where practical, include additional information to help clarify the measures that will be used for determining success. Further, he stated that additional clarifying information relevant to one of the targets discussed in the report--Area productivity target--will be provided in the fiscal year 2000 annual performance report since that information will not become available until after the date the fiscal year 2001 performance plan is expected to be issued in final.

The Vice President for Strategic Planning stated that the Service's final fiscal year 2001 annual performance plan will include new material on goal achievement strategies to accomplish certain results, particularly for new products and service initiatives, including e-commerce. He also stated that the plan will contain a new section that compares the resource levels of the major programs in fiscal year 2000 with those in fiscal year 2001, and the plan's description of major programs will be augmented to reflect any significant status changes.

The Vice President for Strategic Planning also provided some additional information regarding baseline data for some quantitative indicators. That additional information has been incorporated into this report. We believe that the Service's future performance reports and plans will be significantly strengthened and become more useful to Congress, postal managers, and others by the inclusion of the additional information delineated in the Service's September 1, 2000, letter.

Objective, Scope, and Methodology

Our objectives were to determine (1) how well the Service's fiscal year 1999 performance report addressed the Service's progress toward achieving the goals established by the fiscal year 1999 performance plan and (2) whether the Service's fiscal year 2001 preliminary performance plan demonstrates continued progress in developing a reasonable basis for establishing accountability for results. Our assessment relied heavily on our knowledge of the Service's operations and programs, and on our numerous reviews of the Service, including our reviews of the Service's preliminary performance plans for fiscal years 1999 and 2000. We did not independently verify the information contained in the Service's performance report or plans. We conducted our review in June and July 2000 in accordance with generally accepted government auditing standards.

We are sending copies of this report to Representative Chaka Fattah, Ranking Minority Member of your Subcommittee; Senator Thad Cochran, Chairman, and Senator Daniel K. Akaka, Ranking Minority Member of the Subcommittee on International Security, Proliferation and Federal Services, Senate Committee on Governmental Affairs; Mr. William J. Henderson, Postmaster General and Chief Executive Officer, United States Postal Service; and other interested parties. Copies will also be made available to others upon request.

Please call me on (202) 512-8387 if you or your staff have any questions. Key contributors to this report were Gerald P. Barnes, Kenneth E. John, Charles F. Wicker, and Roger L. Lively.

Sincerely yours,

Bernard L. Ungar

Bernard L. Ungar
Director, Government Business
Operations Issues

Contents

Abbreviations

CPI	Consumer Price Index
GPRA	Government Performance and Results Act of 1993
REDRESS	Resolving Employee Disputes, Reaching Equitable Solutions Swiftly
TFP	Total Factor Productivity

Comments From the U.S. Postal Service

ROBERT A. F. REISNER
VICE PRESIDENT
STRATEGIC PLANNING

UNITED STATES
POSTAL SERVICE

September 1, 2000

Mr. Bernard Ungar
Director, Government Business
Operations Issues
United States General Accounting Office
441 G Street, NW, Room 2A10
Washington, DC 20548-0001

Dear Mr. Ungar:

Thank you for giving the Postal Service the opportunity to respond to your recent draft report, *Enhancements Needed in Performance Planning and Reporting,* dated August 14, 2000. As you note in your report, you are following up on a letter from House Subcommittee Chairman John McHugh to Postal Service Board Chairman Einar Dyhrkopp.

The Office of Strategic Planning is responsible for preparing the GPRA Performance Plans and Strategic Plans. A detailed response to your comments on the Preliminary 2001 Annual Performance Plan is attached. As you will see from the attachment, in general, we agree with your recommendations, and we will provide additional material that responds to your concerns in the *Final* 2001 Annual Performance Plan that will be published by September 30, 2000.

The Finance Office is the "scorekeeper" in the Postal Service management process and is the appropriate office responsible for preparing the report on the performance results each year. With respect to your comments on the Annual Performance Report, Acting Chief Financial Officer Richard Strasser has noted that the comments and recommendations regarding the GPRA Performance Plan and Performance Report are similar to those received earlier from Chairman McHugh, and while he may disagree with some portions of the portrayal of the findings on the Performance Report, he has indicated his agreement with the recommendations contained in your draft report. We will incorporate your recommendations into the next GPRA Performance Report, which will be published in February 2001.

Sincerely,

Robert A. F. Reisner

Robert A. F. Reisner

Attachment

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-1520
202-268-2870
FAX: 202-268-6269

Response to GAO Concerns Regarding the Preliminary 2001 Annual Performance Plan

Background

In their April 14, 2000 draft report entitled *U.S. Postal Service – Enhancements Needed in Performance Planning and Reporting*, the GAO provided the following general comments on the Postal Service's Preliminary 2001 Annual Performance Plan. Specific examples were also provided for each comment.

1. Without detailed explanation, several prior years' subgoals – and their associated indicators and targets – were not carried forward into the fiscal year 2001 preliminary performance plan;
2. The criteria the Service used to measure its success toward achieving certain goals were unclear;
3. The descriptions of strategies to accomplish certain results were incomplete;
4. Information contained in prior years' plans were carried forward into the current year's plan without always being updated to reflect known or anticipated changes; and
5. Little or no explanation was given on why the plan lacked baseline data for some quantitative indicators.

Many of these concerns were also identified by Chairman McHugh in his April 24, 2000 letter to Chairman Dyhrkopp. A detailed response to these comments was provided by Chairman Dyhrkopp in his May 23, 2000 letter to Chairman McHugh.

As described below, the final 2001 Annual Performance Plan contains additional information to respond to the GAO comments, both general and specific.

Changes in Goals, Subgoals, Indicators, and Targets

The GAO draft report noted that three of the five VOB subgoals listed in the 2000 performance plan – and their associated indicators and targets – were not included in the preliminary 2001 plan, and that the reasons for the changes were not fully explained. The eliminated subgoals were: keeping price increases at or below the rate of inflation, controlling costs by achieving productivity gains, and restoring equity. Additionally, GAO noted that the economic value added indicator was eliminated without explanation.

In the final 2001 Annual Performance Plan, each of the three Voice goal discussions now includes a section that describes the reasons for changes in the 2001 subgoals, indicators and targets. The new material not only provides reasons for the VOB changes mentioned by GAO, but also for several changes in the VOC and VOE indicators.

Goal Achievement Criteria

The draft GAO report noted that the criteria for measuring the Service's success in achieving two specific subgoals were not clear. In one case, the preliminary 2001 plan included a VOB target for improving Area productivity over a threshold value specific to each Area, but did not include the threshold values and baseline data. Second, GAO noted that a VOE subgoal of ensuring an inclusive and fair environment with opportunities for all employees was included in the preliminary 2001 plan, and that performance indicators for quarterly management reviews at various levels were described. However, it was not clear whether quantitative targets, or some other criteria, would be used to measure success for this subgoal.

As described in the discussion of VOB goals in the final 2001 Annual Performance Plan, the specific numerical Area productivity targets for 2001 will not be finalized until the baseline data are final and all technical adjustments for cost and pay rate changes are completed. The quantitative measures of actual Area performance in 2000 will not be known until after the September 30, 2000 publication of the final 2001 plan, because the source data and calculation must first be audited. Additional information on Area productivity achievement will therefore be provided in the 2000 Annual Performance Report, which is expected to be published in February 2001. With regard to the second GAO point, additional information on the VOE inclusive and fair environment indicators and targets is provided in the VOE section of the final 2001 Annual Performance Plan.

Description of Strategies

The GAO report indicated that the preliminary performance plan stated that the Service intends to create new products and services that can respond to changing customer requirements, but provides no elaboration of what types of new products and services are planned or how new ones will be identified and developed. Also, virtually no discussion of e-commerce initiatives was provided.

The final 2001 Annual Performance Plan includes new material on goal achievement strategies for each of the Voice goals. New product and service initiatives, including PC Postage, e-commerce and other e-business plans are described in the discussion of VOB strategies and in the Major Programs section of Appendix B.

Updated Information on Linkages between Goals and Programs

In their draft report, GAO mentioned that the description of several of the major programs listed in the 2000 performance plan were not changed in the preliminary 2001 performance plan, even though significant changes in planned resource levels were projected. Specifically:

- The corporate advertising program description was not changed, even though planned expenditures changed from $150 million in the 2000 plan to $270 million in the preliminary 2001 plan.
- Projected expenses for the expedited supplies program changed from $81 million in 2000 to $57 million in the preliminary 2001 plan, but the description was the same.

A new section that compares the resource levels of the major programs in 2000 with those in 2001 has been included in the Resources and Programs section of the final 2001 Annual Performance Plan. Also, the description of the major programs (Appendix B) has been augmented in the final 2001 Annual Performance Plan to reflect any significant status changes. The final plan reflects changes to planned 2001 resource allocations that have occurred since the publication of the Preliminary 2001 Annual Performance Plan in February 2000.

Baseline Data

Finally, the GAO noted that the preliminary plan did not present baseline data for the following quantitative indicators, and did not adequately explain why the data were not included: 1) on-time delivery of advertising mail; 2) accuracy of mail delivery; 3) change of address accuracy; 4) consistency of delivery; 5) overall customer satisfaction (residential and business); 6) overall value (residential and business); 7) availability of, and participation in, REDRESS; 8) safety program evaluation; 9) total accidents per 200,000 workhours; and 10) motor vehicle accidents per million miles driven.

The final 2001 Annual Performance Plan contains newly available baseline information for five of the indicators listed above: 1, 7, 8, 9 and 10. For the following indicators, development work is underway, but reliable baseline data are not yet available: 2, 3, 4 and 5. Finally, based on further review and analysis during the past few months, it has been decided that the overall value indicator (number 6 in the GAO list) will not be pursued, because customers' perception of value is actually part of their overall perception of performance. A variety of quantitative customer performance measures are already included in the final 2001 plan.

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