

March 28, 2003

SYLVESTER BLACK
VICE PRESIDENT, WESTERN AREA OPERATIONS

SUBJECT: Audit Report - Work Performed by Business Mail Entry Employees in the
Seattle, Minneapolis, and Des Moines Bulk Mail Centers
(Report Number CQ-AR-03-001)

This report presents the results of our audit of work performed by business mail entry employees at the Seattle, Minneapolis, and Des Moines Bulk Mail Centers (Project Number 03BG005CQ000). This self-initiated audit was conducted jointly with the Western Area Finance and Marketing managers in response to analytical observations we made during a recent audit of business mail entry employees in the Colorado/Wyoming Performance Cluster.

Our audit disclosed that workhours necessary to accept business mailings at these facilities should be reduced. As a result, management could save an estimated \$588,730 through the end of fiscal year 2005 when its planned workhour reductions are fully implemented. We recommended that senior plant managers of the Seattle, Minneapolis, and Des Moines Bulk Mail Centers reduce workhours, reevaluate staffing needs periodically to determine if further reductions are necessary, and ensure that appropriately trained personnel perform acceptance functions. Management agreed with our recommendations and has initiatives in progress addressing the issues identified in this report. Management's comments and our evaluation of these comments are included in the report.

The Office of Inspector General (OIG) considers recommendations 1 and 2 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Kim H. Stroud, director, Audit Operations and Quick Response, at (703) 248-2100 or me at (703) 248-2300.

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EXECUTIVE SUMMARY

Introduction

The Office of Inspector General (OIG) conducted an assessment of work performed by business mail entry employees at the Seattle, Minneapolis, and Des Moines Bulk Mail Centers (Project Number 03BG005CQ000). These facilities are located in the Western Area. This self-initiated audit was conducted jointly with the Western Area Finance and Marketing managers in response to analytical observations we made during a recent audit of business mail entry employees in the Colorado/Wyoming Performance Cluster.

Results in Brief

Our audit disclosed that most of the business mail entry employees currently working at these facilities were not needed to accept business mailings.¹ We estimated that business mail entry total workhours at the three facilities could be reduced by approximately 15,000 workhours through the end of fiscal year (FY) 2004. Management agreed to the reductions and will phase them in over FYs 2004 and 2005. As a result, the Postal Service could potentially save approximately \$588,730 through the end of FY 2005.

Inefficiencies in accepting business mailings at the three sites existed because managers did not periodically reevaluate staffing levels to improve productivity and business mail entry technicians performed duties that should have been accomplished by dock personnel.

During the audit, Western Area managers agreed to reduce workhours at the Seattle, Minneapolis, and Des Moines Bulk Mail Centers as proposed in Appendix B. As of the date of our report, Western Area managers planned to phase in these reductions over the next 2 fiscal years by eliminating half of the recommended hours and transferring the balance to properly reflect the mail processing dock acceptance work being performed.

Summary of Recommendations

We recommended the senior plant managers of the Seattle, Minneapolis, and Des Moines Bulk Mail Centers reduce

¹A mailing is a unique event whereby the customer has prepared similar pieces of mail in accordance with the criteria set forth in the Domestic Mail Manual.

hours as recommended, reevaluate staffing needs periodically to determine if further reductions are necessary, and ensure that appropriately trained personnel perform acceptance functions.

**Summary of
Management's
Comments**

Management agreed with our finding and recommendations to reduce workhours, periodically reevaluate staffing levels, and train appropriate personnel accordingly. However, management agreed to phase in the workhour reductions over FYs 2004 and 2005. As a result, we revised our initial estimated savings to correspond with management's planned actions. Management's comments, in their entirety, are included in Appendix D of this report.

**Overall Evaluation of
Management's
Comments**

Management's actions, taken and planned, should correct the issues identified in the report.

INTRODUCTION

Background

Business mail entry units are located in Postal Service facilities nationwide. Business mail entry unit technicians receive business mailers' bulk, presorted, and permit mail for acceptance. They accept business mail using dedicated platform space, office space, and a staging area on the workroom floor. A business mail entry technician, using prescribed acceptance procedures, typically performs mailing verifications. Verification procedures include verifying fees and funds on deposit, reviewing contents of mailpieces, checking of labels and mail make up, and completing postage verification.

Business mail entry technicians are located at some of the bulk mail centers. These facilities provide limited acceptance and verification of bulk mail in support of the business mail entry unit.

Generally, bulk mail centers are highly mechanized mail processing facilities that do not generate revenue. A customer may receive a discounted destination bulk mail center rate if the mail is properly prepared and entered at the bulk mail center. Bulk mail centers also accept plant verified drop shipments. A plant verified drop shipment is a procedure that enables a mailer to pay postage and have mailings verified at its origin office and then to enter the mailings at a destination office using shipper-paid transportation. According to Postal Service policies,² trained dock personnel normally accept plant verified drop shipments.

Objectives, Scope, and Methodology

To assess the appropriateness of technicians' work, we made observations of business mail entry staff, conducted interviews, and compared work activities to policies and procedures. To assess the efficiency of business mail entry operations, we examined the number of mailings and workhours being used at the Seattle, Minneapolis, and Des Moines Bulk Mail Centers.

² Publication 804, Drop Shipment Procedures for Destination Facility, Section 5-5, Destination Entry Office Acceptance, Part d and Chapter 6.

We relied on Postal Service operational systems, which included the National Workhour Reporting System, and the Permit System to perform our analysis of mailings, and workhours. We did not test the validity of controls over these systems in this audit.

This audit was conducted from November 2002 through March 2003 in accordance with generally accepted government auditing standards, and included such tests of internal controls as were considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

**Prior Audit
Coverage**

The Office of Inspector General September 26, 2002, audit report, Work Performed by Business Mail Entry Employees in the Colorado Wyoming Performance Cluster (Report Number CQ-AR-02-001), disclosed that many business mail entry employees currently working at the Denver Bulk Mail Center and Denver General Mail Facility were not needed to accept business mailings. We recommended that management oversee the consolidation of business mail entry operations and reduce staff as planned, and reevaluate staffing to determine if further staff reductions are necessary. Management agreed and the actions taken and planned are responsive and should correct the issues identified in the report.

AUDIT RESULTS

Assessment of Employees' Workhours

Our review disclosed that most of the bulk mail entry unit employees currently working at the Seattle, Minneapolis, and Des Moines Bulk Mail Centers were not needed to accept business mailings. Based on historical data, we noted that workhours were disproportionate to workload. For example, mailings per workhour were well below expectations set by Western Area management.

Inefficiencies in accepting business mailings at these sites existed because managers did not periodically reevaluate staffing levels to improve productivity.¹ As a result, we estimated that approximately 15,000 workhours could be reduced to accept current year mailings. This reduction in workhours could produce an estimated cost savings of \$588,730 based on management's planned actions to phase in the reduction of workhours over fiscal years (FY) 2004 and 2005.

As presented in Appendix A, from FYs 2001 to 2002 the combined number of mailings accepted decreased by approximately 17 percent while the hours increased by 3 percent. The overall mailing per workhour at the three sites averaged .09 mailings per workhour for the 2 years measured, well below the minimum standard of efficiency of 2.0 mailings per workhour according to Western Area marketing standards. Individually, the:

- Seattle Bulk Mail Center's mailings decreased 14 percent, while the hours increased 20 percent.
- Minneapolis Bulk Mail Center's mailings decreased 48 percent, while the hours decreased by just 13 percent.
- Des Moines Bulk Mail Center's mailings decreased by 11 percent, while the hours increased by 3 percent.

¹A mailing is a unique event whereby the customer has prepared similar pieces of mail in accordance with the criteria set forth in the Domestic Mail Manual.

Postal Service policies³ require that business mail entry units ensure the efficient use of workhours. In addition, the policies state that dock personnel should perform acceptance activities. However, business mail entry technicians who have different training requirements currently accept plant verified drop shipments at the Seattle, Minneapolis, and Des Moines Bulk Mail Centers. This activity constitutes the vast majority of the technicians' workload and is assigned to fill their time.

Though mailings are on the decline for these units, planned FY 2003 workhours were significantly above prior year workhours used to accept mailings and additional hours anticipated to perform electronic verification, general revenue protection activities, and international mail processing, where applicable.

Appendix B contains our detailed calculations of proposed workhour reductions for the three business mail entry units we reviewed. Appendix C includes our detailed calculations of labor cost savings based on the proposed workhour reductions and management's planned actions.

Management's Actions	During our audit, Western Area managers agreed to reduce workhours at the Seattle, Minneapolis, and Des Moines Bulk Mail Centers as proposed in Appendix B. Western Area managers established a plan to ensure appropriate service levels and revenue protection, and to phase in an annual reduction of 7,457 workhours over the next 2 fiscal years.
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Recommendations	<p>To bring productivity within satisfactory levels, we recommend the vice president, Western Area Operations, direct plant managers at the Seattle, Minneapolis, and Des Moines Bulk Mail Centers to:</p> <ol style="list-style-type: none">1. Reduce business mail entry hours by approximately 15,000 as depicted in Appendix B.2. Reevaluate staffing periodically to determine if further reductions are necessary based on changes in workload.
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³ Handbook DM-109, Business Mail Acceptance, Chapter 2.

3. Ensure that appropriately trained personnel perform acceptance functions.

**Management's
Comments**

Management agreed with our finding and recommendations, including the reduction of business mail entry workhours by 15,053. Management agreed to an annual bottom-line reduction of 7,457 and to transfer the remaining hours to properly reflect the mail processing dock acceptance work being performed. Management plans to phase in these reductions over FYs 2004 and 2005.

**Evaluation of
Management's
Comments**

Management's actions, taken and planned, should correct the issues identified in the report.

APPENDIX A
FYS 2001 TO 2002 WORKHOUR AND MAILINGS COMPARISON FOR
THE SEATTLE, MINNEAPOLIS, AND DES MOINES
BULK MAIL CENTERS

BULK MAIL CENTER	FY	WORKHOURS	NUMBER OF MAILINGS	MAILINGS PER WORKHOUR
SEATTLE	2001	7,334	1,734	0.2364
SEATTLE	2002	8,808	1,488	0.1689
Subtotal: Percent change		20.10%	-14.19%	-28.55%
MINNEAPOLIS/ST. PAUL	2001	7,384	192	0.0260
MINNEAPOLIS/ST. PAUL	2002	6,392	100	0.0156
Subtotal: Percent change		-13.43%	-47.92%	-39.83%
DES MOINES	2001	6,237	266	0.0426
DES MOINES	2002	6,444	236	0.0366
Subtotal: Percent change		3.32%	-11.28%	-14.13%
THE 3 SITES COMBINED				
	2001	20,955	2,192	.1046
	2002	21,644	1,824	.0842
Combined: Percent change		3.29%	-16.79%	.0944%
Average Combined-2 Years				

APPENDIX B ANALYSIS OF WORK PERFORMED AT THE SEATTLE, MINNEAPOLIS, AND DES MOINES BULK MAIL CENTERS AND PROPOSED REDUCTIONS

SEATTLE-PROPOSED LABOR DISTRIBUTION CODE (LDC) 79 HOUR REDUCTION		
PLANNED HOURS 2003		9,079
HOURS NEEDED FOR ACCEPTANCE OF MAILINGS (1488/2)**	(744)	
CANADIAN HELD MAIL ESTIMATE PROVIDED BY BULK MAIL CENTER MANAGER	(1,450)	
ELECTRONIC VERIFICATION SYSTEM (ESTIMATE PROVIDED BY AREA)	<u>(400)</u>	
LESS: WORKHOURS REQUIRED		(2,594)
Subtotal: PROPOSED WORKHOUR (LDC 79) REDUCTION		<u>6,485</u>
MINNEAPOLIS-PROPOSED LDC 79 HOUR REDUCTION		
PLANNED HOURS 2003		6,436
HOURS NEEDED FOR ACCEPTANCE OF MAILINGS (100/2)**	(50)	
REVENUE PROTECTION-LDC 79	(1,000)	
ELECTRONIC VERIFICATION SYSTEM (ESTIMATE PROVIDED BY AREA)	<u>(400)</u>	
LESS: WORKHOURS REQUIRED		(1,450)
Subtotal: PROPOSED WORKHOUR (LDC 79) REDUCTION		<u>4,986</u>
DES MOINES BULK MAIL CENTER-PROPOSED LDC 79 HOUR REDUCTION		
PLANNED HOURS 2003		5,100
HOURS NEEDED FOR ACCEPTANCE OF MAILINGS (236/2)**	(118)	
REVENUE PROTECTION-LDC 79	(1,000)	
ELECTRONIC VERIFICATION SYSTEM (ESTIMATE PROVIDED BY AREA)	<u>(400)</u>	
LESS: WORKHOURS REQUIRED		(1,518)
Subtotal: PROPOSED WORKHOUR (LDC 79) REDUCTION		<u>3,582</u>
Total Proposed Workhour (LDC 79) Reductions		<u>15,053</u>

** Workhours needed calculated as the number of actual mailings accepted in FY 2002 divided by the Western Area efficiency standard of two mailings per workhour. Calculation does not include in depth analysis of individual mailings at locations involved.

APPENDIX C
ESTIMATED COST SAVINGS BASED ON MANAGEMENT'S
PLANNED WORKHOUR REDUCTIONS

<i>Type of Employees</i>	<i>Yearly Workhour Reduction</i>	<i>Fully Loaded Rate/Hr</i>	<i>Amount per Year</i> FUNDS PUT TO BETTER USE
PS-06 Craft (Business mail entry unit technicians)			
Labor cost savings for the remainder of FY 2003	-	\$36.73	
Labor cost savings for FY 2004	7,457	\$38.53	\$287,318
Labor cost savings for FY 2005	7,457	\$40.42	\$301,412
Total savings resulting from hour reductions			\$588,730

SOURCES

WORKHOURS: USPS WESTERN AREA ACTION PLAN

RATES: USPS 2002 PUBLISHED RATES AND ESCALATION FACTORS (4.9%)

ASSUMPTIONS

FY 04 ACTION PLAN EFFECTIVE FROM: FY 2004 A/P 1, FY 05 ACTION PLAN EFFECTIVE FROM: FY 2005 A/P 1

COST OF IMPLEMENTATION: NIL, LABOR UNION AGREEMENT IMPACT: NIL

FUNDS PUT TO BETTER USE -- Funds that can be used more efficiently by implementing recommended actions.

APPENDIX D. MANAGEMENT'S COMMENTS

SYLVESTER BLACK
VICE PRESIDENT, WESTERN AREA OPERATIONS



March 10, 2003

MEMORANDUM FOR: JOHN M. SEEBA
ASSISTANT INSPECTOR GENERAL FOR AUDIT

SUBJECT: Draft Audit Report – Work Performed by Business Mail Entry Employees in the
Seattle, Minneapolis and Des Moines Bulk Mail Centers (Report # CQ-AR-03-Draft)

We agree with the Reports' findings to reduce 15,053 Business Mail Entry (LDC 79) hours at the Seattle, Minneapolis and Des Moines Bulk Mail Centers. In order to ensure appropriate service levels to our customers as well as revenue protection, we will phase these reductions over Fiscal Years 2004 and 2005. This will permit local management, assisted by the Western Area staff, to reassign responsibilities and train appropriate personnel.

The annual bottom line workhour reduction will be 7457 hours or approximately \$255,551 (at \$34.27 per hour). The remaining hours will initially be transferred to other LDC's to properly reflect the Mail Processing dock acceptance work being performed.

In addition, we agree that periodic follow-up reviews are necessary and we intend during this phase-in period to reevaluate the number of hours and staffing required to perform the critical tasks in these Business Mail Entry Units as well as related Bulk Mail Center duties.


Sylvester Black

SB:SJ:ap