



February 9, 2004

MICHAEL S. FUREY  
MANAGER, NORTHERN VIRGINIA DISTRICT

SUBJECT: Audit Report – Efficiency of Work Performed by Clerks in the Springfield, Virginia, Business Mail Entry Unit (Report Number NO-AR-04-004)

This report presents the results of our audit of work performed by business mail entry employees in the Springfield, Virginia, Business Mail Entry Unit. (Project Number 03YG054AC000). We conducted this self-initiated audit jointly with Postal Service Capital Metro Area Marketing managers.

Based on our audit, we concluded that workhours necessary to accept business mailings in the Springfield, Virginia, Business Mail Entry Unit were excessive. During the audit, Postal Service management agreed to reduce business mail entry workhours by 2,775 hours by the end of fiscal year 2006. We calculated the financial impact of this reduction in workhours could produce an estimated cost avoidance of \$969,893 over ten years. We recommended the manager, Northern Virginia District, reduce hours as planned and periodically reevaluate staffing needs. Management agreed with our finding and recommendations and actions taken or planned should correct the issues identified in the report. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during our audit. If you have any questions or need additional information, please contact Robert J. Batta, director, Network Operations - Processing, at (703) 248-2100 or me at (703) 248-2300.

Mary W. Demory  
Deputy Assistant Inspector General  
for Operations and Human Capital

Attachment

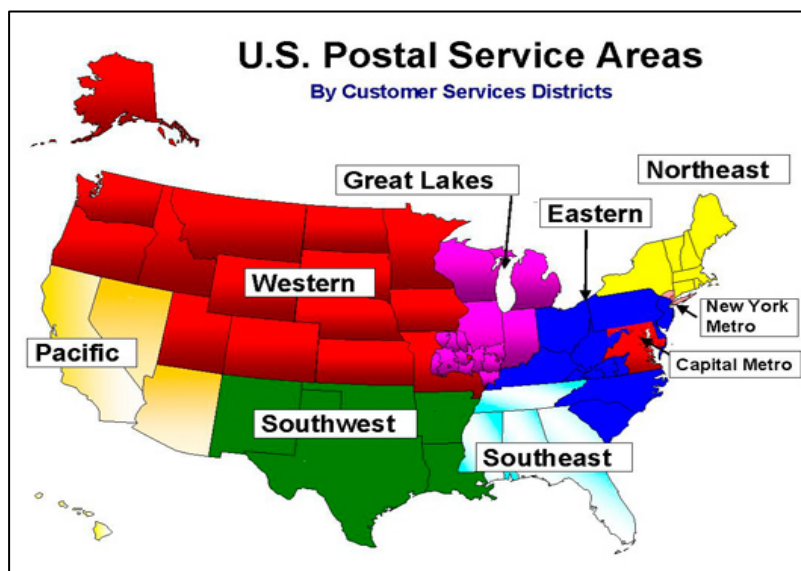
cc: John A. Rapp  
Anita J. Bizzotto  
John R. Wargo  
Jerry D. Lane  
Tammy T. Edwards  
Michele A. Denny  
Susan M. Duchek

## INTRODUCTION

### Background

There are over 2,000 business mail entry units located in Postal Service facilities nationwide. They accepted approximately \$34.8 billion in revenue in fiscal year (FY) 2002, which represents about 53 percent of the Postal Service's total revenue. Business mail entry unit clerks receive business mailers' bulk, presorted, and permit mail for acceptance. Business mail is accepted using dedicated platform space, office space, and a staging area on the workroom floor. A business mail entry clerk, 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.

The Postal Service operations are organized into nine areas, as depicted below. The Springfield, Virginia, Business Mail Entry Unit is located in the Capital Metro Area. The Capital Metro Area accepted \$1.7 billion or approximately 5 percent of total FY 2002 Postal Service business mail entry revenue. The Springfield, Virginia, Business Mail Entry Unit accepted \$12.9 million or less than one-half percent of the FY 2002 Capital Metro Area Business Mail Entry Unit revenue.



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**Objective, Scope,  
and Methodology**

The objective of our audit was to assess the efficiency of work performed by business mail entry clerks within the Springfield, Virginia, Business Mail Entry Unit. To assess the efficiency of work performed, we observed business mail entry unit operations and analyzed business mail volumes and workhours. In addition, we benchmarked the Springfield, Virginia, Business Mail Entry Unit revenues and mailings with other business mail entry units on a national basis. We conducted this audit jointly with Postal Service Capital Metro Marketing managers.

The Springfield, Virginia, Business Mail Entry Unit comprised a business mail entry unit at the Burke, Virginia, branch office and a detached mail unit.

We relied on Postal Service operational systems, including the National Workhour Reporting System, Standard Field Accounting System unit revenue data, Web Enterprise Information System, and the Permit System to perform our analysis of mailings and workhours. We did not test the validity of controls over these systems. However, we checked the accuracy of data by confirming our analysis and results with Postal Service managers. Nothing came to our attention to suggest that data used was unreliable.

This audit was conducted from October 2003 through February 2004, 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.

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**Prior Audit Coverage**

We have issued six prior audit reports on the efficiency of business mail entry units. (See Appendix A for details.)

## AUDIT RESULTS

### Assessment of Employees’ Workhours

Workhours within the Springfield, Virginia, Business Mail Entry Unit were excessive in relation to the number of business mailings processed. Postal Service policies<sup>1</sup> require that business mail entry units ensure the efficient use of workhours. Furthermore, FY 2002 mailings per workhour were well below benchmarked units. Postal Service management agreed that 2,775 workhours<sup>2</sup> could be eliminated based on business mail volumes, benchmark data, and observations of business mail operations.

As shown in the table below, FY 2002 mailings per workhour<sup>3</sup> for the Springfield, Virginia, Business Mail Entry Unit was .82 while the national average for business mail entry units was 1.66. This means the Springfield, Virginia, Business Mail Entry Unit processes a little under one mailing per workhour versus over one and a half mailings per workhour on average for other business mail entry units.

**Table 1 – FY 2002 Business Mail Entry Unit Comparison**

	LDC 79 <sup>4</sup> Workhours	Number of Mailings	Mailings per Workhour
Springfield, Virginia	5,919	4,864	.82
National Average <sup>5</sup>	8,132,715	13,485,241	1.66

To corroborate our analysis, observations of the Springfield, Virginia, Business Mail Entry Unit revealed that employees had idle time. This can be attributed to:

- Low mailing volumes per workhour.

<sup>1</sup> Handbook DM-109, Business Mail Acceptance, Chapter 2.

<sup>2</sup> Workhour reductions were based on the Springfield, Virginia, Business Mail Entry Unit Action Plan.

<sup>3</sup> Mailings per workhour is defined as the number of business mail entry unit mailings divided by the number of LDC 79 (labor distribution code) workhours.

<sup>4</sup> LDC 79 is the labor distribution code for mail acceptance.

<sup>5</sup> National average was calculated by dividing total business mail entry unit FY 2002 mailings by total number of FY 2002 LDC 79 workhours.

- Business mail entry unit managers not evaluating and adjusting staffing levels based on current mail volumes.

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**Management's  
Actions**

To improve productivity, Postal Service managers agreed to reduce business mail entry workhours in the Springfield, Virginia, Business Mail Entry Unit by 2,775 hours by the end of FY 2006. These actions will produce an estimated cost avoidance of \$969,893<sup>6</sup> over the next ten years. Appendix B details the financial impact of workhour reductions planned by the Springfield, Virginia, Business Mail Entry Unit.

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**Recommendations**

To improve business mail entry productivity, we recommend the manager, Northern Virginia District:

1. Reduce business mail entry hours as planned.
2. Periodically evaluate staffing to determine if further workhour adjustments are necessary based on workload.

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**Management's  
Comments**

Management agreed with the finding and recommendations, including the reduction of business mail entry workhours by 2,775 by the end of FY 2006. Management's comments, in their entirety, are included in Appendix C of this report.<sup>7</sup>

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to the recommendations. Management's actions, taken and planned, should correct the issues identified in the report.

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<sup>6</sup> Based on Postal Service's methodology, the cost avoidance was projected over ten years using Postal Service's assumptions for annual workhours, the business mail entry clerk labor rate, and the latest labor escalation factor. See Appendix B.

<sup>7</sup> Management inadvertently referenced the financial impact of the workhour reductions to Appendix A rather than Appendix B.

## APPENDIX A

### PRIOR AUDIT COVERAGE

Work Performed by Business Mail Entry Employees in the Colorado/Wyoming Performance Cluster (Report Number CQ-AR-02-001, dated September 26, 2002) disclosed many Denver Bulk Mail Center and Denver General Mail Facility business mail entry employees were not needed to accept business mailings. As a result, management could save an estimated \$1 million annually. We recommended 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 were responsive to the issues identified in the report.

Work Performed by Business Mail Entry Employees in the Seattle, Minneapolis, and Des Moines Bulk Mail Centers (Report Number CQ-AR-03-001, dated March 28, 2003), disclosed workhours necessary to accept business mailings at these facilities should be reduced. As a result, management could produce an estimated cost avoidance of \$588,730 through the end of FY 2005 by fully implementing its planned workhour reductions. We recommended senior plant managers of the Seattle, Minneapolis, and Des Moines Bulk Mail Centers reduce hours, periodically reevaluate staffing needs, and ensure that appropriately trained personnel perform acceptance functions. Management agreed and the actions taken and planned were responsive to the issues identified in the report.

Efficiency of Work Performed by Business Mail Entry Clerks Within the Los Angeles District (Report Number AO-AR-03-001, dated July 31, 2003), disclosed workhours necessary to accept business mailings at the facilities we reviewed should be reduced. During the audit, Postal Service management agreed to aggressively reduce business mail entry workhours by 28,800 hours by the end of FY 2005. We calculated the financial impact of this reduction in workhours could produce an estimated cost avoidance of approximately \$9.26 million over ten years. We recommended the manager, Los Angeles District, reduce hours and periodically reevaluate staffing. Management agreed with our recommendations and has initiatives in progress addressing the issues identified in the report.

Efficiency of Work Performed by Business Mail Entry Clerks in the San Francisco Business Mail Entry Unit (Report Number AO-AR-03-002, dated September 25, 2003), disclosed workhours necessary to accept business mailings in the San Francisco Business Mail Entry Unit should be reduced. During the audit, Postal Service management agreed to aggressively reduce business mail entry workhours by 18,000 hours by the end of FY 2006. We calculated the financial impact of this reduction in workhours could produce an estimated cost avoidance of approximately \$6.9 million over ten years. We recommended the manager, San Francisco District,

reduce hours as planned and periodically reevaluate staffing. Management agreed and the actions taken and planned were responsive to the issues identified in the report.

Efficiency of Work Performed by Business Mail Entry Clerks in the Southern Maryland Business Mail Entry Unit (Report Number NO-AR-04-001, dated December 24, 2003), disclosed workhours necessary to accept business mailings in the Southern Maryland Business Mail Entry Unit should be reduced. During the audit, Postal Service management agreed to reduce business mail entry workhours by 20,240 hours by the end of FY 2006. We calculated the financial impact of this reduction in workhours could produce an estimated cost avoidance of approximately \$8.4 million over ten years. We recommended the manager, Capital District, reduce hours as planned and periodically reevaluate staffing. Management agreed and the actions taken and planned were responsive to the issues identified in the report.

Efficiency of Work Performed by Business Mail Entry Clerks in the Columbia, Maryland, Business Mail Entry Unit (Report Number NO-AR-04-002, dated December 26, 2003), disclosed workhours necessary to accept business mailings in the Columbia, Maryland, Business Mail Entry Unit should be reduced. During the audit, Postal Service management agreed to reduce business mail entry workhours by 3,960 hours by the end of FY 2005. We calculated the financial impact of this reduction in workhours could produce an estimated cost avoidance of approximately \$1.4 million over ten years. We recommended the manager, Baltimore District, reduce hours as planned and periodically reevaluate staffing. Management agreed and the actions taken and planned were responsive to the issues identified in the report.



**APPENDIX B**

**SPRINGFIELD, VIRGINIA, BUSINESS MAIL ENTRY UNIT COST  
AVOIDANCE  
(FUNDS PUT TO BETTER USE)**

<b>Year</b>	<b>Yearly Workhour Reduction</b>	<b>Fully Loaded Labor Rate/Hour</b>	<b>Cost Avoidance (Ten Years with escalation)</b>
FY 2004 (Effective Accounting Period 1)	1,850	\$ 40.29	\$ 835,061
FY 2005 (Effective Accounting Period 1)	0	\$ 41.30	\$ 0
FY 2006 (Effective Accounting Period 1)	925	\$ 42.33	\$ 438,688
Totals (ten full fiscal years)	2,775		\$1,273,749
		<b>Present Value @4.5%, Ten Years</b>	<b>\$ 969,893</b>

**SOURCE**

- Workhour reductions were based on the Postal Service Springfield, Virginia, Business Mail Entry Unit Action Plan.

**ASSUMPTIONS**

- Labor rates were based on the Postal Service 2003 Published Rates for a PS-06 business mail entry unit technician.
- Yearly escalation factor is 2.5 percent.
- Postal Service cost of borrowing is 4.5 percent.

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

## APPENDIX C. MANAGEMENT'S COMMENTS

DISTRICT MANAGER  
CUSTOMER SERVICE AND SALES  
NORTHERN VIRGINIA DISTRICT



February 6, 2004

Kim H. Stroud  
Director, Audit Operations  
Office of Inspector General  
1735 N. Lynn Street  
Arlington, VA 22209-2020

The following is in response to the Office of Inspector General's audit of work performed by business mail entry employees in the Springfield, Virginia, Business Mail Entry Unit (BMEU) (Project Number 03YG054AC000), dated December 10, 2003. We agree with the conclusions and recommendations of the report.

Following are the actions taken or the actions to be implemented:

Reduce business mail entry hours as planned

**Action:** The Northern Virginia District Budget Office will adjust the Springfield, Virginia, post office LDC 79 plan to reflect a reduction of 1,850 work hours (annual estimated amount). This will occur during the February budget adjustment cycle (the Field National Budget System will be open for adjustments February 6 - 17, 2004).

Periodically evaluate staffing to determine if further work hour adjustments are necessary based on workload

**Action:** The Springfield, Virginia, BMEU supervisor has begun to staff and schedule the Burke, Virginia, BMEU clerk with allied duties to fill in the daily acceptance operations. These hours will be transferred to the corresponding LDC's. This compliance is estimated to reduce work hour usage approximately four hours per day or 925 work hours in the BMEU annually.

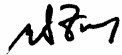
8409 Lees Highway  
Manassas, VA 22081-9996  
703-698-6464  
Fax: 703-698-6500

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The above actions will equal the proposed 2,775 work hour savings identified in the report. The estimated annual dollar savings will be \$969,893 over the next 10 years based on the current work hour rate for a PS-06 BMEU clerk in the Northern Virginia District. Appendix A details the financial impact of work hour reductions planned by the Springfield, Virginia, BMEU. All actions to the above findings will be in place by February 29, 2004.

Please direct all questions regarding this audit to Steve Darragh, Manager, Finance, at 703-698-6467.

Sincerely,



Michael S. Furey