September 10, 2007

WALTER O'TORMEY
VICE PRESIDENT, ENGINEERING

ANTHONY M. PAJUNAS
VICE PRESIDENT, NETWORK OPERATIONS

SUBJECT: Audit Report – Automated Flat Sorting Machine 100 Enhancements (Report Number DA-AR-07-005)

This report presents the results of our self-initiated audit of the Automated Flat Sorting Machine (AFSM) 100 Enhancements (Automated Induction/Automated Tray Handling System) (Project Number 06XG051DA000). Our objectives were to determine whether the Postal Service realized savings and used maintenance workhours as specified in the Decision Analysis Reports (DAR)[1] and field budgets. The Automated Induction (AI) and Automated Tray Handling System (ATHS) are major equipment investments management deployed in support of the Postal Service's cost reduction goals.

Background

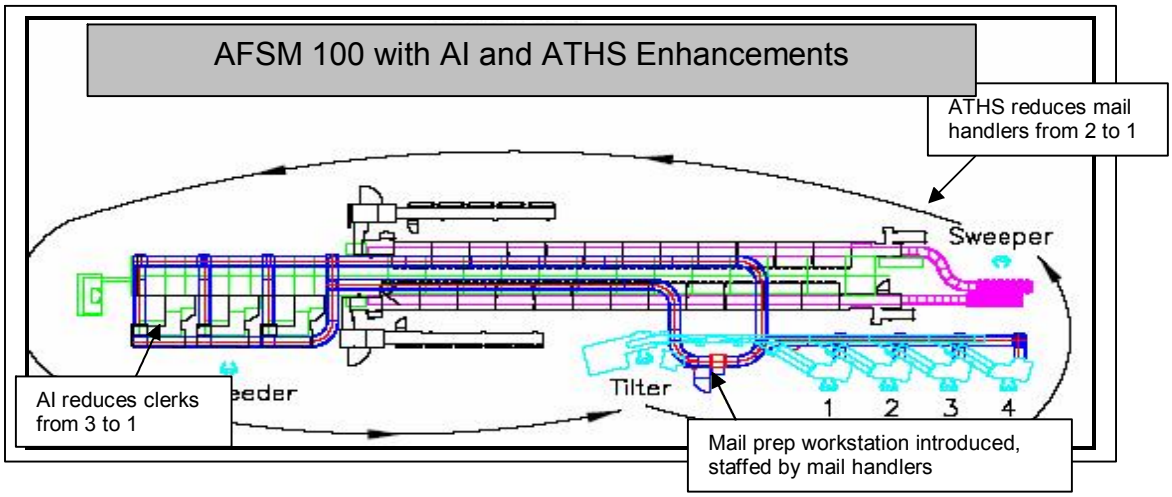
The Board of Governors approved [redacted] for the AI Phase 1 systems in August 2003 and [redacted] for the ATHS in September 2004. Both systems were enhancements to the AFSM 100. The Postal Service projected AI and ATHS enhancements to have a return on investment of 23.8 percent and 23.4 percent, respectively. Management expected both enhancements to reduce clerk workhours by reducing the staff needed to operate the AFSM 100. In addition, the AI enhancement was projected to impact mail handler workhours used in mail preparation and to increase throughput. Phase 1 deployment of the AFSM 100 AI enhancement began in September 2005 and ended in September 2006. ATHS deployment began in March 2005 and ended in September 2006.

Before enhancements, five clerks operated the AFSM 100. Three of the five clerks operated the three feed stations, while the other two (referred to as sweepers) removed full flat mail trays from the output bins and replaced them with empty, labeled trays. The

[1] A Decision Analysis Report (DAR) prepared by the sponsoring organization is needed to justify major operating expense investments. A DAR ensures Postal Service investments are properly documented and reviewed, explains the background and purpose of the program, and fully documents costs and benefits estimates.

automatic feeder of the AI enhancement reduces the number of clerks needed to operate the three feed stations from three to one.

Using an automatic conveyor system, the ATHS enhancement automatically labels flat mail trays, places them in the appropriate bins, ejects full trays, and transports full trays to the end of the machine. This functionality reduces the need for two sweepers to one. The overall effect of these two enhancements is the reduction of employees from five to two as depicted below.



The mail preparation operation also supports the AFSM 100. Before enhancements, the AFSM 100 mail preparation operation received containers (hampers, cardboard pallet boxes, carts or wire containers) or bundles of flat mail from other operations. Mail handlers opened the bundles one at a time and removed any strapping or bundling materials. Next, mail handlers faced and stacked the bundles onto flat mail carts and then staged them for processing on the AFSM 100. The number and efficiency of the mail handlers in the flat mail preparation operation varied from plant to plant. With the AI enhancement, the preparation operation is adjacent to the machine and consists of up to five mail handler positions. The employees prepare bundled and loose flat mail and place them into Automated Compatible Trays (ACT). When the ACT is full of mail, the employee releases it and a conveyer transports the tray to the automatic feed station.

The Postal Service projects each AFSM 100 — with both AI and ATHS enhancements — will reduce clerk workhours by 44.8 per day. Due to the change in the flat mail preparation operation, the AI Phase 1 DAR also projected an increase of two mail handler workhours per day, per machine. The Postal Service projects both enhancements will provide a net savings of 42.8 workhours per machine, per day.[2] A

[2] For both enhancements there is a projected savings of 44.8 workhours per machine, per day. The AI Phase 1 DAR projects a 32 hour decrease in clerk workhours per unit, per day, to be accomplished through reduction in staffing. This reduction is partially offset by the addition of approximately two mail handler workhours, for a net reduction of 30

partial savings of $35 million for fiscal year (FY) 2006 and $114 million for FY 2007 were also expected.

The Postal Service projected combined annual workhour savings of $131 million for the first full year of savings in FY 2008. Savings were based on workhour reductions generated by a reduction in clerk staffing valued at the fully loaded labor rate and an expectation to increase throughput by 6.6 percent. There was also the assumption of full implementation and installation of 206 AI units and 350 ATHS units. The AI Phase 1 DAR and the ATHS DAR also provide funding for 958 and 624 maintenance workhours, respectively, per machine, per year. Annual maintenance workhours planned for the two programs are approximately 198,000.[3]

Postal Service Engineering (System Process Integration) and Network Operations established methods and goals for the effective and efficient use of the AI/ATHS enhancements. These methods promote flats operational efficiency by establishing staffing requirements, piece per hour mail preparation, throughput, and other requirements to increase productivity levels and to maximize use.

Objectives, Scope, and Methodology

Our objectives were to determine whether the Postal Service realized savings and used maintenance workhours as specified in the respective DARs and field budgets. To accomplish our objectives, we analyzed historical operational data for the period January 2005 through May 2007 for the AI Phase 1 sites with the ATHS. This universe encompassed 203 machines at 58 sites. We limited our workhour analysis to 53 sites to allow for a 2-month post-installation savings lag time.[4] For each of the sites, we compared AI/ATHS operations to AFSM 100 operations during the same period in FYs 2005 and 2006. We measured actual workhour savings captured against total projected savings of 42.8 hours/machine/day and a productivity goal of 4,000 pieces per hour[5] for each mail preparation station in use. Similarly, we analyzed historical maintenance data to assess the use of maintenance workhours as specified in the respective DARs.

In addition to data analysis, we judgmentally selected 11 sites to visit. During the site visits, we made direct observations of staffing levels, management, and overall performance of the AI/ATHS machines. We also reviewed relevant investment policies and interviewed various Postal Service employees, including personnel from Engineering and Network Operations.

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workhours. The ATHS DAR projects a 12.8 hour decrease in clerk workhours per unit, per day, accomplished through reduction in staffing. Consequently, the total reduction is 42.8 workhours per unit, per day.

[3] Per Field Impact Budget FY 2007.

[4] The DARs for both the AI and the ATHS included a 2-month lag time for capturing savings in the investment projections.

[5] 4,000 pieces per hour are based on 40 ACTs processed per hour with an average of 100 pieces of mail per ACT per the methods and standardization guides for the AFSM 100 AI/ATHS. We believe this is reasonable based on a site visit and interviews with Network Operations officials.

We conducted the audit from September 2006 through September 2007 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 obtained data from a prior OIG report[6] that revealed that Management Operating Data System (MODS) internal controls at seven facilities were generally effective and MODS data was valid and reliable for assessing overall plant efficiency. However, internal controls were not effective in ensuring that volume and workhour data recorded against MODS operation numbers were valid. Our analysis recognizes the data limitations at the operational level and we made adjustments accordingly. We discussed our observations and conclusions with management officials on May 3, June 28, and July 11, 2007, and included their comments where appropriate.

Prior Audit Coverage

Our audit report titled *Performance of Automated Flat Sorting Machine 100* (Report Number DA-AR-02-001, dated February 22, 2002) determined that key deployment activities for the flat sorting machines were reasonable. However, we noted the potential for AFSM 100 under-use, based on volume trends. Therefore, we recommended management recalculate the projected return on investment. We also recommended that they address the underutilization issue before making additional purchases. Management provided an acceptable alternative action to address our first recommendation and agreed with the second recommendation.

Results

We determined the Postal Service did not fully realize expected workhour savings, as specified in the respective DARs and field budgets. Specifically, while we found the Postal Service reduced overall mail clerk staffing as planned, workhours for mail preparation operation have increased beyond DAR projections. In addition, we noted a decline in AFSM 100 throughput although the Postal Service expected an overall increase of 6.6 percent. The increase in mail preparation workhours and reduction in throughput negatively impacted the realization of projected savings.

On average, the flat mail preparation operations we reviewed were overstaffed by 19.3 workhours per machine, per day. A reduction in mail preparation workhours through adequate management of the mail preparation operation is necessary to achieve the full benefit of potential workhour savings. Overstaffing the mail preparation operation is avoidable by adhering to established standards and methods, therefore, we will report

[6] *Management Operating Data System* (Report Number MS-AR-07-003, dated August 21, 2007)

$80.3 million associated with the overstaffing as funds put to better use in our *Semiannual Report to Congress*.

Lastly, we found management used maintenance workhours within DAR expectations, but maintenance workhours for preventive and corrective measures were lower than expected. A summary maintenance performance report showed some preventive maintenance completion rates were as low as 10 percent. These partial completion rates, to some degree, explain workhours being lower than expected.

Mail Clerk Workhour Reductions Were Significantly Impacted by Increases in Mail Preparation Workhours and Throughput

We found the Postal Service has achieved substantial reductions in mail clerk workhours due to the AI and ATHS enhancements. Daily mail clerk workhour reductions of 44.8 workhours per machine, per day, were expected as a result AFSM 100 AI/ATHS enhancements, and our analysis determined the Postal Service realized these reductions. Chart 1 shows that, overall, management achieved 118 percent of the projected mail clerk workhour reductions, resulting in an actual reduction of 852,090 workhours for the period evaluated. However, excessive workhours incurred for the mail preparation operation and an overall reduction in throughput have offset a significant portion of the mail clerk workhour reductions and will continue to impact savings unless management emphasizes adherence to the process.

Chart 1. Comparison of Mail Clerk Workhour Reductions (Phase I sites) *

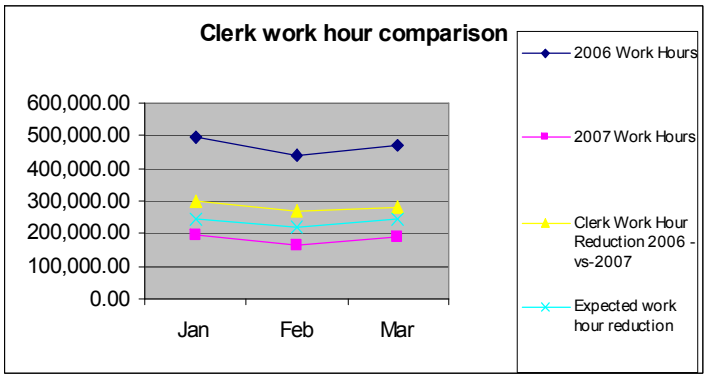
Expected WH Reduction	*Actual WH Reduction*	*Difference*	*Percentage of Overall Reduction*
717,696	852,090	134,394	118 %

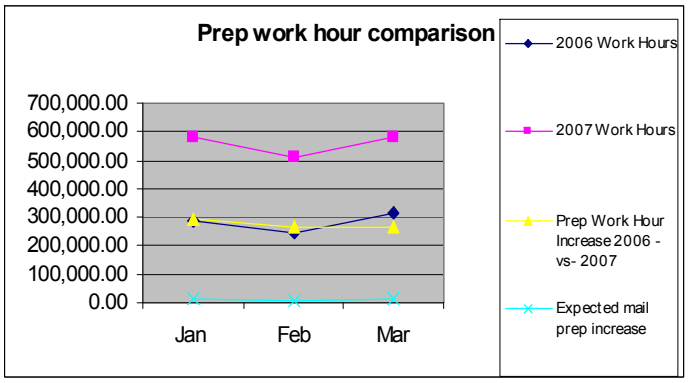
*** We compared AFSM 100 mail clerk workhours used from January to March 2007 to those used during the same period in 2006. Source: MODS operation codes [redacted], [redacted], [redacted] and [redacted].**

Mail Preparation Operation Workhour Increases

Although the results of our analysis in Chart 1 show the Postal Service achieved mail clerk workhour reductions, an unexpected increase in mail preparation workhours offset a considerable portion of these reductions. As depicted in Chart 2, post–Phase 1 deployment data show a net workhour savings of over 22,000 hours for the AFSM 100 operation. These net savings are from a decrease of over 852,000 mail clerk workhours and an increase of over 829,000 mail preparation workhours for the period reviewed.

Chart 2: Comparison of Mail Preparation Operation and Mail Clerk Workhours





We compared AFSM 100 mail clerk and flat mail preparation workhours used from January to March 2007 to those used during the same period in 2006. Source: MODS operation codes 331-337, 035, 141 -147 and 140.

We attributed unexpected increases in mail preparation workhours primarily to sites overstaffing mail preparation operations. We considered Postal Service guidelines on effective machine operation and staffing, as described in the *Automated Flats Sorter Machine Enhancements Methods Guide*[7] and "Tips for Maximizing System Performance." (See Appendix B.) These guidelines recommend methods and procedures for promoting the most effective operating environment and achieving maximum productivity/savings goals. During site visits, we found opportunities to increase mail preparation productivity based on these guidelines. They include adjusting mail preparation staffing based on the following scenarios:

- Bundled mail volume — no more than six staff for enhanced AFSM 100 operation (one feeder, one sweeper, one loader or tilter, and three for the mail preparation stations).

- Mixed bundle and flat tray volume — no more than six staff for enhanced AFSM 100 operation (one feeder, one sweeper, one loader or tilter, and three for the mail preparation stations).

- Flat tray volume only — no more than five staff members for enhanced AFSM 100 operation (one feeder, one sweeper, one loader or tilter, and two for the mail preparation stations).

While these guidelines limit mail preparation staffing to two or three stations (with an occasional fourth when the AFSM has a low buffer), we observed inconsistent staffing at the 11 sites visited. Consistency with staffing guidelines would allow mail preparation workhours to meet operational expectations.

[7] *Automated Flats Sorter Machine Enhancements Methods Guide*, dated March 2007.

In an effort to determine the opportunity for decreasing workhours for the mail preparation operation, we considered the workhours needed to process volume for each of the sites at a productivity rate of 4,000[8] pieces per hour per station. This analysis revealed excessive mail preparation averaged about 19.3 workhours per machine, per day, offsetting 45 percent of the expected net decrease in targeted workhours (42.8 workhours per machine, per day). Mail preparation operations exceeded the workhours needed[9] at 46 of 53 AI/ATHS sites reviewed. (See Appendix A.)

During the 11 site visits, we observed other opportunities to improve the efficiency of mail preparation operations, as follows:

- Maintaining an adequate buffer — some sites were unable to maintain a reasonable number of ACT mail containers as a buffer so that the machine could continuously induct mail. As such, all mail preparation stations were staffed to provide a continuous mail flow. One of the keys for successful AI operations is to maintain a sufficient buffer to minimize staffing.

- Adequate staging of mail — at one site we observed that the facility did not have a clearly marked staging area and employees spent time trying to identify mail. Staging mail allows for continuous induction of mail into the system.

As highlighted, management can avoid overstaffing the mail preparation operation by adhering to established standards and methods and reduce overtime incurred by mail handlers plant-wide. Overtime hours for mail handlers plant-wide totaled 1.7 million hours for the sites and period we reviewed. Therefore, we will report $80.3 million associated with the overstaffing as funds put to better use in our *Semiannual Report to Congress*. (See Appendix C.)

Throughput Performance of Enhanced AFSM 100 Not Achieved

The AI DAR highlighted an overall throughput increase of 6.6 percent, a percentage expected to contribute up to 19 percent of projected workhour savings. However, the Postal Service has not achieved throughput gains. Rather, we noted an overall decline in AFSM 100 throughput after enhancement installation at Phase 1 sites. As depicted in Chart 3, throughput has fallen by 6 percent compared to post-deployment (January through May 2007) throughput data during the same period in 2005.[10]

[8] Per *Automated Flats Sorter Machine Enhancements Methods Guide and Tips* (Appendix C), 40 ACTs per hour, per station with an average of 100 mail pieces per ACT.
[9] Calculated by total daily volume/4000 expected productivity + 20 hours for tilter position = total workhours/machine/day.
[10] We did not use 2006 data for this purpose due to the deployment disruption.

Chart 3: Before and After Comparison of Machine Throughput

	Jan	Feb.	March	April	May
Pre-enhancement throughput (2005)	14,577	14,433	14,142	14,142	13,999
Post-deployment throughput (2007)	13,519	13,426	13,311	13,394	13,371
Throughput decline	1,058	1,007	830	748	628
% Decline	7%	7%	6%	5%	4%
Average throughput decline Jan-May			6%		

Engineering management recognized a drop in hourly throughput after ATHS installation and is currently providing additional training and implementing software changes.

In analyzing pre- and post-installation throughputs used for machine acceptance, we noted that actual throughputs were lower than the pre-installation baselines. We were not able to validate these baselines. In addition, program management could not provide us procedures and documentation to support the Postal Service's validation of the baseline throughput. Program managers indicated they document procedures for establishing and validating pre-installation throughputs for equipment investments on a case-by-case basis. Further, management informed us they did not perform pre-installation maintenance at sites to optimize machine performance. Therefore, in this case, we can only conclude that:

- Throughput gains during acceptance testing have not been sustained due to operational factors such as craft employee changes; or
- Throughput gains were not visible due to already under-performing AFSM 100s in which pre-installation maintenance was not performed; or
- AI throughput gains are offset by separately tested events (such as the integration of ATHS).

Recommendations

We recommend the Vice President, Network Operations:

1. Emphasize use of established methods for effective machine operation and staffing to plant managers.

2. Establish plans to reduce mail preparation by an average of 19.3 workhours per machine, per day.

We recommend the Vice President, Engineering:

3. Establish formal procedures for validating baseline throughput figures.

Management's Comments

Management agreed with recommendations 1 and 2 and has already taken action or is taking steps to implement corrective measures, including reinforcing to plant managers both established methods for effective machine operation and staffing requirements. Management generally agreed with recommendation 3, but stated acceptance test personnel at each site established, documented, and validated procedures for determining baseline throughputs; and the acquisition program office collected and retained documentation.

Management provided differing views on several statements in the Background section of the report. Specifically, management stated the report incorrectly describes the [redacted] operation before enhancements. Management also stated the report does not mention that employees now prepare loose flat mail into ACTs and that Network Operations helped establish methods and goals for effective and efficient use of the AI and ATHS enhancements.

Management also disagreed with certain points in the Results section. Specifically, management did not agree with the report's initial identification of $86.9 million in funds put to better use since we did not consider the workhour contributions of casual employees. Management stated the lack of craft jurisdiction during Phase 1 deployment required many plants to use a mix of career and casual employees. The Postal Service compensates these employees at an hourly rate that is considerably lower than that of a full-time mail handler. In addition, management did not concur with the logic of calculating monetary impact at overtime rates, because they asserted the report provides no evidence that AFSM operations drove overtime in the plants.

Finally, management disagreed with our assertion that they were unable to provide us documentation of baseline throughput validation. Management stated they had provided us detailed procedures for the AFSM throughput baseline calculation and

throughput documentation that the acquisition program office retained. Management comments in their entirety are presented in Appendix D.

Evaluation of Management's Comments

In response to management's comments, we made additions to the Background section and the source of data presented in the report tables.

In response to management's concern that we did not consider casual employees when calculating monetary impact, we reevaluated our methodology and restated the monetary impact from $86.8 million to $80.3 million using a weighted average labor rate. [redacted]. We kept overtime in our calculation of the monetary impact because mail handlers at the plants reviewed contributed to the 1.7 million overtime hours for the period analyzed, including approximately 290,000 mail preparation overtime hours. An overtime rate is appropriate since management has the discretion to decide whether to apply the agreed-upon workhour reduction to overtime or complements. As such, we used overtime to show the potential savings that plants could realize through a workhour reduction of 19.3 workhours per machine per day.

We acknowledge receipt of supporting documentation provided on July 3, 2007, and the additional information included as part of management's comments. However, the documentation provided does not reflect a formal policy or procedure and does not provide sufficient evidence of its use during Phase 1 deployments — the scope of our audit. Overall, we consider management's actions, taken or planned, responsive to the issues identified in this report and to our recommendations.

Maintenance Workhours Were Within Expectations

The AI Phase 1 and ATHS DARs provide funding for maintenance workhours. Our review revealed that maintenance workhours for AFSM 100 operations for each site after enhancement installation increased by about 37,000. This increase in maintenance workhours was 41 percent of the total AI/ATHS maintenance workhours projected for the same period (91,000).[11]

Further analysis of AFSM 100 maintenance records showed preventive maintenance completion rates ranging from 10 percent to 100 percent with a median of 89 percent at the sites reviewed. Lower than expected completion rates, to some degree, explain how expended maintenance workhours were within DAR budgets. Since completing equipment maintenance routines is essential to comparing resource usage to budgets and processing mail at optimal throughputs, we are conducting a separate audit on the

[11] FY 2006 DAR total prorated for number of AI/ATHS operating months at sites reviewed.

operational impact of current equipment maintenance policies. Therefore, we are not making any recommendations at this time relating to equipment maintenance.

The OIG considers recommendations 1, 2, and 3 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when management completes corrective action. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during our review. If you have any questions or need additional information, please contact Miguel A. Castillo, Director, Engineering, or me at (703) 248-2100.

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

Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Support Operations

Attachments

cc: David E. Williams
Katherine S. Banks

APPENDIX A

DAILY* EXCESSIVE MAIL PREPARATION WORKHOURS BY SITE

Redacted

Redacted

*Number of days measured from January 1- April 22, 2007 = 112
**Negative averages represent sites that operated at productivity more than 4,000 pieces per hour and thus used fewer hours than expected.
+Denotes sites visited.

APPENDIX B
POSTAL SERVICE TIPS FOR MAXIMIZING SYSTEM PERFORMANCE

Redacted

APPENDIX C

	Monetary Impact Calculation	*Mail Handler Excess Hours*	*Casual Mail Handler Hours*	*Clerk Work Hours*	*Total*
a.	Average Daily Mail Preparation Workhour Overage: 1/1/2007-4/22/2007				[redacted]
b.	Percent Total Hours January – April 2007	[redacted]	[redacted]	[redacted]	[redacted]
c.	Number of Machines Analyzed				[redacted]
d.	Employee Hourly Labor Rate *	[redacted]	[redacted]	[redacted]	[redacted]**
e.	Time-and-a-Half Overtime Factor				[redacted]
f.	Number of Processing Days per Year				364
g.	Number of Years Projected				2
h.	Total Funds Put to Better Use	$72,010,272	$4,366,592	$3,930,338	$80,307,204

* Does not include out-year inflation factor

** Weighted average based on percentage hours recorded and rates applied in the Activity Based Costing System.

APPENDIX D. MANAGEMENT'S COMMENTS

UNITED STATES POSTAL SERVICE

August 16, 2007

DARRELL E. BENJAMIN JR.
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR SUPPORT OPERATIONS

SUBJECT: Draft Audit Report – Automated Flat Sorting Machine 100 Enhancements
(Report Number DA-AR-07 – DRAFT)

We appreciate the opportunity to review and provide comments on the subject draft audit report. The attachment highlights differing views on several of the report statements and findings, along with disagreement on the report's identification of $86.9 million as funds put to better use.

We generally agree with each of the report recommendations. Responses to the first two recommendations specify the course of corrective actions we have taken and will continue until we capture and exceed all of the expected program work hour savings. In the case of the third recommendation, the response highlights that actions already taken should address the issue raised.

All references in the audit report referring to the Decision Analysis Report funding amounts should be exempt from disclosure under exemptions three and four of the FOIA. We found references to the funding on page one. Disclosure of the Decision Analysis Report funding amount will adversely affect the Postal Services procurement process.

If you have any questions or comments on this response please contact Mauro Licciardello from Processing Operations at (202) 268-4148 or John Keegan from Technology Acquisition Management at (703) 280-7230.

Walter O'Tormey
Vice President
Engineering

Anthony Palmas
Vice President
Network Operations

Attachments

cc: Mr. Galligan
Mr. Licciardello
Mr. Keegan
Ms. Ingel

GENERAL COMMENTS ON OIG REPORT FINDINGS

Background

In the fourth paragraph, the audit says "Before enhancements, the AFSM 100 operation received containers (hampers, cardboard pallet boxes, carts or wire containers) or bundles of flat mail from other operations."

This is incorrect. Before the Auto Induction enhancement, mail was not taken to the AFSM 100 operation in containers and bundles. This mail was prepped into flat mail carts by mail handlers in an [redacted] mail prep operation at remote locations throughout the processing facility or in other facilities that supported the AFSM 100 operation. After prepping the bundles from the containers into the flat mail carts, the carts were transported to the AFSM 100s for processing.

Also, the fourth paragraph suggests that only bundles are opened and prepped into the Automated Compatible Trays (ACTs). The Auto Induction mail prep operation also includes prepping loose flats from flat mail tubs into ACTs. This task was not required in [redacted] mail prep prior to Auto Induction.

Finally, in the last paragraph, to be more accurate the first sentence should read "Postal Service Engineering and **Network Operations** established methods and goals for the effective and efficient use of the AI/ATHS enhancements" (emphasis added).

Results

In the second paragraph, last sentence, we do not agree with the $86.9 million figure calculated and identified as excess labor cost associated with mail prep operations that could have been put to better use at the 53 sites reviewed. The report makes an invalid assumption that each labor hour in the mail prep operation [redacted] was at a labor rate of a full-time career mail handler. Due to the lack of craft jurisdiction until well into Phase 1 deployment and the inability to hire additional mail handlers, many plants used a mix of career and casual employees. Casual employees are compensated at an hourly rate considerably less than our full-time regular mail handler workforce. This was not figured in the calculations used to determine the cost overrun. Additionally, we do not concur with the logic of calculating these costs at overtime rates, particularly when no evidence is presented that the AFSM operations were the drivers of overtime in a plant.

In the paragraph prior to Chart 2 that addresses the mail prep work hour increase it is stated in the third sentence, "These net savings are from a decrease of over 852,000 mail clerk work hours and an increase of over 829,000 mail preparation work hours for the period reviewed (January-March, 2007 vs. SPLY)." Chart 2 depicts the work hours used in both these operations during this time period. The only source of data identified below the chart was MODS operation codes [redacted] for both periods.

It is not clear how the 53 sites under review for the same period of time in FY 2006 and FY 2007 could have achieved a reduction of over 852,000 mail clerk work hours in operation codes [redacted] and an increase of over 829,000 mail prep work hours in operation code [redacted] Many of the 53 sites reviewed had either already received or were installing Auto Induction during the January-March, 2006 time period.

Throughput Performance of Enhanced AFSM 100 Not Achieved

Paragraph 2, Page 9 states, "In analyzing pre- and post-installation throughputs used for machine acceptance, we noted the actual throughputs were lower than the pre-installation baselines. We were not able to validate these baselines. In addition, program managers could not provide us with procedures and documentation to support the Postal Service's validation of the baseline throughput."

This last statement is incorrect. On July 3, 2007, program management provided the detailed procedures for the AFSM Throughput Baseline Calculation Procedure (Attachment A) and a sample of the baseline throughput documentation produced and retained (an example is included as Attachment B). Moreover, during the audit, the program office provided the OIG summaries of the acceptance test data that showed that the SOW requirement of at least a 10 percent throughput increase over the baseline was being achieved. The auditors used a "shortcut" to get the information from the corporate data base. However, the "shortcut" data included events that were not applicable to the modification, and the auditors were never able to reproduce the baseline data.

Responses to the Recommendations

We recommend the Vice President, Network Operations:

1. *Emphasize use of established methods for effective machine operation and staffing to plant managers.*

Management Response: We agree with the emphasis of using established methods for effective machine operations and staffing and will continue to reinforce established methods and staffing requirements with the plant managers. We currently have a standardization guide for Ai/ATHS operations and a certification process in place that requires use of the proper methods and staffing in order to meet the certification criteria. These documents have been disseminated to the field.

We also message to the field every month the actual operational performance (throughput, machine utilization and mail prep work hours) of every Ai/ATHS plant in the network and publish those sites that have complied with the standardization requirements and met all the certification criteria.

2. *Establish plans to reduce mail preparation by an average of 19.3 work hours per machine, per day.*

Management Response: We agree with this recommendation as well and believe the efforts described in our response to the first recommendation will effectively address the objectives summarized in this second recommendation. We are also preparing a service talk for all AFSM 100 Supervisors, Distribution Operations (SDOs) as well as Managers, Distribution Operations (MDOs) on how best to manage the Ai mail prep operation. A site cannot become certified without limiting mail prep work hours to not exceed 70 hours per day, while maintaining a machine utilization of 200,000 pieces fed per day.

We recommend the Vice President, Engineering:

3. Establish formal procedures for validating baseline throughputs figures.

As a general statement, we agree with this recommendation. It is our practice to establish formal and documented procedures for the acceptance of equipment. In this instance, procedures for determining baseline throughputs were established, documented, and validated by acceptance test personnel at each site. Moreover, this documentation has been collected and retained by our acquisition program office.

Redacted

Redacted