April 27, 2009

SUSAN M. PLONKEY
VICE PRESIDENT, SALES

SUBJECT: Audit Report – Performance-Based Incentive Programs for Sales Employees (Report Number MS-AR-09-007)

This report presents the results of our self-initiated audit of the Performance-Based Incentive Programs for Sales Employees (Project Number 08RG013MS000). Our objectives were to assess the U.S. Postal Service's Sales organization's (Sales) approach to assigning sales accounts to employees and the method used for allocating revenue to the accounts. We also benchmarked Sales employees' compensation against compensation offered to such employees at other organizations. See Appendix A for additional information about this audit.

Conclusion

The process field managers followed in assigning accounts to Sales employees needs improvement. Although the business rules required justification and approval by headquarters management, they did not provide guidance on factors that field managers should consider in assigning accounts to Sales employees. In addition, Sales employees spent time researching CustomerFirst! to identify revenue that was not linked to their portfolios, rather than performing actual sales duties. Further, trends for the Postal Service's performance incentives for Sales employees were not comparable to these trends and incentives at other organizations and did not align with overall business results. Finally, managers awarded incentives to Sales employees based on revenue that did not result from their sales efforts.

Process for Assigning Accounts to Sales Employees Needs Improvement

Sales began using the Sales Compensation Incentive Plan (SCIP) in fiscal year (FY) 2004, which called for managers to award incentives to employees based on the performance of their assigned accounts. However, the process that managers followed in assigning accounts needed improvement. Although the business rules for assigning accounts required justification for assignments and approval by headquarters management, they did not provide guidance on the factors that field managers should consider when they assign accounts to employees. Without a more transparent methodology for assigning accounts, employees may conclude that managers assign preferable accounts to favored employees, which could lower employee morale and negatively impact productivity. See Appendix B for our detailed analysis of this issue.

Management terminated the SCIP effective February 20, 2009. Officials stated they are developing a new program in consultation with the National Association of Postal Supervisors.

We recommend the Vice President, Sales:

1. Revise the business rules to incorporate guidance on factors that field managers should consider in assigning accounts to Sales employees.

2. Communicate the revised business rules to all Sales employees.

3. Publish a summary of incentive payments for the new program, similar to Appendix C, to dispel the perception of favoritism.

Management's Comments

Management agreed with recommendations 1 and 2. They plan to re-organize the Sales organization by September 2009. Under the new structure, field Sales personnel will be assigned to geographic territories, instead of portfolios. The Business Service Network and the Business Alliances function will work with specified customers and accounts. Management will communicate the new structure internally via a Webinar and also to customers at the quarterly Mailers Technical Advisory Committee meeting scheduled to be held the week of April 27, 2009. Management also plans to meet with the new Sales organization leadership team on June 10 – 11, 2009, to discuss the new organizational structure.

Management asserts recommendation 3 is not applicable as SCIP was terminated and the Postal Service does not plan to initiate a new compensation incentive program for the Sales organization. See Appendix D for management's comments, in their entirety.

Sales Employees Spent Time Manually Assigning Revenue to Their Accounts

The Corporate Business Customer Information System (CBCIS)[1] feeds the CustomerFirst![2] system with daily revenue and volume data, aggregated and linked to a customer's site location on a monthly basis. As information is gathered by CBCIS and fed to CustomerFirst!, not all revenue data is credited to the correct sales portfolios.

To ensure they are credited with all their sales, Sales employees spend time researching CustomerFirst! to identify revenue that is not linked[3] to their account portfolios, rather than performing actual sales duties. When Sales employees identify unlinked revenue, they submit change requests through their managers to headquarters to update CustomerFirst!. We estimate the Postal Service incurred approximately $251,000 during a 2-year period to compensate Sales employees for performing this administrative function. See Appendix B for our detailed analysis of this issue.

We recommend the Vice President, Sales:

4. Assign administrative personnel to identify and link revenue not associated with the correct account portfolios in CustomerFirst!

Management's Comments

Management agreed with recommendation 4. The Manager, Business Customer Intelligence, has assumed responsibility for identifying and linking revenue to customer accounts in CustomerFirst! and several other Postal Service databases that contain business customer specific data.

Trends in Total Incentives Paid Did Not Correlate With Revenue Growth

Trends for the Postal Service's performance incentives for its Sales employees were not comparable to the trends at other organizations. While total performance incentives awarded to Sales employees at other organizations moved in proportion with the level of revenue growth, we found no correlation between total Postal Service incentive payments and commercial revenue growth. This condition existed because officials did not consider overall business results in determining the level of payouts.

The purpose of the SCIP was to align performance with business objectives and strengthen the link between pay and business results. The program was implemented to reward Sales employees for results that directly support the achievement of the

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[1] The CBCIS is a repository of customer profile information, volume and revenue data, and postal product information from the National Meter Accounting and Tracking System, PostalOne!, Electronic Marketing Reporting System, and Official Mail Accounting System.
[2] CustomerFirst! is the system used by the Postal Service to monitor sales activity by employees.
[3] Linking is the process used to disassociate the CustomerFirst! record from its current managed sales account and associate it to its correct managed sales account.

Postal Service's strategic objectives. However, the program – now terminated – did not accomplish its objectives. See Appendix B for our detailed analysis of this issue.

We recommend the Vice President, Sales:

5. Design the new program to align performance incentives with overall business results.

Management's Comments

Management agreed with recommendation 5. They stated field Sales employees will be given performance goals and incentives as part of the National Performance Assessment (NPA) program that incents other Postal Service personnel. This will more closely align the Sales organization with other functional groups and the overall performance of the Postal Service. Management will establish interim goals for the remainder of FY 2009 and annual NPA goals will be established at the beginning of FY 2010.

Performance Incentives Awarded Were Not Always Based on Efforts of Sales Employees

Postal Service managers awarded performance incentives to Sales employees based on revenue that did not result from their sales efforts. Under the SCIP, management awarded performance incentives to Sales employees based on revenue generated by their assigned accounts. The plan did not consider whether there was a correlation between the revenue generated and the employees' actual work. For example, in FY 2008, the federal government provided a tax rebate to some taxpayers to stimulate the economy. As a result of the tax rebate checks mailed to taxpayers, Postal Service revenue from Internal Revenue Service (IRS) mailings increased approximately $78.6 million from the previous year. While there was no correlation between the efforts of the Sales employee assigned to the IRS account and the revenue generated from this account, the employee nevertheless received increased performance incentives. See Appendix B for our detailed analysis of this issue.

We suggest the Vice President, Sales:

6. Design the new program to award incentives to Sales employees only for revenue generated directly as a result of their sales efforts.

Management's Comments

Management agreed with suggestion 6. Management stated this suggestion will be addressed by making field Sales employees tied to Corporate and Unit goals established in the NPA program and will be implemented by October 2009.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and the suggestion, and the corrective actions should resolve the issues identified in the report.

The OIG considers recommendations 1, 2, 4, and 5 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until OIG provides written confirmation the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Robert Mitchell, Director, Sales and Service, or me at (703) 248-2100.

E-Signed by Darrell E. Benjamin, Jr
VERIFY authenticity with ApproveIt

Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Revenue and Systems

Attachments

cc: Robert F. Bernstock
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Sales is a direct selling organization with the goal of understanding its customers' businesses and offering solutions that will allow them to choose the Postal Service as their strategic partner. Sales' vision is that "all customers consider Postal Service's solutions for their business and personal needs, resulting in a profitable, long-term business relationship."

In FY 2004, Postal Service management saw a compelling need for change in the sales force, including incentive-based compensation. Part of the resulting change involved the initiation of the SCIP for all quota-bearing members of the direct sales force, including the management team.

The SCIP provided a method of aligning performance with business objectives, while attempting to strengthen the link between compensation and business results. The compensation incentive process rewarded Sales employees for results that directly supported achievement of the Postal Service's strategic objectives. Individual targets were established for Sales employees, their line managers, and ultimately the area Sales managers. These goals encompassed both managed accounts and new business development within a defined territory.

Each FY's SCIP began with the evaluation of overall commercial revenue on an account-by-account basis. Headquarters Sales management considered each account on an individual basis to evaluate growth potential for the next year, and employees provided input on their customers' economic or strategic plans. Management also set performance expectations at the beginning of the year.

Under the SCIP, headquarters Sales management evaluated business performance results each month and calculated individual account achievement each quarter using year-to-date revenue. Sales employees who exceeded 100 percent of their year-to-date expectations received an incentive check following the quarterly payout schedule. Compensation was paid in small increments on a quarterly basis, with the majority of funds held in reserve until the end of the FY. The end-of-year payout was based on final fiscal year results and was in addition to the quarterly payout. Management asserted that it directly tied compensation to sales performance results when individual portfolio expectations were surpassed. For FY 2008, quarterly and end-of-year payout amounts were as follows:

Table 1.		
FY 2008 Performance Incentive Payouts		
	Quarterly Incentive Payouts	**End-of-Year Incentive Payouts**
Sales Force	$250	$525 - $15,000
Manager, Sales	$500	$1,000 - $20,000
Manager, Major Accounts	$1,000	$2,500 - $25,000
Regional Manager, Sales	$2,000	$4,500 - $30,000

Source: FY 2008 Sales Management Process Manual

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to assess the Sales Organization's approach to assigning sales accounts to employees and the method used for allocating revenue to the accounts. We also benchmarked Sales employees' compensation against compensation offered to Sales employees at other organizations.

To accomplish our objectives, we:

- Obtained and reviewed background information for the Postal Service SCIP.
- Interviewed Sales managers to obtain an understanding of the procedures they followed in assigning accounts to employees and the method they used to allocate revenue to accounts.
- Analyzed eAward[4] data for FYs 2005 through 2008, to determine amounts awarded to Sales employees under the SCIP.
- Judgmentally selected and reviewed 48 account portfolios in CustomerFirst! to determine whether incentive payouts in FYs 2005 through 2008 were based on Sales employees' account performance.
- Interviewed Sales managers and employees to identify procedures for maintaining account portfolios in CustomerFirst!

[4] The eAwards application is a web-based program that supports the Postal Service Recognition and Awards Program.

- Obtained and reviewed a summary of link requests for FYs 2005 through 2008 (year-to-date May 2008) to estimate the amount of time Sales employees spent performing administrative duties.

- Observed Sales personnel performing link requests to determine the amount of time employees spent processing link requests.

- Benchmarked the Postal Service Sales employees' compensation against compensation offered to sales employees at 37 other organizations with over $1 billion in revenue.

We conducted this performance audit from March 2008 through April 2009 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We relied on data obtained from CustomerFirst! and the eAward system. We did not directly audit CustomerFirst! or the eAward system, but performed a limited data integrity review to support our data reliance. We discussed our observations and conclusions with management officials on March 12, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

The OIG has not issued any reports related to our objectives.

APPENDIX B: DETAILED ANALYSIS

Process for Assigning Accounts to Sales Employees Needs Improvement

Some employees felt that there was favoritism in incentive payments. We reviewed 48 judgmentally selected account portfolios in CustomerFirst!, and did not identify evidence of favoritism. Instead, management officials awarded incentives to Sales employees based on the performance of their assigned accounts. According to eAward data for FYs 2005 through 2008, management officials awarded 1,406 incentive payouts totaling $3.4 million.

As might be expected, only a small number of Sales employees received payouts in each of the years reviewed, and those numbers grew as the number of years considered declined.

- 48 employees received payouts in all 4 years. Of these 48 employees, only 23 received a total payout greater than $10,000 for all 4 years.
- 173 employees received payouts in 3 of the 4 years.
- 207 employees received payouts in 2 of the 4 years.
- 291 employees received a payout in just 1 of the years. (See Appendix C.)

However, the process managers followed in assigning accounts needed improvement. Although the business rules for assigning accounts required justification for account assignment and approval by headquarters management, it did not give field managers guidance on factors they should consider when assigning accounts to Sales employees.

A properly designed performance incentive program includes a plan design that aligns strategic operating priorities with desired employee behavior; performance metrics that balance competing priorities, including productivity and quality; and stakeholders who concur that targeted performance levels are realistic and potential incentive payments are fair, thereby creating a “win-win” work environment.[5] Without a more transparent methodology for assigning accounts, employees may conclude that managers assign preferable accounts to favored employees, which could lower employee morale and negatively impact productivity.

Sales Employees Spent Time Manually Assigning Revenue to Their Accounts

The CBCIS feeds the CustomerFirst! system with daily revenue and volume data, aggregated and linked to a customer’s site location on a monthly basis. As information is gathered by CBCIS and fed to CustomerFirst!, not all revenue data is credited to the correct sales portfolios.

[5] President’s Commission on the United States Postal Service Compensation and Incentive System Design Study, *Independent Analysis of Incentive Compensation at the United States Postal Service*, dated June 6, 2003.

To ensure they are credited with all their sales, Sales employees spend time researching CustomerFirst! to identify revenue not linked to their individual sales portfolios, rather than performing actual sales duties. When Sales employees identify unlinked revenue, they submit change requests through their managers to headquarters for CustomerFirst! to be updated. Headquarters reviews the change requests and makes the appropriate updates.

This occurs because CustomerFirst! cannot always associate incoming permit numbers with a sales account. Postal Service systems that are feeding CustomerFirst! cannot identify mailers or mail owners because the systems are permit-driven. Because mailers or mail owners need a permit at each mail entry point, they can have many permits, and these systems do not always combine permit numbers to provide information by the individual mailers or mail owners.

From FY 2005 through May 2008, Sales employees submitted 89,705 change requests to headquarters. We observed and interviewed sales personnel to determine the average time they spend in CustomerFirst! to research and identify accounts that are not linked to their sales portfolios. Based on our conservative estimate of 7 minutes to research and submit a change request, we estimate that the Postal Service incurred approximately $251,000[6] in a 2-year period to compensate Sales employees for performing this administrative function.

Although the cost associated with this linking process is not significant, we noted that the linking process is a distraction from the Sales employees' primary focus of customer interaction. Management is also concerned about the distractions of linking, and has identified it as one of the obstacles they plan to remove to help employees focus on customers.

Trends in Total Incentives Paid Did Not Correlate With Revenue Growth

The Postal Service Sales employees' compensation package, which consists of salary and bonus, is comparable to packages offered to Sales employees at other organizations.[7] For the 37 companies against which we benchmarked:

- Thirty-two paid Sales employees salaries ranging from $45,000 to $95,800, comparable to Postal Service Sales employees' salaries, which ranged from $38,619 to $97,296.

[6] Since there were 89,705 link requests performed from FYs 2005 – 2008 (year-to-date May 2008), we determined that Sales personnel averaged 24,465 yearly links (89,705/3.67 years). To calculate the costs for 1 year of Sales employees' performing link requests, we calculated 7 minutes ⁄ 60 minutes × 24,465 links × $43.96 (ES-16 fully loaded rate for Sales employee) = $125,473. To calculate 2 years, $125,473 × 2 years = $250,946.

[7] Common sales compensation packages offered by other organizations include straight commission, variable commission, draw against commission, base pay plus commission, salary, salary and bonus, and residual commission.

- Twenty-eight paid performance incentives based on sales revenue (quarterly or annually), similar to the performance incentive the Postal Service Sales Organization offered to its employees.

We also analyzed the Postal Service's performance incentives for Sales employees using the results of a sales compensation trend survey performed by the Alexander Group in 2009.[8] The survey data was collected from 150,000 sales professionals representing 180 large U.S. corporations.

Our analysis indicated that trends for the Postal Service's performance incentives are not comparable to trends for performance incentives offered to Sales employees at other organizations. Total performance incentives awarded to Sales employees at other organizations from 2005 through 2008 moved in proportion with the level of revenue growth. However, we found no correlation between the Postal Service's total incentive payments and commercial revenue growth. We also noted a significant increase in the Postal Service's FY 2008 total performance incentive payouts compared to other organizations. For the 180 corporations, the Alexander Group study showed a 6 percent increase in revenue and a corresponding 2.5 percent increase in performance incentive payments for FY 2008. Comparatively, Postal Service commercial revenue remained flat; however, performance incentives increased by 292 percent. (See Tables 2 and 3.)

This condition existed because management officials did not consider overall business results in determining the level of payouts. For example, commercial revenue remained flat in FY 2008. However, officials increased FY 2008 performance incentives for each category of its sales employees by at least 100 percent. (See Table 2.) Officials stated they increased performance incentive payouts in FYs 2007 and 2008 to better motivate the Sales employees to generate more revenue. Officials indicated they did not review industry data in making the decision, but considered factors such as retaining existing talent and recruitment potential.

[8] The Alexander Group, Inc. (Sales Growth Consultants), *2009 Sales Compensation Trends Survey Results*, January 2009.

Table 2. Percentage Increase in Incentive Compensation and Commercial Revenue for Postal Service				
	FY 2008	FY 2007	FY 2006	FY 2005
Percentage Increase in Commercial Revenue	0	2.9	3.8	1.4
Percentage Increase in Incentive Compensation	292	(32)	46	N/A[9]
Maximum Incentive Payouts for Postal Service Sales Employees				
	FY 2008	FY 2007	FY 2006	FY 2005
Sales Force	$15,000	$5,000	$5,000	$5,000
Sales Managers	$20,000	$7,500	$7,500	$7,500
Manager, Major Accounts	$25,000	$10,000	$7,500	$7,500
Regional Manager, Sales	$30,000	$15,000	$10,000	$10,000

Sources: Postal Service Financial and Operating Statements FYs 2004 – 2008
Postal Service Sales Compensation Totals FYs 2005 – 2008
Postal Service Sales Management Process Manual FYs 2005 – 2008

Table 3. Percentage Increases in Incentive Compensation and Sales Revenue from the Alexander Group Study				
	FY 2008	FY 2007	FY 2006	FY 2005
Percentage Increase in Sales Revenue	6	8	8	10
Percentage Increase in Incentive Compensation	2.5	4	5	5

Source: Alexander Group, Inc., *2009 Sales Compensation Trends Study Results*, January 2009

The purpose of the SCIP was to align performance with business objectives and strengthen the link between pay and business results. The program was implemented to reward Sales employees for results that directly support the achievement of the Postal Service's strategic objectives. The program was not accomplishing its goals.

[9] The OIG only analyzed Postal Service Sales compensation data beginning in FY 2005; therefore, FY 2004 data was not used for comparison.

Performance Incentives Awarded Were Not Always Based on Efforts of Sales Employees

Postal Service management awarded incentives to Sales employees based on revenue generated that did not result from their efforts. Under the SCIP, management awarded performance incentives to Sales employees based on revenue generated by their assigned accounts. The plan did not consider whether there was a correlation between the revenue generated and the Sales employees' efforts.

For example, in FY 2008, the federal government provided a tax rebate to some taxpayers to stimulate the economy. As a result of the tax rebate checks mailed to taxpayers, Postal Service revenue from IRS mailings increased approximately $78.6 million from the previous year. In addition, the Presidential election year of 2008 generated increased mailings compared to 2007. Postal Service revenue for both Senator Barack Obama (Obama for America) and Senator John McCain (McCain in '08), nominees for the Democratic and Republican Parties, increased by approximately $2.6 million and $1.4 million, respectively, from 2007 levels. While there was no correlation between sales efforts and the revenue generated from these accounts, the Sales employees who were assigned the accounts received increased performance incentives.

The goal of the SCIP was to align performance with business objectives, while attempting to strengthen the link between pay and business results. Consequently, management should award performance incentives to sales employees only for revenue generated directly as a result of their sales efforts.

APPENDIX C: INCENTIVE AWARD PAYOUTS

Incentive Award Payouts for the Sales Compensation Incentive Plan FYs 2005 through 2008

Incentive Amount	FY 2005	FY 2006	FY 2007	FY 2008	Total
>$18,001	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**6** payouts totaling **$110,750**	**6** payouts totaling **$110,750**
$16,001 - $18,000	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**9** payouts totaling **$157,250**	**9** payouts totaling **$157,250**
$14,001 - $16,000	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**8** payouts totaling **$120,225**	**8** payouts totaling **$120,225**
$12,001 - $14,000	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**8** payouts totaling **$103,675**	**8** payouts totaling **$103,675**
$10,001 - $12,000	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**0** payouts totaling **$0**	**12** payouts totaling **$131,850**	**12** payouts totaling **$131,850**
$8,001 - $10,000	**0** payouts totaling **$0**	**0** Payouts totaling **$0**	**0** payouts totaling **$0**	**26** payouts totaling **$234,000**	**26** payouts totaling **$234,000**
$6,001 - $8,000	**8** payouts totaling **$57,925**	**4** payouts totaling **$27,941**	**2** payouts totaling **$13,603**	**28** payouts totaling **$192,875**	**42** payouts totaling **$292,344**
$4,001 - $6,000	**40** payouts totaling **$197,097**	**32** payouts totaling **$157,000**	**15** payouts totaling **$71,392**	**62** payouts totaling **$307,475**	**149** payouts totaling **$732,964**
$2,001 - $4,000	**31** payouts totaling **$91,437**	**79** payouts totaling **$221,143**	**56** payouts totaling **$151,100**	**88** payouts totaling **$264,925**	**254** payouts totaling **$728,605**
<$2,001	**131** payouts totaling **$116,364**	**304** payouts totaling **$269,928**	**263** payouts totaling **$224,742**	**194** payouts totaling **$187,300**	**892** payouts totaling **$798,334**
TOTALS	**210** payouts totaling **$462,823**	**419** payouts totaling **$676,012**	**336** payouts totaling **$460,837**	**441** payouts totaling **$1,810,325**	**1,287** payouts totaling **$3,409,997**

Source: Postal Service management provided eAwards data, FYs 2005–2008

APPENDIX D: MANAGEMENT'S COMMENTS

SUSAN M. PLONKEY
VICE PRESIDENT, SALES

UNITED STATES
POSTAL SERVICE

April 20, 2009

LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Performance-Based Incentive Programs For Sales Employees
(Report Number MS-AR-09-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report.

The United States Postal Service (USPS) Management agrees with the conclusions of this audit report that: (1) the process for assigning accounts to Sales employees needed improvement; (2) Sales employees spent time manually assigning revenue to their accounts; (3) trends in total incentives paid did not correlate with revenue growth; and (4) performance incentives awarded were not always based on efforts of Sales employees.

Postal Management came to these same conclusions, independently, a number of months ago, and terminated the Sales Compensation Incentive Plan (SCIP) on February 20, 2009.

The Postal Service Sales organization is undergoing a major reorganization, both in structure and process, which began in February of this year. Planning for this restructure began several months prior. This reorganization will result in a number of significant sales processes and procedural changes which will address the recommendations of this audit.

The present Sales reorganization and its subsequent impact on the SCIP program was made known to the auditors who conducted this audit for the USPS Office of the Inspector General during their initial meeting with the Postal Service's President, Shipping and Mailing Services and Vice President, Sales.

Auditors were again made aware of this fact and provided even more details as to the planned changes to the Sales Organization and how they addressed all the recommendations found in this audit during a March 12, 2009, exit conference with Postal Service Sales manager, Franklin R. Spencer and Nancy L. Galbreath. No mention of their comments that all the audit recommendations were already addressed through the current Sales reorganization is mentioned in this report.

The Postal Service Vice President, Sales, Susan M. Plonkey, along with her management team, are responsible for implementation of the agreed upon actions to the six recommendations below.

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-5657
202-268-8800
FAX: 202-268-3301
WWW.USPS.COM

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Recommendation [1]:
Revise the business rules to incorporate guidance on factors that field managers should consider in assigning accounts to Sales employees.

Response
Management agrees. Under the new Postal Service Sales organization, the field Sales force will be structured by geographic territory. The Business Service Network (BSN) and the Business Alliances function will work with specified customers and accounts. Field Sales personnel were assigned to geographic territories, instead of portfolios, in February 2009. The new Sales organization is planned to be fully reorganized and established during the Summer of 2009.

Recommendation [2]:
Communicate the revised business rules to all Sales employees.

Response
Management agrees. During the week of April 27, the structure of the new Sales organization will be announced internally via a Webinar with Sales personnel and to customers and customer organizations at the quarterly Mailers Technical Advisory Committee (MTAC) meeting the same week. A Sales leadership meeting with newly selected headquarters, area, and district sales managers is planned for June 10-11, 2009.

Recommendation [3]:
Publish a summary of incentive payments for the new program, similar to Appendix C, to dispel the perception of favoritism.

Response
This recommendation is not applicable as SCIP was terminated and the Postal Service does not plan for a new compensation incentive program, such as SCIP, for the Sales organization.

Recommendation [4]:
Assign administrative personnel to identify and link revenue not associated with the correct account portfolios in CustomerFirst!

Response
Management agrees. Franklin R. Spencer, Manager, Business Customer Intelligence, and his sales support staff of analysts, have already assumed all duties required for this process in CustomerFirst! and several other Postal Service databases that contain business customer specific data.

Recommendation [5]:
Design the new program to align performance incentives with overall business results.

Response
Management agrees. Postal Service field sales personnel will be given performance goals and incentives established as part of the National Performance Assessment (NPA) program that incents other Postal Service personnel such as postmasters, retail, delivery and operational staff, to more closely align the Sales organization with other functional groups and the overall performance of the Postal Service. Interim goals will be established for the remainder of FY09 and annual NPA goals will be established at the beginning of FY10.

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Recommendation [6]:
Design the new program to award incentives to Sales employees only for revenue generated directly as a result of their sales efforts.

Response
Management agrees. Again, this recommendation is being addressed by making field Sales employees tied to Corporate and Unit goals established in the National Performance Assessment (NPA) program.

[redacted]

Susan M. Plonkey

cc: Robert F. Bernstock
Robert Mitchell
Katherine S. Banks
Rowena Dufford