



March 30, 2005

CHRISTOPHER H. SMITH  
SENIOR PLANT MANAGER, AKRON, NORTHERN OHIO DISTRICT

SUBJECT: Audit Report – Efficiency Review of the Akron, Ohio, Processing and Distribution Center (Report Number NO-AR-05-009)

This report presents the results of our review of the Akron, Ohio, Processing and Distribution Center (Akron P&DC) located in the Eastern Area (Project Number 04YG031NO000). Our objective was to determine the efficiency of operations performed by the Akron P&DC. This audit is the second in a series of audits covering the Northern Ohio District. We conducted this audit at the request of the senior plant manager, Akron, Northern Ohio District, and in cooperation with the Eastern Area.

While the Akron P&DC has experienced efficiency gains, it could further improve operational efficiency. Specifically, the Akron P&DC underused its processing machines, processed less mail per workhour than other similar-sized facilities, and incurred excessive overtime. The Akron P&DC could begin to improve efficiency by reducing workhours by 235,000.<sup>1</sup> This reduction could produce a cost avoidance of approximately \$74 million based on a labor savings over ten years. These funds represent funds put to better use and will be reported as such in our Semiannual Report to Congress.

We made two recommendations to Postal Service management addressing these issues. Management agreed to our finding, recommendations, and monetary impact and has initiatives planned addressing the issues in this report. Management's comments and our evaluation of these comments are included in the report.

The Office of the Inspector General (OIG) considers recommendation 1 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. This recommendation

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<sup>1</sup> This workhour reduction is based on management's plan of achieving 85 percent of the target productivity goal (Breakthrough Productivity Initiative).

should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendation can be closed.

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

/s/ Mary W. Demory

Mary W. Demory  
Deputy Assistant Inspector General  
for Core Operations

Attachments

cc: Paul E. Vogel  
Alexander Lazaroff  
Kathleen Ainsworth  
Larry Jones  
Steven R. Phelps

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## EXECUTIVE SUMMARY

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### Introduction

The Office of Inspector General assessed the mail processing operations at the Akron, Ohio, Processing and Distribution Center (Akron P&DC) located in the Eastern Area. Our objective was to determine the efficiency of operations performed by the Akron P&DC. This audit is the second in a series of audits covering the Northern Ohio District. This audit was conducted at the request of the senior plant manager, Akron, Northern Ohio District and in cooperation with the Eastern Area.

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### Results in Brief

While the Akron P&DC had experienced efficiency gains, it could further improve operational efficiency. Specifically, Akron P&DC underused its processing machines, processed less mail per workhour than other similar-sized facilities, and incurred excessive overtime.

These conditions occurred because Postal Service managers had not evaluated operational efficiency by extensively analyzing operations, evaluating machine utilization, and benchmarking operations with similar-sized facilities.

We concluded that Postal Service could increase operational efficiency at the Akron P&DC by reducing 235,000 mail processing workhours. This reduction could produce a cost avoidance of approximately \$74 million based on a labor savings over ten years. These funds represent funds put to better use and will be reported as such in our Semiannual Report to Congress.

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### Summary of Recommendations

We recommended the senior plant manager, Akron, Northern Ohio District, reduce mail processing by 235,000 workhours and periodically evaluate the operating efficiency, machine utilization, and staffing at the Akron P&DC.

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### Summary of Management's Comments

Management agreed with our finding, recommendations, and associated monetary impact. Management's response indicated that a combination of workhour reductions and an increase in mail volume through consolidations could achieve the same efficiency improvement as the recommended 235,000 workhour reduction. Management's

comments, in their entirety, are included in Appendix E of this report.

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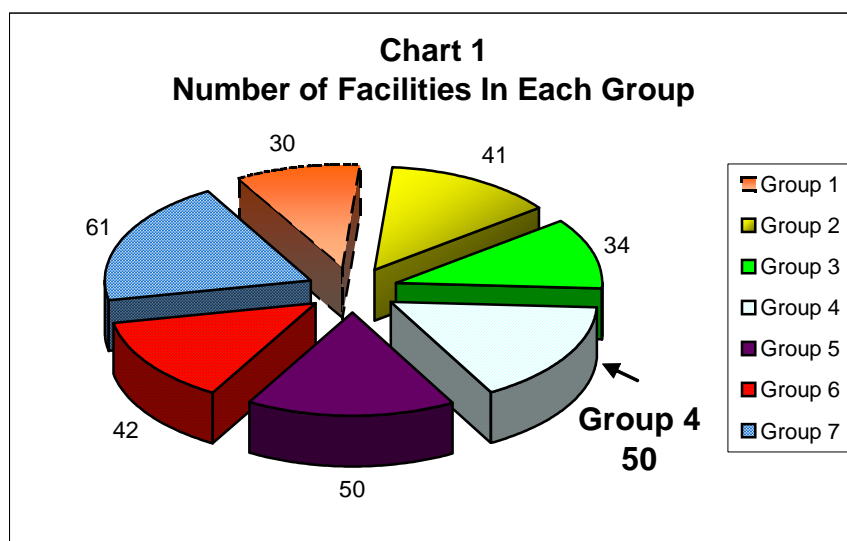
**Overall Evaluation of  
Management's  
Comments**

Management's comments reflect that the senior plant manager, Akron, Northern Ohio District, and the Eastern Area are taking a very proactive approach to improving efficiency. Management's planned actions should correct the issues identified in the report.

## INTRODUCTION

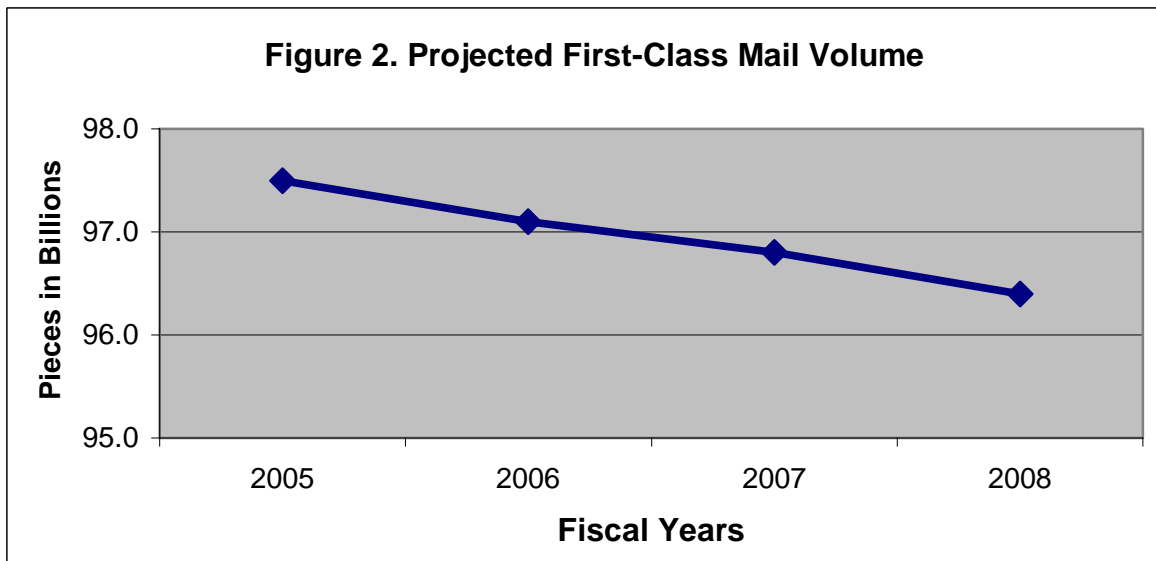
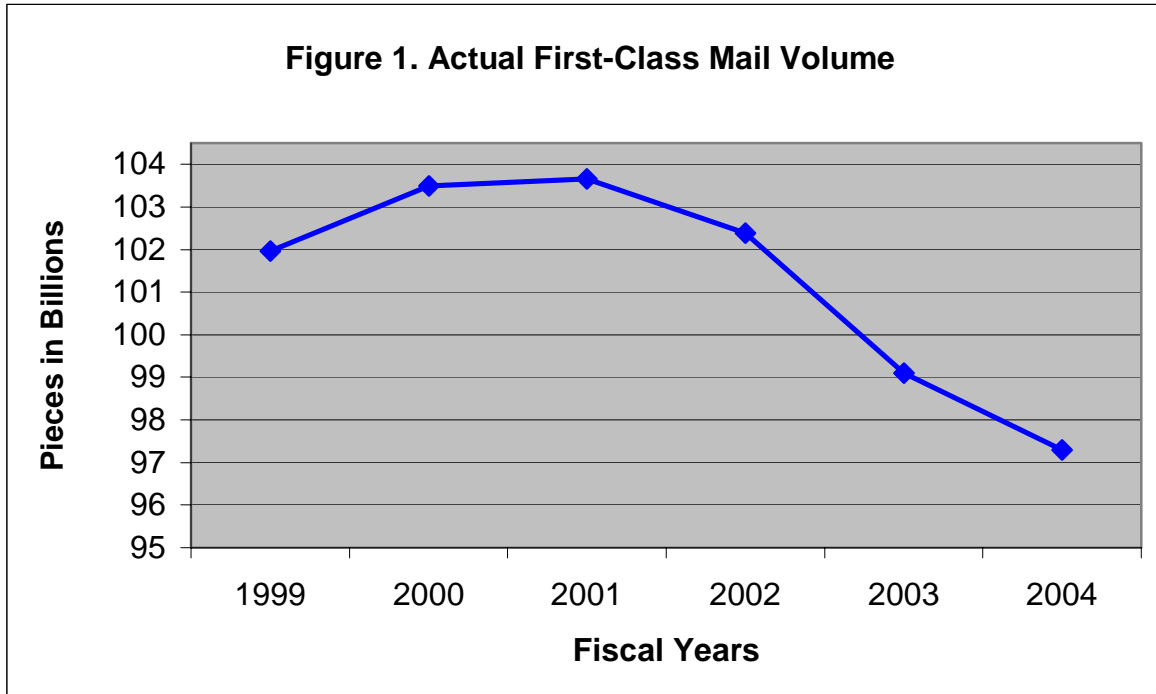
### Background

The Postal Service has 308 facilities with mail processing operations. These facilities process First-Class Mail in the domestic network and are divided into seven groups<sup>2</sup> ranked according to mail volume outlined in the Breakthrough Productivity Initiative. The Breakthrough Productivity Initiative was established by the Postal Service in order to drive costs out of the organization while creating continuous improvement capability. The initiative is focused on four specific areas one of which is mail processing operations. Chart 1 shows the number of mail processing facilities contained in each group.



The Postal Service is attempting to right size its domestic network in response to mail volume decreases. Despite a one-year volume increase, the aggregate volume of First-Class Mail declined by nearly 5 percent from fiscal years (FY) 1999 to 2004. Aggregate First-Class Mail volume has declined in the last five years, dropping more than 4 billion pieces. In addition, the forecast for First-Class Mail volume over the next four fiscal years is projected to decrease by over 1 billion pieces. These volume trends are shown in Figures 1 and 2.

<sup>2</sup> For example, Breakthrough Productivity Initiative Group 1 plants processed at least 3 billion mailpieces annually, while Group 7 plants processed no more than 456 million mailpieces annually.



The Transformation Plan states the Postal Service is committed to improving its operational efficiency by consolidating mail processing operations, when feasible. In addition, the Presidential Commission<sup>3</sup> included in its list of recommendations the need to optimize the facility network

<sup>3</sup> Report of the President's Commission on the United States Postal Service.

by closing unneeded processing centers to improve efficiency.

Akron P&DC is a Group 4 facility in the Eastern Area. (See Appendix A for Eastern Area Map.) The Akron P&DC processes inbound<sup>4</sup> and outbound mail<sup>5</sup> for the city of Akron, Ohio, and associate offices in the surrounding area. In FY 2004, the Akron P&DC processed approximately 1.16 billion mailpieces, a decrease of approximately 3 percent from FY 2003. Average complement during this period of time also decreased 3 percent. In FY 2004, the on-roll complement was 433 employees compared to 448 employees in FY 2003.

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**Objective, Scope, and Methodology**

The audit assessed the efficiency of operations performed by the Akron P&DC. To assess the efficiency of the Akron P&DC, we observed mail processing operations; analyzed mail volumes, workhours, and machine utilization; interviewed Postal Service officials; and benchmarked achievement to target productivities with similar-sized facilities. We also reviewed applicable Postal Service handbooks and regulations including Handbook M-32, Management Operating Data System, Postal Bulletins, and Title 39, United States Code.

We relied on Postal Service operational systems, including the National Workhour Reporting System, the Breakthrough Productivity Initiative Website, the Management Operating Data System, Web Flash Reports, the Web Enterprise Information System, and the Web End-of-Run System to analyze mail volume and workhours. We checked the accuracy of data by confirming our analysis and results with Postal Service managers and found no material differences.

This audit was conducted from September 2004 through March 2005 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 observations and conclusions with appropriate management officials and included their comments where appropriate.

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<sup>4</sup> Incoming or inbound mail operations process mail that is destined for the service area including the associate offices.

<sup>5</sup> Outgoing or outbound mail operations process mail that originates in the service area and is destined for other service areas.



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**Prior Audit Coverage** We have issued 12 audit reports on workhour efficiency.  
(For more details see Appendix B.)

## AUDIT RESULTS

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### Assessment of Resources at the Akron Processing and Distribution Center

Resources at the Akron P&DC could be used more efficiently. Specifically, the Akron P&DC:

- Underused its processing machines, and experienced lower equipment productivity ratios than other similar-sized facilities.
- Processed less mail per workhour than the average of other similar-sized processing and distribution centers.
- Incurred excessive overtime and generally had higher amounts of overtime than other similar-sized facilities.

Title 39, United States Code, Chapter 4, Section 403 states, "The Postal Service shall plan, develop, promote and provide adequate and efficient postal services. . . ."

While efficiency has improved, the Postal Service managers had not evaluated operational efficiency by: (a) extensively analyzing operations and the associated workhours, (b) evaluating machine utilization, and (c) comprehensively benchmarking operations against similar-sized facilities. Consequently, the Akron P&DC was using more workhours than necessary to process its mail volume.

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### Akron Processing and Distribution Center Machines Were Not Being Fully Utilized

The Akron P&DC machines were not being fully utilized. Through analysis and observations, we found machine excess idle time existed at many of the mail processing operations. Table 1 shows a percentage of machine excess idle time for a two-year period from September 27, 2002, through September 27, 2004:

<b>OPERATION</b>	<b>PERCENT OF IDLE TIME*</b>
Advanced Facer-Canceler	58 percent
Delivery Barcode Sorter	27 percent
Multiline Optical Character Reader	27 percent
Mail Processing Barcode Sorter	38 percent
Upgraded Flat Sorter Machine 1000	19 percent
Automated Flat Sorter Machine 100	1 percent
Small Parcel Bundle Sorter	11 percent

\*Percent of idle time equals idle time divided by machine operating time. Idle time does not include down and maintenance time.<sup>6</sup>

Further, an analysis of target productivity levels confirmed that machines were being underused. The Akron P&DC had not achieved target productivity levels<sup>7</sup> for the past two fiscal years for its mail processing operations (see Appendix C), with the exception of the automated flat sorting machine 100. Target productivity levels are based on total pieces of mail that could be processed for each machine or workhour of an operation. In FY 2004, the Akron P&DC achieved 74 percent of its total target productivity levels. Likewise, in FY 2003, the Akron P&DC achieved 67 percent of its total targeted productivity levels.

Achieving established productivity levels could lead to a reduction in workhours. For example, the delivery barcode sorting operation achieved 69 percent of its national target level in FY 2003. If this operation achieved 85 percent of the national target level, the Akron P&DC could save over 23,800 processing workhours in this one operation. By achieving 85 percent of target in all operations, the Akron P&DC could reduce workhours by over 235,000. Appendix C shows the percentage of target productivity levels achieved for each operation and the potential workhour saving that could be obtained through achievement of selected target productivity levels.

<sup>6</sup> Maintenance time is when the machine is down for ordinary maintenance. Runtime is when the machine is processing mail. Idle time is when the machine is available for processing of mail but no mail exits. Operating time is runtime plus idle time and maintenance time.

<sup>7</sup> Target productivity levels under Breakthrough Productivity Initiative are based on total pieces of mail that should be processed for each machine or workhour of an operation.

Akron P&DC Processed Less Mail per Workhour Than Other Processing and Distribution Centers

Although efficiency at the Akron P&DC had improved, when compared to other similar-sized facilities, it was generally less efficient. Table 2 depicts productivity levels using first handling pieces<sup>8</sup> per workhour and total pieces handled per workhour for FYs 2003 and 2004:

**Table 2**  
**Comparison of Akron P&DC, First Handling Pieces and Total Pieces Per Workhour Rates Versus All Group 4 Facilities<sup>9</sup>**

FISCAL YEAR	FIRST HANDLING PIECES PER WORKHOUR FOR AKRON	FIRST HANDLING PIECES PER WORKHOUR FOR ALL GROUP 4 FACILITIES	TOTAL PIECES HANDLED PER WORKHOUR FOR AKRON	TOTAL PIECES HANDLED PER WORKHOUR FOR ALL GROUP 4 FACILITIES
2003	817 <sup>10</sup>	886	1,759	2,022
2004	873	920	2,478	2,743

For FYs 2003 and 2004, first handling pieces per workhour rates for the Akron P&DC were 817 and 873, compared to all Group 4 processing and distribution centers first handling pieces per workhour of 886 and 920, respectively. These rates show that the Akron P&DC processed less mail per workhour than the average of Group 4 processing and distribution centers. A similar trend was found when using the total pieces handled per workhour. The Akron P&DC, in FYs 2003 and 2004, had total pieces handled per workhour rates of 1,759 and 2,478, respectively, compared to the group average of 2,022 and 2,743, respectively.

Overtime Workhours Were Excessive in Relation to Workload

Overtime workhours were excessive in relation to workload. The mail volume (first handling pieces) processed at the Akron P&DC increased from 648 million pieces in FY 2003 to 680 million pieces in FY 2004, an increase of nearly

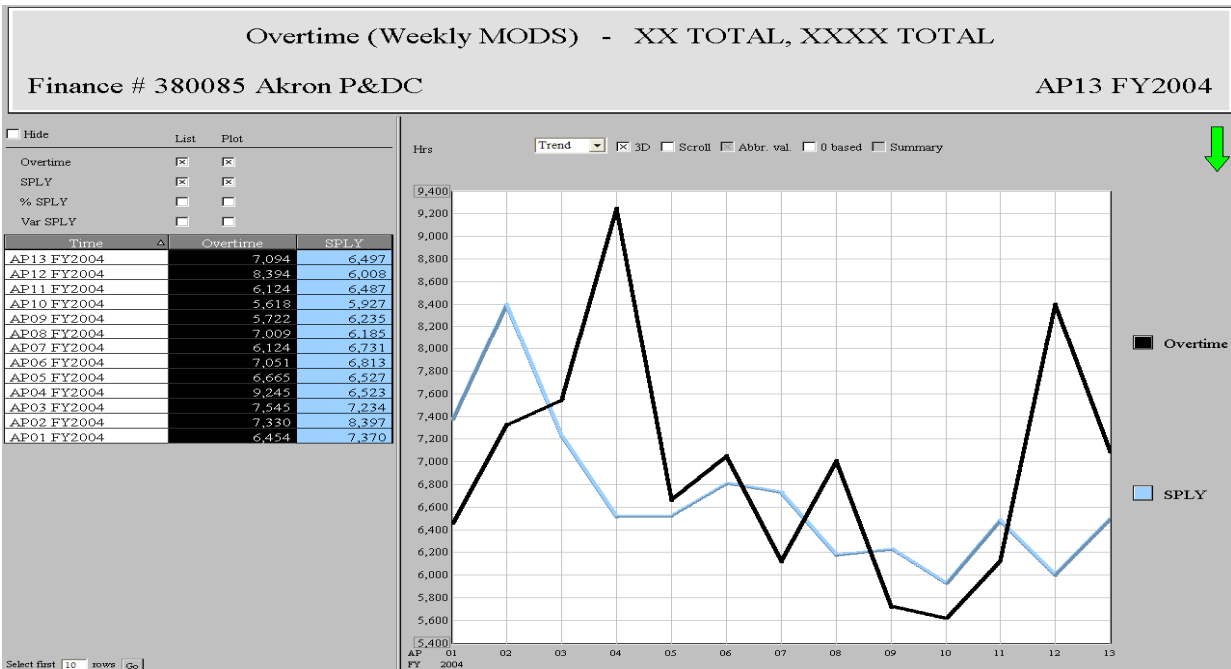
<sup>8</sup> A first handling piece is a letter, flat, or parcel that receives its initial distribution in a Postal Service facility.

<sup>9</sup> This chart shows the total of mailpieces processed either first handling or total pieces handled for every mail processing workhour.

<sup>10</sup> For example, Akron P&DC processed first handling pieces at the rate of 817 pieces per workhour. This rate is calculated by using the following formula—first handling pieces divided by mail processing workhours equals first handling pieces per workhour.

5 percent. The overtime rate<sup>11</sup> used to process this mail increased from 10.96 percent in FY 2003 to 11.60 percent in FY 2004, an increase of nearly 6 percent. This means that the overtime rate was increasing at a higher rate than the mail volume. Figure 3 shows the increase in overtime hours in FY 2004 from the same period the previous year.

FIGURE 3



SPLY – same period last year - disregard Xs in chart header  
MODS – Management Operating Data System

Additionally, in comparison to other similar-sized facilities, the Akron P&DC generally had higher overtime rates. In FYs 2003 and 2004, the average overtime rate for all similar-sized Group 4 facilities was 8.9 percent and 10.6 percent, respectively; while the Akron P&DC overtime rate was 10.96 percent and 11.60 percent, respectively. The higher Akron P&DC overtime rate indicated the potential for workhour savings through the reduction of unnecessary overtime.

Reasons and Impact for Not Being as Efficient as Possible

Management at the Akron P&DC had addressed operational efficiency by reducing workhours in response to budgeted workhours. As a result, they had reduced FY 2003

<sup>11</sup> Overtime rate is determined by dividing mail processing overtime workhours by total mail processing workhours.

workhours by approximately 41,000 or 5 percent from FY 2002 levels.

However, Postal Service managers had not evaluated operational efficiency by: (a) extensively analyzing operations and the associated workhours, (b) evaluating machine utilization, and (c) comprehensively benchmarking operations against similar-sized facilities.

In addition, observations conducted at the Akron P&DC found employee productivity could be improved. For example, we found:

- Excessive idle time at many operations because of insufficient workload.
- Some parcels and bundles processed manually could have been processed more efficiently on mechanized equipment.
- Some employees not sufficiently supervised during tour changes and returning off breaks to duty stations.

Consequently, the Akron P&DC was using more workhours than necessary based on its mail volume. As a result, we estimated that approximately 235,000 workhours could be reduced. This 235,000 workhour reduction could produce a cost avoidance of approximately \$74 million based on labor savings over ten years. (See Appendix D.)

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**Recommendations**

To improve efficiency, we recommend the senior plant manager, Akron, Northern Ohio District:

1. Reduce 235,000 workhours at the Akron Processing and Distribution Center; this will result in an associated economic impact of approximately \$74 million.
2. Periodically evaluate the operating efficiency, machine utilization, and staffing at the Akron Processing and Distribution Center to determine whether further workhour adjustments are necessary based on workload.

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**Management's  
Comments**

Management agreed with our finding, recommendations, and associated monetary impact. Management's response indicated that a combination of workhour reductions and increase in mail volume through consolidations could achieve the same efficiency improvement as the recommended 235,000 workhour reduction. In a subsequent meeting, management agreed to implement the recommendations by FY 2012.

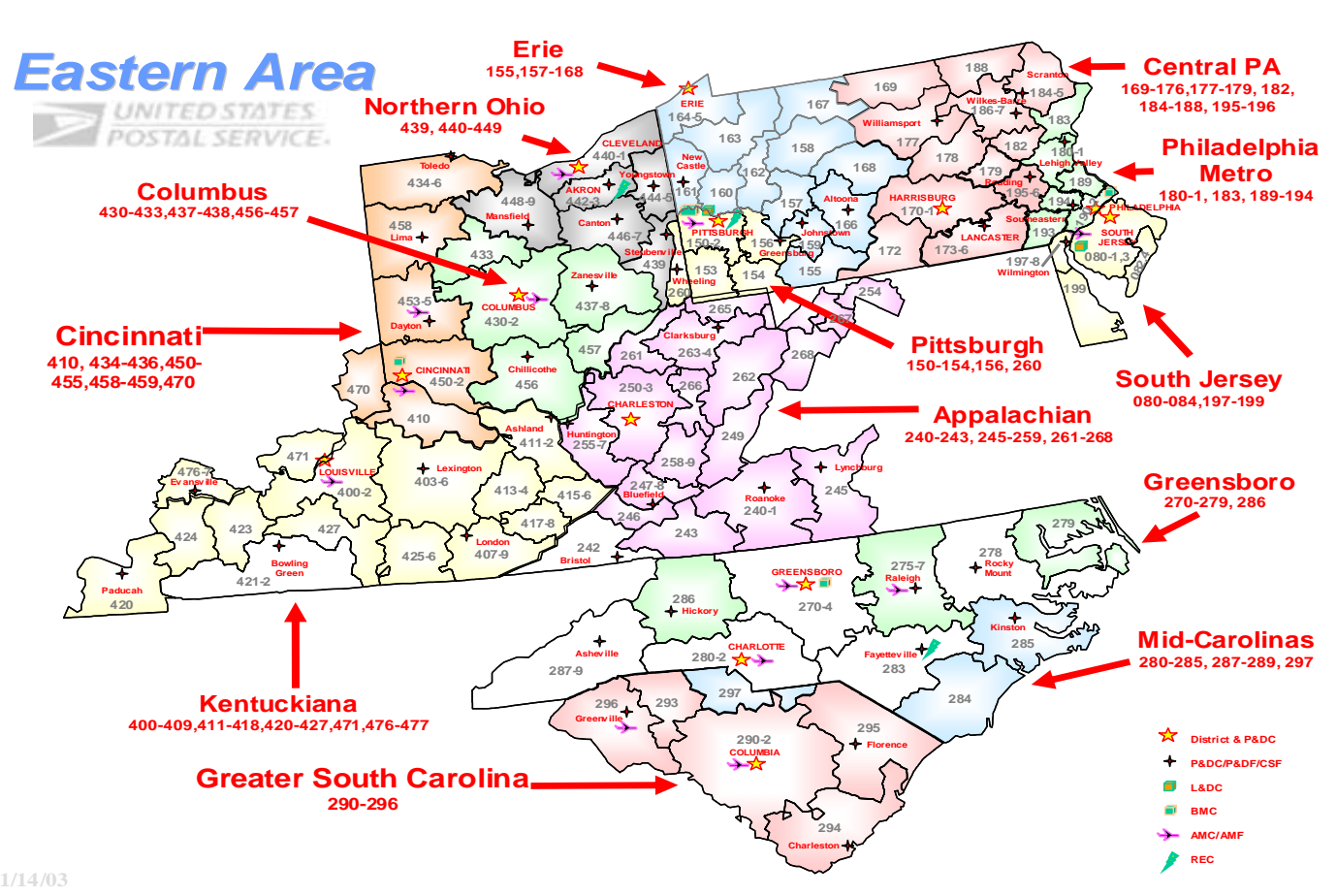
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**Evaluation of  
Management's  
Comments**

Management's comments reflect that the senior plant manager, Akron, Northern Ohio District, and the Eastern Area are taking a very proactive approach in the implementation of our recommendations. Management's planned actions should correct the issues identified in the finding.

APPENDIX A

EASTERN AREA MAP BY THREE DIGIT ZIP CODE AREA



11/14/03



## APPENDIX B

### PRIOR AUDIT COVERAGE

Efficiency Review of the Mansfield, Ohio, Main Post Office (Report Number NO-AR-05-004, December 8, 2004.) found the Mansfield Main Post Office (MPO) could improve operational efficiency by reducing 24,000 mail processing workhours, based on the assumption that mail volume will not significantly change from FY 2003 levels. This would allow the Mansfield MPO to achieve 90 percent of its targeted goals and could produce a cost avoidance of approximately \$7.6 million based on labor savings over ten years. We also concluded there is a favorable business case to move the Mansfield MPO's outgoing mail operations to the Akron P&DC. This consolidation would save an additional 28,000 workhours at the Mansfield MPO, improve network efficiencies, and potentially upgrade delivery service. This workhour reduction could produce a cost avoidance of over \$9.6 million based on labor savings over ten years. Management agreed to our finding, recommendations, and monetary impact and has initiatives in progress or planned addressing the issues in this report.

Efficiency of the New York International Service Center (Report Number NO-AR-04-009, September 24, 2004) found the New York International Service Center (ISC) could improve the efficiency of processing international and military mail by reducing employee workhours by 326,000 and increasing supervisory workhours by 6,000, for a net reduction of 320,000 workhours. This reduction of 320,000 workhours could produce a cost avoidance of more than \$98 million based on labor savings over ten years. We made two recommendations to Postal Service management addressing these issues. Management agreed with our finding, recommendations and monetary impact and has initiatives in progress or planned addressing the issues in this report.

Efficiency of the Airmail Records Unit at the New York International Service Center (Report Number NO-AR-04-011, September 24, 2004) found the New York ISC could improve the efficiency of the Airmail Records Unit by reducing workhours by 30,000. Management should also consider outsourcing the Air Mail Records Unit, since this operation is not core to New York ISC's mission of processing international mail. A reduction of 30,000 workhours could produce a cost avoidance of about \$9,250,000 based on labor savings over ten years. We made two recommendations to Postal Service management addressing these issues. Management agreed with our finding, recommendations, and monetary impact and has initiatives in progress or planned addressing the issues in this report.

Efficiency of the San Francisco International Service Center and the General Services Administration Facility (Report Number NO-AR-04-006, March 31, 2004) found the district should reduce the workhours necessary to process mail at the San Francisco ISC, transfer mail from the General Services Administration (GSA) Facility to the San Francisco ISC, and close the GSA Facility. During the audit, Postal Service

management agreed to reduce mail processing workhours at the San Francisco ISC by 120,000 hours by the end of FY 2007. The reduced workhours could produce an estimated cost avoidance of approximately \$39 million over ten years. In addition, management agreed to close the GSA facility, which could produce a cost avoidance of approximately \$5.2 million over ten years. We recommended the manager, San Francisco District, reduce hours as planned, close the GSA Facility, and periodically reevaluate staffing. Management agreed and the actions taken and planned were responsive to the issues identified in the report.

Efficiency of the Oakland International Service Facility and the Regatta Facility (Report Number NO-AR-04-007, March 31, 2004) found the district should reduce the workhours necessary to process mail at the Oakland International Service Facility, transfer mail from the Regatta Facility, and close the Regatta Facility. During the audit, Postal Service management agreed to reduce mail processing workhours at the Oakland ISF by 25,000 by the end of FY 2006. The reduced workhours could produce an estimated cost avoidance of approximately \$5.4 million over ten years. In addition, management agreed to close Building 512 rather than the Regatta Facility due to an early termination of the Building 512 lease. Closure of Building 512 could produce a cost avoidance of approximately \$3.4 million. We recommended the manager, Oakland District, reduce hours as planned, close Building 512, 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 Springfield, Virginia, Business Mail Entry Unit (Report Number NO-AR-04-004, February 9, 2004) found that the district should reduce the workhours necessary to accept business mailings in the Springfield, Virginia, Business Mail Entry Unit (BMEU). During the audit, Postal Service management agreed to reduce business mail entry workhours by 2,775 by the end of FY 2006. The reduced 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. 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, December 26, 2003) found the district should reduce the workhours necessary to accept business mailings in the Columbia, Maryland, BMEU. During the audit, Postal Service management agreed to reduce business mail entry workhours by 3,960 by the end of FY 2005. The reduced 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.

Efficiency of Work Performed by Business Mail Entry Clerks at the Southern Maryland Business Mail Entry Unit (Report Number NO-AR-04-001, December 24, 2003) found

the district should reduce the workhours necessary to accept business mailings in the Southern Maryland BMEU. During the audit, Postal Service management agreed to reduce business mail entry workhours by 20,240 by the end of FY 2006. The reduced 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 reevaluate staffing needs periodically. 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 San Francisco District (Report Number AO-AR-03-002, September 25, 2003) found the district should reduce the workhours necessary to accept business mailings in the San Francisco BMEU. During the audit, Postal Service management agreed to reduce business mail entry workhours by 18,000 by the end of FY 2006. The reduced 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 reevaluate staffing needs periodically. 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, July 31, 2003) found the district should reduce the workhours necessary to accept business mailings. During the audit, Postal Service management agreed to reduce business mail entry workhours by 28,800 by the end of FY 2005. The reduced 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 reevaluate staffing needs periodically. Management agreed with our recommendations and has initiatives in progress addressing 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, March 28, 2003) found that these facilities should reduce the workhours necessary to accept business mailings. Management could save an estimated \$588,730 through the end of FY 2005 when its planned workhour reductions are fully implemented. We recommended that senior plant managers at the Seattle, Minneapolis, and Des Moines Bulk Mail Centers (BMCs) reduce hours, reevaluate staffing needs periodically, 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.

Work Performed by Business Mail Entry Employees in the Colorado/Wyoming Performance Cluster (Report Number CQ-AR-02-001, September 26, 2002) found that many of the business mail entry employees at the Denver BMC and Denver General Mail Facility were not needed to accept business mailings. Management could save an estimated \$1 million annually if the number of employees was reduced. We recommended management oversee the consolidation of business mail entry operations and reduce staff as planned, and reevaluate staffing to determine whether

further staff reductions were necessary. Management agreed and the actions taken and planned were responsive to the issues identified in the report.

**APPENDIX C**

**TARGETED PRODUCTIVITY LEVELS ACHIEVED BY EACH TYPE OF MAIL PROCESSING OPERATION AND POTENTIAL WORKHOUR SAVINGS BASED ON PERCENTAGE OF ACHIEVEMENT TO TARGET  
FYS 2003 AND 2004**

	PIECES PER HOUR		PRODUCTIVITY	PERCENT OF TARGET		POTENTIAL HOUR SAVINGS			
	PRODUCTIVITY			ACHIEVED					
	2003	2004	Target	2003	2004	100%	95%	85%	75%
Updated Flat Sorting Machine 1000	460	430	562	82%	77%	3,756	3,568	3,192	2,817
Automated Flat Sorting Machine 100	1,892	2,109	2,113	90%	100%	4,813	4,572	3,850	3,369
Small Parcel Bundle Sorter	209	247	366	57%	67%	24,639	23,407	19,711	17,247
Delivery Barcode Sorter	7,310	7,670	10,634	69%	72%	29,838	28,346	23,870	20,886
Multiline Optical Character Reader	4,291	5,506	8,372	51%	66%	14,126	13,419	11,301	9,888
Mail Processing Barcode Sorter	6,084	7,494	9,448	64%	79%	13,176	12,517	10,541	9,223
Advanced Facer Cancler Sorter	14,803	14,991	20,890	71%	72%	1,998	1,898	1,598	1,399
Manual Letters*	431	521	892	48%	58%	36,748	34,911	29,399	25,724
Sack sorter	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Labor Distribution Code 17**	N/A	N/A	135,196	47%	50%	147,326	139,960	117,861	103,128
Labor Distribution Code 18**	N/A	N/A	29,212	63%	48%	17,120	16,264	13,696	11,984
<b>Akron P&amp;DC Totals</b>	<b>35,480</b>	<b>38,968</b>	<b>217,685</b>	<b>67%</b>	<b>74%</b>	<b>293,539</b>	<b>278,862</b>	<b>235,019</b>	<b>205,665</b>
*Manual letters productivity based on total pieces fed									
**Non - volume labor distribution codes - targets established in BPI									

## APPENDIX D

### COST AVOIDANCE AT THE AKRON PROCESSING AND DISTRIBUTION CENTER (FUNDS PUT TO BETTER USE)

Year	Yearly Workhour Reduction	Cost Avoidance (Ten Years with Escalation)
FY 2006 (Effective Accounting Period 1)	82,000	\$35,507,041
FY 2007-2012 (six fiscal years at 25,500 hours per year (Effective Accounting Period 1)	153,000	\$72,801,120
Totals	235,000	\$108,308,161
	<b>Present Value at 5 percent for ten years</b>	<b>\$73,996,558</b>

#### NOTES

- The 235,000 workhour reduction was based on Postal Service management's plan to reduce workhours over a seven-year period based on FY 2003 hour usage of 793,066.
- The cost avoidance was calculated using the hour saving multiplied by the escalated labor rate over a ten-year period.
- The net present value was calculated using the discount rate of 5 percent over a ten-year period.
- Labor rates were based on the Postal Service March 2004 published rates for a Postal Service level 05 (PS-05) mail processing clerks.
- The yearly escalation factor is 2.7 percent based on the Postal Service's Decision Analysis Factors effective October 2004.

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

## APPENDIX E. MANAGEMENT'S COMMENTS

ALEXANDER LAZAROFF  
VICE PRESIDENT, AREA OPERATIONS  
EASTERN AREA



March 16, 2005

MEMORANDUM FOR ROBERT J. BATTA, DIRECTOR, NETWORK  
OPERATIONS-PROCESSING, OIG

SUBJECT: Response to Discussion Draft of Akron Audit Date February 9, 2005

I have reviewed the proposed draft report regarding the Akron Processing and Distribution Center, dated February 9, 2005. In the audit, it states that the Office of Inspector General's objective was, "to determine the efficiency of operations performed by the Akron P&DC."

We agree with the audit findings; specifically the fact that the Akron Processing and Distribution Center could improve efficiency by reducing 235,000 workhours. However, this efficiency could also be achieved by increasing mail volume through the consolidation of other facilities' outgoing mail processing operations, provided that Akron's workhours do not increase as a result of the rise in workload. Additional volume, in the amount of 531 million pieces (which would be a 41% increase based on FY 2003 volumes) without using additional workhours is equal to the recommended 235,000 workhour reduction and associated impact of \$74 million dollars. It is the Eastern Area's intent, with Headquarters approval, to perform an Area Mail Processing (AMP) consolidation by bringing both Mansfield and Canton originating volumes into the Akron P&DC. The Akron plant will improve productivity through the use of both volume increases and workhour reductions resulting \$74 million economic impact as the OIG proposed recommendation.

  
Alexander Lazaroff  
Vice President, Area Operations  
Eastern Area

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