



# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

## Utilization of Data by the Chief Financial Officer and Executive Vice President

### Audit Report

Report Number  
FT-AR-15-004

March 12, 2015





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

## Highlights

***Currently, the dashboards include individual performance metrics related to organizational strategy but are not clearly linked to provide insight into strategy execution.***

### Background

The U.S. Postal Service Office of Inspector General initiated an agency-wide series of audits to review the U.S. Postal Service's use of data. These audits included discussions and analyses of the data used by the deputy postmaster general and executive vice presidents.

The Postal Service is dependent on data to manage its business strategies and daily activities. It needs effective and efficient access to appropriate internal and external data to make informed business decisions.

This audit report focuses on the use of data by the chief financial officer (CFO) and executive vice president. The CFO manages the Postal Service's financial risks, planning, reporting, and analysis. The vice presidents of Supply Management and Finance and Planning report to the CFO and provide data from their organizations to help the CFO manage financial risks and responsibilities.

Our objective was to determine whether the CFO effectively uses internal and external business data to manage business activities and mitigate risk.

### What The OIG Found

The CFO uses internal and external data to manage business activities and mitigate risk. The reports and dashboards

contained a number of foundational metrics (input or output measures of functional performance) on financial results, trends, and forecasting; and included nonfinancial measures, such as service performance. They summarize what has occurred and are used to identify and investigate anomalies.

Currently, the dashboards include individual performance metrics related to organizational strategy but are not clearly linked to provide insight into strategy execution. They are not designed to link to CFO strategies to inform decision making.

We considered best practices and identified opportunities to improve the dashboards by:

- Adding predictive and relational metrics to reflect outcome and value-based measures.
- Reducing foundational metrics to focus on critical metrics.
- Automating Supply Management data reports.
- Developing a Finance and Planning data management dashboard.

Predictive and relational metrics would add more comprehensive information about strategic performance to assist with proactive decision making. For example:



***Adding predictive and relational metrics will provide an opportunity to reduce the number of foundational metrics used.***

- Predictive metrics highly correlate with the objective and guide business decision making. Revenue impact, customer wait times, or operations cost savings related to closing post offices can be predictive closing strategy indicators.
- Relational metrics measure and evaluate the decision making behind ongoing projects, which could improve future decisions. Marketing costs and area revenues could be used to evaluate promotional strategies.

Adding predictive and relational metrics will provide an opportunity to reduce the number of foundational metrics used. For example, labor represents the majority of the cost reduction metrics in the current dashboards. Management could include only the most meaningful labor metrics and simplify the format to highlight exceptions and key issues.

We also noted the Supply Management group mines large volumes of data and manually inputs it into management reports contained in Excel spreadsheets to build data management reports and performance metrics. Supply Management is working towards automation but has not established a timeline

for completion. The Finance and Planning group is developing an automated, centralized dashboard for initiatives, retail revenue, and commercial revenues, estimated to be completed by December 31, 2015.

Successful dashboards track performance against goals to monitor progress, and link categories and metrics to the strategic plan. They inform necessary actions and improvements rather than simply monitoring activity. Focusing only on key foundational metrics will achieve a simplified dashboard that highlights exceptions and key issues. Continuing to automate Supply Management metrics and develop a Finance and Planning dashboard will improve data use by the CFO.

### **What The OIG Recommended**

We recommended management add predictive and relational metrics, and identify the critical metrics to reduce the number of foundational metrics currently used in the dashboards.

We also recommended management continue ongoing efforts to automate and develop automated reports and dashboards.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

March 12, 2015

**MEMORANDUM FOR:** JOSEPH CORBETT  
CHIEF FINANCIAL OFFICER AND  
EXECUTIVE VICE PRESIDENT

SUSAN M. BROWNELL  
VICE PRESIDENT, SUPPLY MANAGEMENT

SHAUN E. MOSSMAN  
VICE PRESIDENT, FINANCE & PLANNING

A rectangular box containing a handwritten signature in cursive, which appears to be "John E. Cihota".

**FROM:** John E. Cihota  
Deputy Assistant Inspector General  
for Finance and Supply Management

**SUBJECT:** Audit Report – Utilization of Data by the Chief Financial  
Officer and Executive Vice President  
(Report Number FT-AR-15-004)

This report presents the results of our audit of the Utilization of Data by the Chief Financial Officer and Executive Vice President (Project Number 14BD004FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, director, Finance, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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# Findings

***Individual performance metrics related to organizational strategy but were not clearly linked to provide insight into strategy execution.***

## Introduction

This report presents the results of the Utilization of Data by the Chief Financial Officer (CFO) and Executive Vice President (Project Number 14BD004FT000). Our objective was to determine whether the CFO and executive vice president effectively used internal and external business data to manage business activities and mitigate risks. The CFO is responsible for managing the financial risks of the U.S. Postal Service, as well as the financial reporting, planning, and analysis for the organization. The CFO heads the Finance and Planning, Controller, and Supply Management functions.

The U.S. Postal Service Office of Inspector General (OIG) initiated an agency-wide series of audits to review the Postal Service's use of data. These audits included discussions and analysis of the data used by the deputy postmaster general (DPMG) and the executive vice presidents. The OIG engaged the Corporate Executive Board (CEB) Company<sup>1</sup> to identify the best practices for data utilization for corporate functions. See [Appendix A](#) for additional information about this audit.

## Conclusion

The CFO uses internal and external data to manage and improve business activities and mitigate risk, and performs data mining to support his oversight function. The reports and dashboards contained a considerable number of foundational metrics (input or output measures of functional performance) on financial results, trends, and forecasting data, as well as nonfinancial measures, such as service performance. These resources describe what has happened. They present summary information and are used to identify and investigate anomalies. Drill-down options provide underlying data support.

We did not identify access restrictions to internal data. Individual performance metrics related to organizational strategy but were not clearly linked to provide insight into strategy execution. Accordingly, opportunities exist to add predictive and relational metrics. The CFO could also screen the foundational metrics to focus on those that are most critical.

Further, the Supply Management function mines and manually inputs performance metrics to build data management reports. Efforts to automate the process are underway, but a timeline has not been established. Similarly, the vice president, Finance and Planning, uses printed reports that are updated and maintained manually. Development of a dashboard is underway with an expected completion date of December 31, 2015. The CFO's vice presidents could improve the data used to manage business activities and mitigate risk by automating or developing their data management reports and dashboards.

## Predictive and Relational Metrics

The CFO regularly reviews a considerable volume of metrics contained in dashboards and reports. These resources contain foundational metrics that describe what has happened and provide financial results, trends, forecasting data, and nonfinancial measures, such as service performance. Individual performance metrics related to organizational strategy but were not clearly linked to provide insight into strategy execution.

The dashboards are not designed to link metrics to CFO strategies to inform decision making but, rather, to present summary information used to identify and investigate anomalies. As a result, the dashboards do not explicitly track performance against goals, or focus on a limited number of highly relevant metrics relating to key organizational priorities.

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<sup>1</sup> CEB is an advisory company with membership programs for senior executives and their teams to drive corporate performance by identifying and building on the practices of companies.

**Management could build on the foundational metrics by adding predictive and relational metrics. This would clarify the connection between performance goals and the actions necessary to achieve them.**

**Identifying and adding predictive and relational metrics from a variety of sources would provide clear multi-source information to track CFO strategy performance.**

Opportunities exist to enhance these tools. Management could build on the foundational metrics by adding predictive and relational metrics. This would clarify the connection between performance goals and the actions necessary to achieve them. Also, rather than provide a large number of foundational metrics, reports and dashboards should focus just on critical metrics that link directly to the strategic plan. This would ensure the CFO has access to the most meaningful data and would improve his focus.

Industry best practices<sup>2</sup> indicate successful dashboards:

- Provide insight into how strategy is being executed by tracking performance against goals. A well designed and executed metrics program derived from commonly shared strategic goals gives leadership clarity of goals and shared accountability for progress toward them.
- Link categories and metrics directly to the strategic plan. They inform necessary actions and improvements rather than simply monitoring activity. Predictive metrics offer timely business decision making guidance and highly correlate with objectives. Relational metrics provide a clear picture of performance and identify gaps in measuring outcome.
- Reduce performance metric complexity by focusing only on key business drivers.
- Provide simplicity of presentation with single page dashboards of key performance categories and metrics that can draw immediate attention to exceptions and key issues.
- Prove detrimental to good decision making if too much data is analyzed. Ideally, the total number of metrics on a dashboard will not exceed 20.

Identifying and adding predictive and relational metrics from a variety of sources would provide clear multi-source information to track CFO strategy performance. Predictive indicators could be added to enable proactive management decisions. For example, predictive metrics such as revenue impact, customer wait times, and operations cost savings related to closing post offices could be developed and used to evaluate closing strategies. Relational metrics measuring past business decisions for ongoing projects could be added to improve future decision making.

For example, data related to the Every Door Direct Mail promotion, such as costs, methods, and sales, could be combined to develop relational metrics to evaluate ways to increase revenue. Drill down features displaying marketing costs, strategies, and sales by area could be included. This approach would provide a more comprehensive view on the ongoing progress of the strategy.

Adding key predictive and relational metrics and reducing the overall number of metrics could aid effective decision making. For example, cost reductions are a strategic objective and the dashboards we reviewed contained 57 cost reduction metrics. Labor metrics comprise 32 of the 57 metrics, including 16 metrics for labor hours. The Postal Service could reduce the number of labor hour metrics, keeping only those that are most meaningful. This would help align the metrics with best practice standards and simplify the presentation format to draw attention to exceptions and key issues. [Figure 1](#) shows a typical dashboard versus a predictive dashboard focus.

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<sup>2</sup> As provided by the CEB.

**Figure 1. Typical Dashboard Focus versus Predictive Dashboard Focus  
(For illustrative purposes only)**



Source: CEB.

### **Supply Management Dashboard**

The Supply Management group's metrics dashboard is a spreadsheet with charts and graphs. The data is mined from various data sources and input manually (see [Table 1](#)). This manual process can result in delays and errors. Supply Management has many different responsibilities and the data is not well integrated since past funding for the functional processes occurred in a silo system, piece by piece. To align with the Postal Service's business needs and corporate strategic plan, Supply Management restructured between fiscal year (FY) 2009 and FY 2011, centralizing all contracting activities and focusing on commodities and a broader integrated management function. It also expanded its responsibilities regarding asset planning, stamp distribution, and management of the Mail Recovery Center.



***The Supply Management Three-Year Strategic Plan 2013-2015 includes a plan to develop an automated, on-demand dashboard to report key supply management performance metrics and workload analysis.***

***Finance and Planning recognizes a need for a dashboard and has one under development that will contain metrics and models.***

Supply Management’s staff developed specialized knowledge of the Postal Service’s Enterprise Data Warehouse (EDW)<sup>3</sup> to change or develop data from the various systems. Data updates occur daily, as needed. The dashboard reports performance metrics that are grouped into eight categories and linked to data entered on an EXCEL spreadsheet, as shown in Table 1.

**Table 1. Dashboard Categories and Metrics**

<b>Category</b>	<b>Metrics</b>
Drive Down Supply Change Costs	Supply Chain Management Impact
Improve Operational Efficiency	Operational Efficiency Asset Management
Employee Engagement	Voice of the Employee
Business Partner Relationships	Management Program Support Asset Management
Key Supplier Relationships	Supply Chain Relationship Management System
Contract Sourcing & Compliance	Contract Compliance Closed Action
SmartPay Program Measures	Program Rebates Credit Card Approving Official Compliance
Contract Activity Measures	Contract Action and Requisition Activity Measures

Source: Supply Management FY 2015 Scorecard.

The *Supply Management Three-Year Strategic Plan 2013-2015* includes a plan to develop an automated, on-demand dashboard to report key supply management performance metrics and workload analysis. Supply Management is working to automate the input but has not established a timeline for completion.

### **Finance and Planning Dashboard**

The Finance and Planning group does not use a dashboard. Rather, the vice president uses a large 3-ring binder of published reports and data, with relevant background information. The information comes from a variety of sources. Updated reports and supporting information are inserted into the binder when they become available.

Finance and Planning has developed a model to cross-check all the published data for reliability and consistency. For example, published reports stating the Postal Service is on track to save 12 million workhours are cross-checked with eFlash<sup>4</sup> reports for salaries and benefits, overtime, and productivity. However, Finance and Planning recognizes a need for a dashboard and has one under development that will contain metrics and models. This will be updated continually and improved based on feedback. Management expects the dashboard will be uploaded into a central database that is easily accessible on the iPad by April 2015. An integrated solution, planned to be completed by December 31, 2015, will provide automated feeds for initiatives, retail and commercial revenue, and a platform on the desktop and iPad.

<sup>3</sup> A data warehouse is a collection of data from many sources, stored in a single place for reporting and analysis. The Postal Service’s EDW provides a single source of accurate data across organizations to a wide variety of users.

<sup>4</sup> The eFlash application is a weekly reporting management system. It combines delivery, mail processing, employee relations, labor relations, and finance data. The information is extracted from various host systems and loaded into eFlash.

# Recommendations

***We recommend management identify and add predictive and relational metrics to previously developed dashboards to measure strategy performance and identify critical metrics to reduce the number of foundational metrics currently used in the dashboards. We also recommend management complete ongoing efforts to automate the Supply Management dashboard and develop the Finance and Planning dashboard.***

We recommend the chief financial officer and executive vice president:

1. Identify and add predictive and relational metrics to previously developed dashboards to measure strategy performance.
2. Identify critical metrics to reduce the number of foundational metrics currently used in the dashboards.

We recommend the vice president, Supply Management:

3. Complete ongoing efforts to automate the Supply Management dashboard.

We recommend the vice president, Finance and Planning:

4. Complete ongoing efforts to develop the Finance and Planning dashboard.

## Management's Comments

Management generally agreed with our findings and recommendations. They stated they will review the CFO dashboards for opportunities to include an enhanced mix of functional, predictive, and relational metrics. They will also review current dashboard metrics and, after assessing criticality, will seek to reduce the number of foundational metrics to focus on those linked to the business strategy. However, management stated to reduce the number of foundational metrics prior to an assessment would be arbitrary. Management expects to complete these efforts by December 31, 2015.

Further, management stated they will reassess current Supply Management metrics based on a recently completed external assessment and will incorporate additional metrics, as appropriate. Management will also develop a plan to automate the dashboard, to the extent possible, by March 31, 2016.

Finally, management stated they will complete on-going efforts to implement the Finance and Planning dashboard and expects to have an automated dashboard by December 31, 2015.

See [Appendix B](#) for management's comments, in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. We acknowledge management needs to assess current dashboard metrics prior to determining which foundational metrics might be reduced. After this assessment, management can better determine which foundational metrics may be eliminated to assist in better aligning metrics with business strategies.

# Appendices

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## Appendix A: Additional Information

### Background

The OIG initiated an agency-wide series of audits to review the Postal Service's use of data. These audits included discussions and analysis of the data used by the DPMG and the executive vice presidents. This audit focuses on the use of data by the CFO. The CFO manages the Postal Service's financial risks, financial planning and reporting, and financial analysis.

The Postal Service is dependent on the data to manage its business strategies and daily activities. It needs effective and efficient access to appropriate internal and external data for management decision making. An interactive dashboard is a visually intuitive display of data for monitoring specific organizational goals. They provide easy access to high level data and help track performance and optimize decision making. Dashboards combine data from a variety of sources into a single view, providing the user with multi-dimensional feedback.

### Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service CFO effectively used internal and external business data to manage business activities and mitigate risk. This objective included determining whether the CFO:

- Had sufficient data analysis tools available.
- Used internal and external data to improve operations.
- Acquired useful data to improve operations.
- Proactively identified sources of internal data or performed data mining to support his oversight functions.
- Was hindered by access restrictions to internal data.

We focused on the CFO's and associated vice presidents' data analytic practices. To accomplish the objective, we:

- Discussed the use of internal and external data with the CFO and vice presidents of Supply Management, Finance and Planning, and Controller.
- Collected the data analysis tools identified by the interviewees as significant in the management of their business objectives and goals.
- Evaluated the data analysis tools (reports, dashboards, and scorecards) for the type of metrics and the presentation of the data. We discussed the results with an external research organization<sup>5</sup> that concurred with our approach and conclusions.
- Reviewed and analyzed the OIG audit reports issued in FYs 2009 through 2014 and Ernst and Young management letters issued for FYs 2009 through 2013 to identify data-related issues pertaining to the CFO.

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5 CEB.



We conducted this performance audit from May 2014 through March 2015 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We scheduled a meeting to discuss our observations and conclusions with management on February 18, 2015. However, management requested the meeting be rescheduled in the near future.

We did not assess the reliability of any computer-generated data for the purposes of this report. Computer processed data was only envisioned to be used as background information. This audit did not plan to conduct any transaction testing as part of any findings or conclusions. Computer-processed data the team plans to use from all sources were not expected to significantly affect the findings, conclusions, or recommendations. The scope of this audit was to look at best-practices in executive reports and dashboards. We did not plan to consider or report on the reliability of the data summarized in executive dashboards or reports in this audit.

### Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>U.S. Postal Service Data Governance</i>	DP-AR-13-004(R)	4/23/2013	None

**Report Results:** Our report found that the Postal Service could improve management of critical data to assist managers and employees to achieve strategic and operational goals. We identified 148 data-related issues in OIG reports issued in FYs 2009 through 2012. Although the Postal Service defined a structure for a data governance program in 2003, full roles and responsibilities were not uniformly adopted across the enterprise. We identified best practices used by companies with successful data governance programs. Management agreed with the finding and recommendation in the report. Management incorporated a data governance program under Delivering Results, Innovation, Value and Efficiency 19 initiative.

## Appendix B: Management's Comments

JOSEPH CORBETT  
CHIEF FINANCIAL OFFICER  
EXECUTIVE VICE PRESIDENT



March 6, 2015

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report - Utilization of Data by the Chief Financial Officer and Executive Vice President (Report Number FTR-AR-15-Draft)

Thank you for providing the Postal Service with an opportunity to review and comment on this report. Management generally agrees with the findings and recommendations that indicate there may be areas of opportunity to enhance the Chief Financial Officer's dashboard metrics with more effective and efficient access to data used for business decisions.

**Recommendation 1:** We recommend the chief financial officer and executive vice president: identify and add predictive and relational metrics to previously developed dashboards to measure strategy performance.

**Management Response/Action Plan:** Management agrees that it is important to identify appropriate metrics to measure strategy performance. We will review the Chief Financial Officer's dashboards and look for opportunities to include an enhanced mix of functional, predictive and relational metrics to assist with measuring performance against the strategic business plan.

**Target Implementation Date:** December 2015

**Responsible Official:** Vice President, Finance and Planning; and, Director, Strategic Planning

**Recommendation 2:** We recommend the chief financial officer and executive vice president: identify critical metrics to reduce the number of foundational metrics currently used in the dashboards.

**Management Response/Action Plan:** Management agrees in part. As stated in recommendation 1, a review will be performed on our current dashboard metrics to determine their criticality and we will seek to reduce the number of foundational metrics so that we are focusing on clearly linked metrics related to our business strategy. This process will be on-going and will be evaluated quarterly to update as needed. However, to agree to a reduction in the number of foundational metrics prior to our assessment would be arbitrary.

**Target Implementation Date:** December 2015

**Responsible Official:** Vice President, Finance and Planning; and, Director, Strategic Planning

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**Recommendation 3:** We recommend the vice president, Supply Management: Complete ongoing efforts to automate the Supply Management dashboard.

**Management Response/Action Plan:** Management agrees. An external assessment was recently completed on our current supply management metrics that also included benchmarking best-in-class procurement financial metrics. With this insight, management will reassess our current metrics and will incorporate additional metrics to our dashboard as appropriate. Once completed, we will develop a plan to automate our dashboard to the extent possible, taking into consideration the availability of financial resources. Completion of the automated dashboard is estimated to be March 2016.

**Target Implementation Date:** March 2016

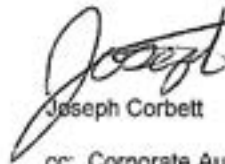
**Responsible Official:** Vice President, Supply Management

**Recommendation 4:** We recommend the vice president, Finance and Planning: Complete ongoing efforts to develop the Finance and Planning dashboard.

**Management Response/Action Plan:** Management agrees with the recommendation to complete the on-going efforts to implement the Finance and Planning Dashboard. Our current timeline is to have an automated dashboard by December 2015 that will contain metrics to track performance of various initiatives that tie to our overall strategy goals.

**Target Implementation Date:** December 2015

**Responsible Official:** Vice President, Finance and Planning



Joseph Corbett

cc: Corporate Audit and Response Management



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