

Office of Inspector General | United States Postal Service

Audit Report

Maintenance Optimization – Northeast Area

Report Number NO-AR-18-003 | March 29, 2018



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Highlights

Objective

The objective of our audit was to evaluate the effectiveness of the U.S. Postal Service's maintenance optimization initiative in the Northeast Area.

The Postal Service's Five-Year Strategic Plan - Fiscal Year (FY) 2017 to 2021 outlines its maintenance optimization initiative to standardize, upgrade, and realign maintenance operations across field offices efficiently and effectively in order to reduce operating expenses. Savings in Labor Distribution Code (LDC) 37 - Building and Plant Equipment and LDC 38 - Building Services were included in the Postal Service's initiative. The FY 2017 planned national savings for the initiative were \$57 million in LDC 37 and \$40 million in LDC 38. The achieved savings were \$47 million and \$43 million, respectively.

Headquarters management established and tracked maintenance optimization planned savings at the national level only and not at the seven Postal Service areas. To determine area performance, we obtained FY 2017 actual versus plan workhours for LDCs 37 and 38, respectively.

What the OIG Found

We found the Northeast Area achieved the initiative savings for LDC 38 in FY 2017, but did not achieve it for LDC 37. The Northeast Area was able to achieve LDC 38 savings by implementing improvements in the cleaning process for facilities and by updating cleaning equipment. These changes included the use of better cleaning supplies, a two-bucket system for cleaning floors, and backpack vacuum cleaners.

The Northeast Area had the lowest LDC 37 workhour performance to plan for the seven Postal Service areas in FY 2017. They used over 78,000 more workhours than planned, or about 12 percent.

However, in comparing FY 2016 to FY 2017, the Northeast Area achieved an LDC 37 workhour reduction of about 181,000 hours, or about 20 percent, and a reduction of 75 employees, or about 15 percent. They also reduced the use of penalty overtime from about 3 percent in FY 2016 to about 2 percent in FY 2017.

Although regular overtime increased from about 13 percent to about 14 percent in the same time period.

We selected the four lowest performing mail processing facilities in the Northeast Area based on those that exceeded the FY 2017 workhour plan the most for LDC 37. The mail processing facilities we identified and visited were the Springfield, MA, Network Distribution Center (NDC) and the Brockton, MA, Mid-Island, NY, and Providence, RI, Processing and Distribution Centers (P&DC). We also selected the two highest performing mail processing facilities in the Northeast Area based on those that used fewer FY 2017 workhours than planned for LDC 37. The mail processing facilities we identified and visited were the Albany, NY, and Middlesex-Essex, MA, P&DCs. We conducted site visits in October and November 2017.

We found local managers did not fully understand or were not aware of the maintenance optimization initiative, its goals, and how to achieve the associated savings. Specifically, two plant managers were not aware of the initiative and the remaining four were aware of the initiative, but could not define the goals. This occurred because of inadequate communication between Headquarters Network Operations, the Northeast Area, and the Northeast Area mail processing facilities. Without adequate knowledge of the maintenance optimization initiative, local management cannot effectively achieve the planned savings.

Additionally, we found that Human Resources assigned employees to LDC 37 when they should have been assigned to LDC 36 based on the work they performed. For example, at the two high-performing mail processing facilities we visited, we found no employees incorrectly assigned to LDC 37; however, at the low-performing Brockton and Providence P&DCs we found five of 11 and seven of 22 employees, respectively, should not have been assigned to LDC 37. Springfield and Mid-Island managers had already taken action to correct

“We found the Northeast Area achieved the initiative savings for LDC 38 in FY 2017, but did not achieve it for LDC 37.”

employee assignments. When employees are not assigned to the correct LDC, the Postal Service cannot adequately determine if the program is a success.

Finally, at four of the six mail processing facilities we visited (two high-performing and two low-performing mail processing facilities), supervisors did not ensure employees charged their workhours to the operation number that corresponded to the work the employees performed. In the last six months of FY 2017, the Providence P&DC maintenance manager started monitoring employees to ensure they were correctly charging workhours after observing they had been incorrectly charging workhours. The Springfield NDC maintenance manager was in the process of training his supervisors to use a website to ensure maintenance employees charged workhours correctly. He said when he was assigned to the facility he noticed employees were clocked into the incorrect operations. Incorrect workhour charges occurred because of inadequate supervision and management oversight. When workhours are not attributed to the correct operation, the Postal Service cannot adequately evaluate performance.

What the OIG Recommended

We recommended management:

- Establish and communicate to all Northeast Area mail processing facilities a plan that outlines the LDC 37 maintenance optimization initiative, its goals, and how to achieve the associated workhour savings;
- Ensure Human Resources and mail processing facilities coordinate the review of maintenance employee assignments to confirm they are assigned to the correct labor distribution code; and
- Establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that the correct labor distribution code is used for the work being performed.

Transmittal Letter

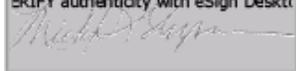


OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 29, 2018

MEMORANDUM FOR: ROBERT CINTRON
VICE PRESIDENT, NETWORK OPERATIONS

EDWARD F. PHELAN
VICE PRESIDENT, NORTHEAST AREA

E-Signed by Michael Thompson
VERIFY authenticity with eSign Desktop


FROM: Michael L. Thompson
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Maintenance Optimization –
Northeast Area (Report Number NO-AR-18-003)

This report presents the results of our audit of Maintenance Optimization – Northeast Area (Project Number 17XG027NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Margaret B. McDavid, Director, Network Processing, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management
Chief Operating Officer and Executive Vice President

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Postal Service's maintenance optimization initiative in the Northeast Area (Project Number 17XG027NO000). The objective of the audit was to evaluate the effectiveness of the Postal Service's maintenance optimization initiative in the Northeast Area. See [Appendix A](#) for additional information about this audit.

“The objective of the audit was to evaluate the effectiveness of the Postal Service’s maintenance optimization initiative in the Northeast Area.”

Background

The Postal Service's *Five-Year Strategic Plan - Fiscal Year (FY) 2017 to 2021*¹ outlines its maintenance optimization initiative to standardize, upgrade, and realign maintenance operations across field offices efficiently and effectively in order to reduce operating expenses. Savings in Labor Distribution Code (LDC)² 37 - Building and Plant Equipment³ and LDC 38 - Building Services⁴ are included in the initiative's key performance indicators. The FY 2017 planned national savings for the initiative were \$57 million in LDC 37 and \$40 million in LDC 38. The Postal Service achieved planned savings for LDC 38, but did not achieve it for LDC 37 (see Table 1). Specifically, the FY 2017 achieved savings were \$47 million in LDC 37 and \$43 million in LDC 38.

Table 1. FY 2017 Maintenance Optimization Savings

LDC	Actual (millions)	Plan (millions)	Actual Versus Plan (millions)
LDC 37	\$47	\$57	-\$10
LDC 38	\$43	\$40	\$3

Source: *Postal Service Five-Year Strategic Plan - FY 2017 to 2021 Optimize Network Platform and Technology Management Office System (TMOS)*.

Headquarters management established and tracked maintenance optimization planned savings at the national level only and not at the seven Postal Service areas. To determine area performance, we obtained FY 2017 actual versus plan workhours for LDCs 37 and 38, respectively (see [Table 2 and 3](#)). The Northeast Area achieved the initiative savings for LDC 38 in FY 2017, but did not achieve it for LDC 37. The Northeast Area was able to achieve LDC 38 savings by implementing improvements in the cleaning process for facilities and by updating cleaning equipment. These changes included the use of better cleaning supplies, a two-bucket system for cleaning floors, and backpack vacuum cleaners.

The Northeast Area had the lowest LDC 37 workhour performance to plan for the seven Postal Service areas in FY 2017. They used over 78,000 more workhours than planned, or about 12 percent.

¹ <http://blue.usps.gov/finance/strategicPlanning/five-year-strategic-plan/welcome.htm>.

² A two-digit code that identifies major work assignments of employees. The first number identifies the function within an office, and the second number identifies the type of activity being performed.

³ LDC 37 consists of non-supervisor workhours of Operations maintenance employees involved in all building maintenance activities and all activities devoted to the maintenance of building utilities, heating, air conditioning, lighting, and other plant equipment.

⁴ LDC 38 consists of non-supervisor workhours of Operations maintenance employees involved in custodial activities and protective services provided by maintenance employees in those buildings requiring guards in which Inspection Service Security Force personnel have not been authorized.

Table 2. FY 2017 LDC 37 Workhours

Area	Actual	Plan	Actual Versus Plan
Northeast	732,102	653,972	78,130
Southern	745,262	712,502	32,760
Great Lakes	582,877	595,177	-12,300
Western	460,957	521,416	-60,459
Eastern	798,577	879,279	-80,702
Capital Metro	464,886	549,515	-84,629
Pacific	461,672	625,557	-163,885

Source: Enterprise Data Warehouse (EDW).

Table 3. FY 2017 LDC 38 Workhours

Area	Actual	Plan	Actual Versus Plan
Southern	1,719,859	1,633,686	86,173
Northeast	1,615,730	1,662,701	-46,971
Pacific	1,159,996	1,217,283	-57,287
Eastern	1,636,132	1,734,059	-97,927
Western	1,497,117	1,624,339	-127,222
Great Lakes	1,443,547	1,688,802	-245,255
Capital Metro	1,155,867	1,535,696	-379,829

Source: EDW.

We selected the four lowest performing mail processing facilities in the Northeast Area based on those that exceeded the FY 2017 workhour plan the most for LDC 37. The mail processing facilities we identified and visited were the Springfield, MA, Network Distribution Center (NDC) and the Brockton, MA, Mid-Island, NY, and Providence, RI, Processing and Distribution Centers (P&DC). We also selected the two highest performing mail processing facilities in the Northeast Area based on those that used fewer FY 2017 workhours than planned for LDC 37. The mail processing facilities we identified and visited were the Albany, NY, and Middlesex-Essex, MA, P&DCs (see Table 4). We conducted site visits in October and November 2017.

Table 4. FY 2017 LDC 37 Workhours for Sites Visited

Facility	Actual	Plan	Actual Versus Plan
Albany, NY, P&DC	15,212	21,507	-6,295
Middlesex-Essex, MA, P&DC	9,153	14,573	-5,420
Mid-Island, NY, P&DC	30,481	21,384	9,097
Brockton, MA, P&DC	22,164	10,736	11,428
Springfield, MA, NDC	54,746	36,960	17,786
Providence, RI, P&DC	45,140	26,822	18,318

Source: EDW.

“We selected the four lowest... and the two highest performing mail processing facilities in the Northeast Area...to conduct site visits.”

We also analyzed workhours, overtime, penalty overtime, and complement changes from FYs 2016 to 2017 (see Table 5). We found the Northeast Area achieved an LDC 37 workhour reduction in FY 2017 of 181,288 workhours, or about 20 percent, and a reduction of 75 employees, or about 15 percent. The Northeast Area also reduced the use of penalty overtime from 2.70 percent in FY 2016 to 2.23 percent in FY 2017. Although regular overtime increased from 13.34 percent to 13.78 percent in the same time period.

Table 5. Northeast Area LDC 37 Workhours, Overtime, Penalty Overtime, and Complement Changes

	FY 2016	FY 2017	Difference
Workhours	913,390	732,102	-181,288
Overtime Workhours	121,846	100,865	-20,981
Overtime Percentage	13.34%	13.78%	0.44%
Penalty Overtime Workhours	24,667	16,316	-8,351
Penalty Overtime Percentage	2.70%	2.23%	-0.47%
LDC 37 Complement	517	442	-75

Source: EDW.

Finding #1: Lack of Communication

We found that local managers did not fully understand or were not aware of the maintenance optimization initiative, its goals, and how to achieve the associated savings (see Table 6). Specifically, two plant managers were not aware of the initiative. The remaining four plant managers were aware of the initiative; however, they could not define the goals. We also found two maintenance managers who did not fully understand or were not aware of the maintenance optimization initiative, its goals, and how to achieve the associated savings. The remaining four maintenance managers were aware of the initiative; however, they could not define the goals.

Table 6. Local Management’s Understanding of Maintenance Optimization Initiative

Facility	Plant Managers		Maintenance Managers	
	Not Aware	Aware, but Could not Define Goals	Not Aware	Aware, but Could not Define Goals
Albany, NY, P&DC		✓	✓	
Brockton, MA, P&DC		✓		✓
Middlesex-Essex, NY, P&DC		✓		✓
Mid-Island, NY, P&DC	✓		✓	
Providence, RI, P&DC		✓		✓
Springfield, MA, NDC	✓			✓
Total	2	4	2	4

Source: OIG interviews with plant managers and maintenance managers.

This occurred because of inadequate communication between Headquarters Network Operations, the Northeast Area, and the Northeast Area mail processing facilities. The Northeast Area and their mail processing facilities did not have specific initiative goals to implement or measure their performance. Without adequate knowledge of the maintenance optimization initiative, local management cannot effectively achieve the planned savings.

Recommendation #1

Vice President, Network Operations, *establish and communicate to all Northeast Area mail processing facilities a plan that outlines the Labor Distribution Code 37 maintenance optimization initiative, its goals, and how to achieve the associated workhour savings.*

Finding #2: Incorrect LDC Assignment

Additionally, we found that Human Resources assigned employees to LDC 37 when they should have been assigned to LDC 36 based on the work they performed. For example, at the two high-performing mail processing facilities we visited, we found no employees incorrectly assigned to LDC 37; however, at the low-performing Brockton and Providence P&DCs, we found five of 11 and seven of 22 employees, respectively, should not have been assigned to LDC 37.

“We found that Human Resources assigned employees to LDC 37 when they should have been assigned to LDC 36 based on the work they performed.”

According to Postal Service policy⁵, managers at field offices and mail processing facilities are responsible for ensuring data integrity, including accurate recording of clock rings and workhours in the proper operation number. Additionally, management is responsible for correcting data reporting errors including incorrect assignment of employees to LDC codes. There is a process for local

⁵ Handbook M-32, *Management Operating Data System*.

management to notify Human Resources to correct employee LDC assignments. The Brockton P&DC followed this process during our audit to correct employee LDC assignments. The Springfield NDC, and Mid-Island P&DC had already taken action to correct employee assignments. When employees are not assigned to the correct LDC, the Postal Service cannot adequately determine if program is a success.

Recommendation #2

Vice President, Northeast Area, *ensure Human Resources and mail processing facilities coordinate the review of maintenance employee assignments to confirm they are assigned to the correct labor distribution code.*

Finding #3: Incorrect Workhour Charges

Finally, at four of the six mail processing facilities we visited (two high-performing mail processing facilities and two low-performing mail processing facilities), supervisors did not ensure employees charged their workhours to the operation number that corresponded to the work the employees performed. For example, maintenance mechanics can be assigned a base operation of LDC 36, Postal Operating Equipment, even though they may also perform LDC 37, Building and Plant Equipment, work, and vice versa. If the maintenance mechanic is not performing a clock ring move to the operation number that corresponds to the work being performed and the supervisor does not correct the error, the employee workhours will be attributed to the wrong LDC.

Only two of the six mail processing facilities visited (Providence P&DC and Springfield NDC) monitored workhour charges or were in the process of training after observing they had been incorrectly charging workhours. In the last six months of FY 2017, the Providence, P&DC maintenance manager had started monitoring Time and Attendance Collection System reports to ensure maintenance employees were correctly moving between LDC 36 and LDC 37.

The Springfield NDC maintenance manager was in the process of training his supervisors to use a module on the Container Tracking System website that provided up-to-date information including which operation number employees are clocked into. He said when he was assigned to the facility he noticed employees were clocked into the incorrect operations. Incorrect workhour charges occurred because of inadequate supervision and management oversight. When workhours are not attributed to the correct operation, the Postal Service cannot adequately evaluate performance. The four remaining mail processing facilities did not have a plan in place to correct the workhour reporting errors.

Incorrect workhour charges occurred because of inadequate supervision and management oversight. When workhours are not attributed to the correct operation, the Postal Service cannot adequately evaluate performance. We identified \$38,162 in misallocated costs due to incorrect workhour charges in the Northeast Area.

Recommendation #3

Vice President, Northeast Area, *establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that the correct labor distribution code is used for the work being performed.*

Management's Comments

Management disagreed with our findings, recommendations, and other impact related to incorrect workhour charges. See [Appendix B](#) for management's comments in their entirety.

Regarding recommendation 1, management said that LDC 37 policies, procedures, and staffing at the plants are primarily governed through Postal Service Handbook MS-1, *Operation and Maintenance of Real Property*. Management said "maintenance optimization" is a term used by headquarters and the field is more familiar with the term "MS-1". Additionally, management said the LDC 37/MS-1 and associated Manager, Maintenance Operations, rewrite initiative was communicated to the Area Manager, Maintenance Operations, and

maintenance managers across the country on several occasions. Further, they said they provided a webinar to Northeast Area maintenance managers outlining the strategies, objectives, and status of the MS-1 Maintenance Optimization on February 27, 2018.

Regarding recommendation 2, management said they code all maintenance employee assignments according to the assigned work in MS-1 per the national agreement and staffing guidelines require these jobs to be verified before any posting and LDC assignment occurs.

Regarding recommendation 3, management said employees are allowed to do work assigned in different LDCs based on the work level and the job qualifications. They said workhour transfers are done when work is assigned in advance. Further, management said the Northeast Area is well under the targeted savings based on the MS-1 initiative for LDC 37 and combining both LDCs is well under way.

Regarding the other impact, management said our audit acknowledged known discrepancies in workhour reporting between LDCs 36 and 37 and that some of the facilities we visited had already corrected some of the reporting issues at the time of the audit. They said that basing accomplishment of maintenance optimization required savings solely on LDC 37 versus plan is faulty. Further, management said a more credible analysis of accomplishment of maintenance optimization would be to evaluate the combined performance of both LDCs 36 and 37.

Evaluation of Management's Comments

The OIG considers management's comments unresponsive to the recommendations in the report.

Regarding management's disagreement with recommendation 1 and use of the term MS-1 versus maintenance optimization, this element is not central to the recommendation. The recommendation concerns establishing and communicating a plan. Management said they provided a webinar to Northeast Area maintenance managers outlining the strategies, objectives, and status of MS-1 Maintenance Optimization on February 27, 2018, after issuance of our

February 22, 2018, draft report. However, management has not provided OIG with any supporting documentation about the February 27, 2018, webinar for evaluation.

Regarding management's disagreement with recommendation 2, they said that staffing guidelines require verification of maintenance jobs before they are posted and assigned an LDC. However, at the low-performing Brockton and Providence P&DCs we found five of 11 and seven of 22 employees, respectively, should not have been assigned to LDC 37. We disagree with management that maintenance employee assignments are correct because the staffing guidelines require verification of these jobs before posting an LDC assignment.

Regarding management's disagreement with recommendation 3, we did not report that employees are not allowed to work using different LDC codes. Rather, our recommendation was to establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that employees use the correct LDC for the work performed. On February 9, 2017, the Postal Service issued a standard work instruction and job aid to all area vice presidents and plant managers to ensure that all employees clock into the correct operation number. The instruction included maintenance

functions, emphasizing correct and timely movement between operation numbers.

Regarding management's disagreement with the calculated other impact, our objective was to evaluate the maintenance optimization initiative in the Northeast Area. As noted in the report, LDCs 37 and 38 were included in the initiative, whereas LDC 36 was not; therefore, we disagree with management's assertion that LDCs 36 and 37 should be combined. Other impact, which quantifies the effects of uncertain events, is reported as the Expected Monetary Value attributed to findings involving risk to the Postal Service. In addition, we consider the other impact calculation of \$38,162 to be conservative because we used the lowest risk factor values in assessing the misallocation of costs. Our methodology assigned less than 1 percent risk to the total monetary exposure.

We view the disagreement with recommendations 1, 2, and 3 as unresolved and these will remain open as we coordinate resolution with management. All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

The objective of our audit was to evaluate the effectiveness of the Postal Service’s maintenance optimization initiative in the Northeast Area. Management established the maintenance optimization initiative’s planned savings at the national level only and never at the area level. We used actual versus plan workhours to determine area performance. For FY 2017, the Northeast Area had the worst workhour performance to plan for LDC 37; therefore, we selected it for review. During interviews with headquarters and Northeast Area management, we were informed that hiring in LDC 37 has been limited by a pending arbitration decision related to the significant update of Postal Service guidance.⁶

“ We used actual versus plan workhours to determine area performance.”

To achieve our objective, we:

- Interviewed the headquarters maintenance operations manager to obtain more information about the initiative, how they determined the methodology for tracking identified cost savings, and the current challenges.
- Determined the specific cost-reduction elements that make up the workhour savings for LDCs 37 and 38.
- Obtained and analyzed the actual versus planned initiative savings.
- Obtained and analyzed workhours, overtime, penalty overtime, and complement changes.

- Obtained and analyzed the actual versus plan workhours by LDC for each area.
- Compared the actual versus plan workhours and identify facilities not meeting the plan.
- Conducted facility site visits and interviews at high-performing sites selected to determine best practices.
- Conducted facility site visits and interviews at low-performing selected sites to determine why the savings are not being achieved and make recommendations for improvement.

We selected the four lowest performing mail processing facilities in the Northeast Area based on those that exceeded the FY 2017 workhour plan the most for LDC 37. The mail processing facilities we identified and visited were the Springfield, MA, NDC; and the Brockton, MA, Mid-Island, NY, and Providence, RI, P&DCs. We also selected the two highest performing mail processing facilities in the Northeast Area based on those that used less FY 2017 workhours than planned for LDC 37. The mail processing facilities we identified and visited were the Albany, NY, and Middlesex-Essex, MA, P&DCs as shown in Table 7.

Table 7. Site Selection

Low-Performing Facilities	High-Performing Facilities
Brockton, MA, P&DC	Albany, NY, P&DC
Mid-Island, NY, P&DC	Middlesex-Essex, MA, P&DC
Providence, RI, P&DC	
Springfield, MA, NDC	

Source: Sites selected based on data in the EDW.

⁶ Maintenance Series Handbook MS-1 *Operation and Maintenance of Real Property*. Management uses Handbook MS-1 to determine proper building maintenance support staffing for Postal Service mail processing facilities in accordance with updated maintenance philosophies and current preventive maintenance guidelines.

We conducted this performance audit from September 2017 through March 2018, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on February 14, 2018, and included their comments where appropriate.

We assessed the reliability of computer-processed data from the EDW, Electronic Maintenance Activity Reporting and Scheduling, TMOS, Web Complement Information System, and the Workhour Estimator Program by interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years.

Appendix B: Management's Comments

EDWARD F. PHELAN, JR.
VICE PRESIDENT, AREA OPERATIONS
NORTHEAST AREA



March 19, 2018

LORI LAU DILLARD, DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Maintenance Optimization - Northeast Area
(Report Number NO-AR-18-DRAFT)

Thank you for providing the Northeast Area with the opportunity to review and comment on the recommendations contained in Draft Audit Report Maintenance Optimization – Northeast Area (Report Number NO-AR-18-DRAFT). Management disagrees with the findings and does not agree with the data presented in this report that calculated Other Impact.

Other Impact:

The OIG calculated Misallocation of Costs by multiplying the difference in FY 2017 workhours (78,130) to plan by the fully loaded labor rate¹ of \$51.08 per hour, which equals \$3,991,179. The OIG then multiplied the total monetary exposure of \$3,991,179 by the risk factor of .96 percent, which equals \$38,162.

The objective of the audit was to evaluate the effectiveness of the U.S. Postal Service's maintenance optimization initiative in the Northeast Area. The OIG found the Northeast Area achieved the initiative savings for LDC 38 in FY 2017, but did not achieve the savings in LDC 37.

During the interview process you were provided information that each Northeast Area facility was budgeted based on implementation of the Maintenance Optimization requirements. Northeast Area maintenance communicated expectations of scheduled implementation and ensured our field units implemented required method changes and updated MS-47/WHEP to establish revised authorized staffing.

Your audit acknowledged known discrepancies in reporting between LDC 37 and LDC 36. The OIG also acknowledged that some of the sample facilities had already corrected some of the reporting issues at the time of the audit. Given that finding, basing accomplishment of maintenance optimization required saving based solely on LDC 37 versus plan is faulty.

¹ Fully loaded labor rate includes salary and benefits and has been rounded for this report.

Given this known reporting discrepancy, a more credible analysis of accomplishment of maintenance optimization would be to evaluate the combined performance of both LDC 36 and LDC 37. The Northeast Area performance inclusive of both LDC 36 and LDC 37 is 96,919 below plan and 255,154 hours less than SPLY.

AREA	LDC 36	LDC 36	LDC 36	SPLY			
	Actual	Plan	SPLY	Plan Var	Var	%Plan	%SPLY
NORTHEAST	3,374,582	3,550,952	3,443,168	-176,370	-68,586	-5.0%	-2.0%
CAPITAL METRO	2,631,389	2,689,410	2,440,382	-58,021	191,007	-2.2%	7.8%
EASTERN	4,052,987	4,214,255	3,882,423	-161,268	170,564	-3.8%	4.4%
GREAT LAKES	2,577,490	2,640,655	2,593,429	-63,165	-15,939	-2.4%	-0.6%
PACIFIC	2,589,597	2,415,139	2,438,225	174,458	151,372	7.2%	6.2%
SOUTHERN	4,278,448	4,705,183	4,336,709	-426,735	-58,261	-9.1%	-1.3%
WESTERN	4,000,450	3,775,961	3,870,643	224,489	129,807	5.9%	3.4%
TOTAL	23,504,943	23,991,555	23,004,979	-486,612	499,964	-2.0%	2.2%

AREA	LDC 37	LDC 37	LDC 37	SPLY			
	ACTUAL	PLAN	SPLY	Plan Var	Var	%Plan	%SPLY
NORTHEAST	912,469	833,018	1,099,037	79,451	-186,568	9.5%	-17.0%
CAPITAL METRO	509,082	549,515	675,552	-40,433	-166,470	-7.4%	-24.6%
EASTERN	901,883	882,287	1,104,406	19,596	-202,523	2.2%	-18.3%
GREAT LAKES	734,975	729,872	796,440	5,103	-61,465	0.7%	-7.7%
PACIFIC	506,681	670,575	598,311	-163,894	-91,630	-24.4%	-15.3%
SOUTHERN	876,907	787,988	970,400	88,919	-93,493	11.3%	-9.6%
WESTERN	520,507	566,587	614,353	-46,080	-93,846	-8.1%	-15.3%
TOTAL	4,962,504	5,019,842	5,858,499	-57,338	-895,995	-1.1%	-15.3%

AREA	TOTAL	TOTAL	TOTAL	SPLY			
	ACTUAL	PLAN	SPLY	Plan Var	Var	%Plan	%SPLY
NORTHEAST	4,287,051	4,383,970	4,542,205	-96,919	-255,154	-2.2%	-5.6%
CAPITAL METRO	3,140,471	3,238,925	3,115,934	-98,454	24,537	-3.0%	0.8%
EASTERN	4,954,870	5,096,542	4,988,829	-141,672	-31,959	-2.8%	-0.6%
GREAT LAKES	3,312,465	3,370,527	3,389,869	-58,062	-77,404	-1.7%	-2.3%
PACIFIC	3,096,278	3,085,714	3,036,536	10,564	59,742	0.3%	2.0%
SOUTHERN	5,155,355	5,493,171	5,307,109	-337,816	-151,754	-6.1%	-2.9%
WESTERN	4,520,957	4,342,548	4,484,996	178,409	35,961	4.1%	0.8%
TOTAL	28,467,447	29,011,397	28,863,478	-543,950	-396,031	-1.9%	-1.4%

Recommendation 1: Vice President, Network Operations

Establish and communicate to all Northeast Area mail processing facilities a plan that outlines the LDC 37 maintenance optimization initiative, its goals, and how to achieve the associated workhour savings management actions related to non-career employee

Management Response/Action Plan:

The Vice President, Network Operations does not agree with this recommendation based on the following facts. The LDC 37 policies, procedures, and staffing at the plants is primarily governed through the MS-1 Handbook. Maintenance Optimization is a term utilized by Headquarters and the field is more familiar with MS-1

terminology. The LDC 37 / MS-1 and associated Manager, Maintenance Operations (MMO's) rewrite initiative was communicated to the Area Manager, Maintenance Operations (AMMO) on several occasions which included AMMO meetings, emails, and telecons. It was also communicated to maintenance managers across the country in face-to-face training sessions at various locations. The Northeast Area in particular was provided a briefing on the MS-1 initiative at the Northeast Area Office the week of November 30, 2015, by Dominic Bratta.

The initiative included a review of the building maintenance operation, a re-write of the MS-1 based on the findings from the review, re-write of associated MMO's Article 19 discussions with the APWU, and ultimately the arbitration. Since this process has just recently been completely adjudicated, February 28, 2018, there was no mechanism for developing baseline staffing and potential excessing of employees. All savings have been captured through voluntary attrition.

Since the arbitration was just finalized, there was no projected savings objective specific to any one site.

Currently, Headquarters Maintenance Operations (HQMO) is reviewing the workhours in LDC 37 addressing overstaffing, high overtime, etc. in order to capture potential savings, and working with each AMMO on our findings.

In addition, HQMO provided a webinar to the Northeast Area Maintenance Managers outlining the strategies, objectives, and status of the MS-1 Maintenance Optimization initiative on February 27, 2018.

Recommendation 2: Vice President, Northeast Area

Ensure Human Resources and mail processing facilities coordinate the review of maintenance employee assignments to confirm they are assigned to the correct labor distribution code.

Management Response/Action Plan:

Management does not agree with this recommendation. All maintenance employee assignments are coded according to the assigned work in MS-1 or MS-47 per the national agreement. The staffing guidelines require these jobs to be verified before any posting and LDC's are assigned.

Recommendation 3: Vice President, Northeast Area

Establish a plan to ensure maintenance supervisors monitor and correct maintenance employee operation number selections as needed so that the correct labor distribution code is used for the work being performed.

Management Response/Action Plan:

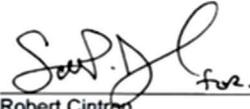
Management does not agree with this recommendation. Employees are allowed to do work assigned that are in different Labor Distribution Codes based upon the level and the job qualifications. Work hour transfers are done when work is assigned in advance. In emergency situations, qualified employees need to

perform the work and it makes little to no sense to go to a time clock and make a clock ring move in an emergency. The Northeast Area is well under the targeted savings based on the MS-1 initiative for LDC 37 and combining both LDC's is well under plan.

We appreciate you acknowledging the Northeast Area's achievement of the initiative savings for LDC 38 in FY 2017. As you stated, the Northeast Area achieved the LDC 38 savings by implementing improvements in the cleaning process for facilities and by updating cleaning equipment. These changes included the use of better cleaning supplies, a two-bucket system for cleaning floors, and backpack vacuum cleaners. These method changes along with staffing and scheduling changes were all part of the national initiative to achieve Maintenance Optimization stated savings.



Edward F. Phelan, Jr.
Vice President, Northeast Area



Robert Cintron
Vice President, Network Operations



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1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100