



December 22, 2005

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ACTING PLANT MANAGER
J. T. WEEKER INTERNATIONAL SERVICE CENTER

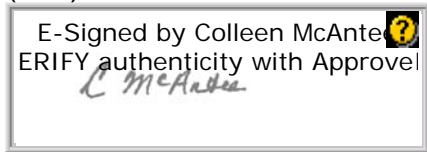
SUBJECT: Audit Report – Efficiency of the Chicago Airmail Records Unit at the
J.T. Weeker International Service Center
(Report Number NO-AR-06-002)

This report presents the results of our audit of the Airmail Records Unit (AMRU) at the J.T. Weeker International Service Center (ISC), Chicago, Illinois, located in the Great Lakes Area (Project Number 05YG021NO000). Our objective was to assess the efficiency of operations at the Chicago AMRU. This report is the fourth in a series of site reports on the efficiency of AMRUs. This was a self-initiated audit, which we conducted in cooperation with the Chicago District manager. At the conclusion of our site reviews, we will issue a global report addressing common issues.

The Chicago AMRU could improve operational efficiency. Specifically, the Chicago AMRU processed fewer records per workhour than the targeted productivity rate, misaligned some workhours with workload, and performed extra work because plant operations personnel sorted mail improperly. The Chicago AMRU could begin to improve operational efficiency by reducing 3,860 workhours over a 5-year period. This reduction could produce a cost avoidance of approximately \$1.1 million based on labor savings over a 10-year period. These savings represent funds put to better use for the Postal Service and will be reported as such in our Semiannual Report to Congress. In addition, the Postal Service manually maintained records and had employees perform some unnecessary work. We will address the latter issues in our global report.

We made three recommendations in this report. Management generally agreed with our finding, recommendations, and monetary impact and has initiatives in progress, completed, or planned addressing the issues in this 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 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.



Colleen A. McAntee
Deputy Assistant Inspector General
for Core Operations

Attachments

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EXECUTIVE SUMMARY

Introduction

We reviewed the Chicago Airmail Records Unit (AMRU) at the J.T. Weeker International Service Center (ISC), located in the Great Lakes Area. Our objective was to assess the efficiency of operations at the Chicago AMRU. This was a self-initiated audit, which we conducted in cooperation with the Chicago District manager.

This is our fourth¹ in a series of site reports on the efficiency of AMRUs. When we complete these site reviews, we will issue a global report addressing common issues.

Results in Brief

The Chicago AMRU was not operating efficiently. Specifically, the Chicago AMRU:

- Processed fewer records per workhour than the targeted productivity rate.
- Misaligned some workhours with workload.
- Performed extra work because plant operations personnel sorted mail improperly.
- Manually maintained and retrieved records.
- Performed some unnecessary work.

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

These conditions occurred because Postal Service managers had not evaluated operational efficiency, extensively analyzed operations, or examined and updated procedures.

¹ The OIG has previously conducted three self-initiated audits of AMRUs (see prior audit coverage).

We concluded the Postal Service could begin to improve operational efficiency by reducing 3,860 AMRU workhours over a 5-year period, periodically evaluating operations, and training plant operations personnel in proper mail sortation. Workhour reductions could produce a cost avoidance of approximately \$1.1 million based on labor savings over a 10-year period. These funds represent funds put to better use for the Postal Service and will be reported as such in our Semiannual Report to Congress.

The Postal Service could also improve efficiency by using available technologies and updating policies and procedures. We will address the latter two issues in our global report.

During the audit, Postal Service management agreed to reduce workhours and provided us with an action plan.

Summary of Recommendations	We recommended the acting plant manager, J. T. Weeker ISC, reduce 3,860 AMRU workhours over a 5-year period, periodically evaluate operations, and provide additional training to plant operations personnel in the proper sortation of mail.
Summary of Management's Comments	Management generally agreed with our finding, recommendations, and monetary impact. They agreed to reduce workhours by 3,860 over a 5-year period. They also agreed to periodically evaluate operational efficiency and, as a result, have virtually eliminated overtime in the unit. In addition, they agreed to provide additional training to plant operations personnel in the proper sortation of mail. Management's comments, in their entirety, are included in Appendix B of this report.
Overall Evaluation of Management's Comments	Management's comments are responsive and proactive in the implementation of our recommendations. Management's actions taken or planned should correct the issues identified in the report.

INTRODUCTION

Background

When the Postal Service established the International Service Centers (ISC) Network in 1996, it absorbed the operations of the Airmail Records Units (AMRU),² which existed as part of the international exchange offices³ before the creation of the ISC Network.

AMRUs handle accounting records involving international mail for the international exchange offices. These units' main functions are to communicate with foreign postal administrations and reconcile incoming international mail records. The AMRUs transmit some of the information they maintain to the International Accounting Branch in St. Louis, Missouri, for processing and payment to transportation carriers and foreign postal administrations.

International Network Operations has functional responsibility for AMRUs. AMRUs have 94 dedicated full-time employees located in Los Angeles, California; Chicago, Illinois; San Francisco, California; Dallas, Texas; Honolulu, Hawaii; Jamaica, New York; Jersey City, New Jersey; Miami, Florida; and San Juan, Puerto Rico. The Chicago AMRU reports to the manager, In-Plant Support, at the J.T. Weeker ISC. The Chicago AMRU employs a supervisor and eight full-time clerks.

Objective, Scope, and Methodology

The audit assessed the efficiency of operations at the Chicago AMRU at the J.T. Weeker ISC. To assess the efficiency of the Chicago AMRU, we observed operations at the unit, analyzed volumes of records processed and associated workhours, interviewed Postal Service employees, and evaluated employee efficiency. We also reviewed applicable Postal Service handbooks and regulations, including F-59, *International Exchange Office Procedures*, June 1992; *Standard Operating Procedures*, January 1995; and Title 39, United States Code.

² AMRUs are also referred to as international records units.

³ An international exchange office is a post office, airport mail center, or facility authorized to exchange international mail and military mail, both air and surface, with another country.

Through observations, interviews, and prior audit work, the Postal Service Office of Inspector General established a productivity rate of 24 records per workhour.⁴ Postal Service management agreed with this targeted productivity rate.

We also analyzed International AMRU weekly reports issued from October 25, 2003, through October 22, 2004, which the AMRU prepared and submitted to International Network Operations at headquarters. We were unable to trace data to the source documents because it is a manual reporting system involving thousands of hard-copy records. Thus, we used records processed and hours in aggregate to determine the unit's productivity, which we compared to the target rate. We also analyzed data from the Web Enterprise Information System. We did not test the validity of controls over these systems or data accuracy.

We conducted this audit from April through December 2005 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

**Prior Audit
Coverage**

We have issued three prior audit reports on the efficiency of AMRUs.

Efficiency of the Airmail Records Unit at the New York International Service Center (Report Number NO-AR-04-011, issued September 24, 2004). We recommended Postal Service management reduce workhours by 30,000 to improve the efficiency of operations, and consider possible outsourcing. Postal Service management agreed with our recommendations.

⁴ The methodology for determining target productivity we used in this report matched the one we used in the New York ISC AMRU review, which more closely met management's expectations for productivity.

Efficiency of the Airmail Records Unit at the Los Angeles International Service Center (Report Number NO-AR-05-010, issued April 28, 2005). We recommended Postal Service management reduce workhours by 5,450 to improve the efficiency of operations, periodically evaluate operations, and train plant operations personnel in proper mail sortation. Postal Service management agreed with our recommendations.

Efficiency of the Airmail Records Unit at the San Francisco International Service Center (Report Number NO-AR-05-012, issued September 6, 2005). We recommended Postal Service management reduce workhours by 7,757 to improve the efficiency of operations, periodically evaluate operations, and train plant operations personnel in proper mail sortation. Postal Service management agreed with our recommendations.

AUDIT RESULTS

Assessment of Operational Efficiency

The Chicago AMRU was not operating efficiently. Specifically, the Chicago AMRU:

- Processed fewer records per workhour than the targeted productivity rate.
- Misaligned some workhours with workload.
- Performed extra work because plant operations personnel sorted some mail improperly.
- Manually maintained and retrieved records.
- Performed some unnecessary work.

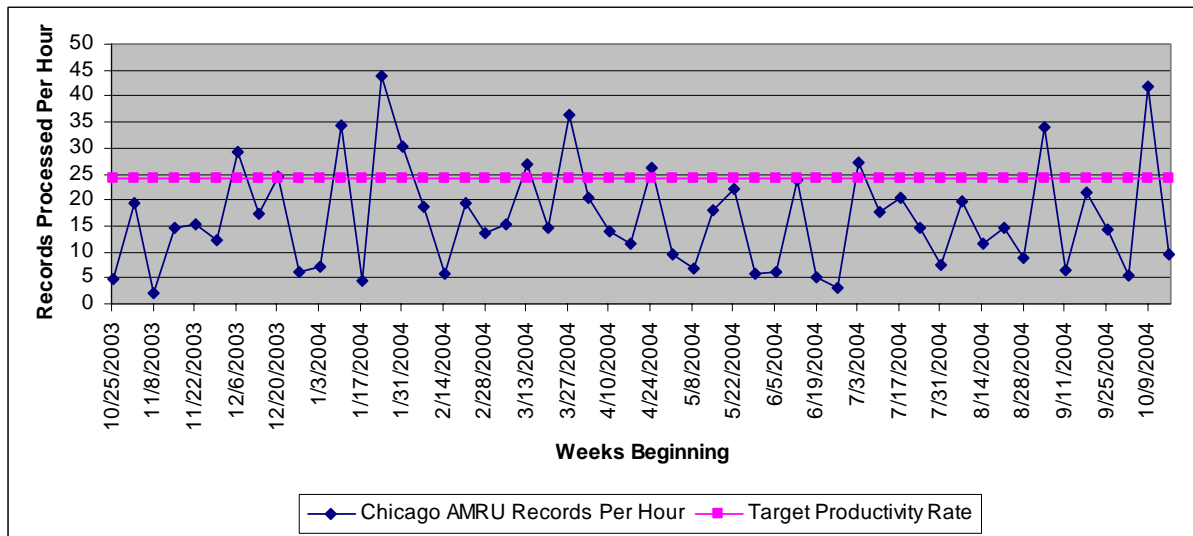
Title 39, United States Code, Chapter 4, §403, states, “The Postal Service shall plan, develop, promote and provide adequate and efficient postal services. . . .”

These conditions occurred because Postal Service managers had not evaluated operational efficiency, extensively analyzed operations, or examined and updated procedures. Consequently, the Chicago AMRU used more workhours than necessary to process international mail records.

As a result, the Postal Service could begin to improve operational efficiency by reducing workhours by 3,860 over a 5-year period. This reduction could produce a cost avoidance of approximately \$1.1 million based on labor savings over a 10-year period. (See Appendix A for details.)

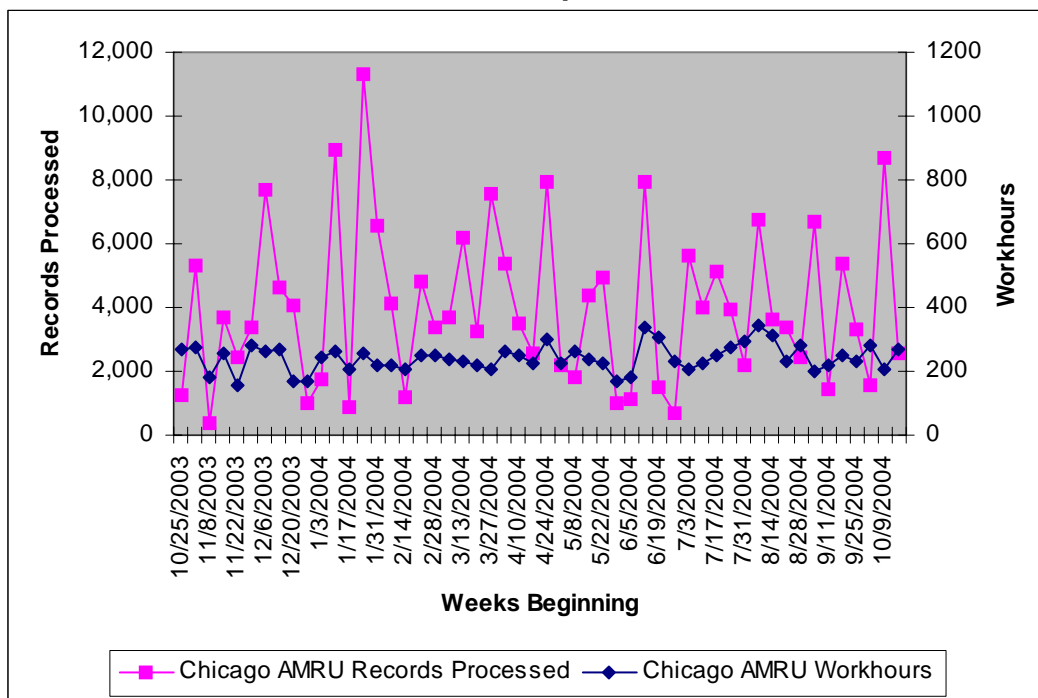
Records Processed The Chicago AMRU processed an average of 16.6 records per workhour as compared to the targeted productivity rate of 24 records per workhour. Chart 1 shows the productivity of the Chicago AMRU compared to the targeted productivity rate. This productivity difference of over seven records per workhour means the Chicago AMRU has the opportunity to reduce workhours.

Chart 1: Productivity of Chicago AMRU



AMRU Workhours Workhours used for records processing did not always reflect changes in the workload. Chart 2 shows workhours across the period were essentially flat, even though there were wide fluctuations in workload.

Chart 2: Workload Compared to Workhours



A review of actual records further illustrates the misalignment of workhours to workload. As shown in Table 1, during the week of October 4, 2004, AMRU clerks used 282 workhours to process 1,544 records – an average of five records per workhour. During the week of October 11, 2004, AMRU clerks used 208 workhours to process 8,677 records – an average of 42 records per workhour. We found AMRU workhours remain relatively stable while workload fluctuates significantly. We believe management should assign AMRU clerks other functions when records processing workload declines.

Table 1: Records Processed Per Workhour

Week	Workhours	Total Records	Records per Workhour
June 21, 2004	304	1,517	5
September 6, 2004	197	6,696	34
October 4, 2004	282	1,544	5
October 11, 2004	208	8,677	42

Mail Sortation

Plant operations personnel did not always sort mail properly. Our review of Verification Notes⁵ showed plant operations personnel frequently sent mail to the wrong country. For example, from October 2003 to October 2004, the Chicago AMRU received 8,783 Verification Notes (or approximately 20 percent of all Verification Notes) advising that mail had been incorrectly sent. This resulted in additional work for the Chicago AMRU clerks who handle and input these records.

The Chicago AMRU supervisor assists in reducing this workload by providing a weekly report to plant operations management that includes the type and number of missent mailpieces and the top five incorrect destinations listed on the Verification Notes. However, the supervisor told us this process has not made a significant difference in correcting the problem. Training that better emphasizes the importance of sorting mail to the correct country could greatly reduce this extra workload.

Manual Records

The Chicago AMRU manually maintained approximately 626,805 hard-copy international mail records. The Postal Service could minimize paper use and storage by exchanging information through Electronic Data Interchange.⁶ Illustration 1 shows the Chicago AMRU's manual filing system.

**Illustration 1: Chicago AMRU
Manual Hard-Copy Filing System**



⁵ Foreign postal administrations use Verification Notes, formerly known as Bulletin of Verifications, to communicate irregularities in the preparation, dispatch, and receipt of mail.

⁶ Electronic Data Interchange is a computer-to-computer exchange of information in a standard format.

We also observed the processing of manual records was slow and inefficient. Chicago AMRU receives records from plant operations and foreign postal administrations. Chicago AMRU clerks manually count, sort, and categorize records for processing. They perform data entry and file hard-copy records in the unit. They also manually retrieve hard-copy records from their files to respond to foreign postal administrations' inquiries concerning actions taken on incoming records. Automating these processes and electronically transmitting responses would be more efficient. Illustration 2 shows Chicago AMRU's manual work environment. We will address this issue in our global report.

Illustration 2: Chicago AMRU management could automate work at this unit to reduce workhours.



Extra Work

We observed clerks were performing unnecessary work. We observed clerks spending approximately 56 hours a week collecting, sorting, and filing Inbound Express Mail⁷ manifests in order to comply with outdated procedures. These procedures required AMRU clerks to complete a Missing/Duplicate Report on Express Mail manifests initiated by the International Accounting Branch. According to management at the International Accounting Branch, this report has not been required for more than 2 years.

This condition occurred because management had not assessed AMRU operations. We also found that standard operating procedures were outdated and did not reflect current conditions in the AMRU work environment.⁸

⁷ Express Mail is a mail class that provides expedited delivery service. This is the fastest mail service offered. Express Mail International Service is available between the United States and most other countries.

⁸ Two primary guides for AMRU operations are Handbook F-59, *International Exchange Office Procedures*, June 1992; and *Standard Operating Procedures*, January 1995.

As a result, management used more workhours than necessary to process international mail records. We will address the issues of extra work and outdated procedures in our global report.

Recommendations

To improve operating efficiency at the AMRU, we recommended the acting plant manager, J.T. Weeker ISC:

1. Reduce workhours by 3,860, resulting in a cost savings of approximately \$1.1 million over a 10-year period.
2. Periodically evaluate operational efficiency and staffing, at least annually, to determine whether further workhour adjustments are necessary based on workload.
3. Provide additional training to plant operations personnel in the proper sortation of mail.

**Management's
Comments**

Management generally agreed with our finding and recommendations. They agreed to reduce workhours by 3,860 over a 5-year period. However, management used local information for salary and benefits to calculate monetary impact from these workhour reductions and OIG used nationwide average fully loaded labor rates the Postal Service provided. We followed up with management on this difference in projected workhour savings and reached an agreement to use the OIG's reported monetary impact. They also agreed to periodically evaluate operational efficiency and, as a result, have virtually eliminated overtime in the unit. In addition, they agreed to provide additional training to plant operations personnel in the proper sortation of mail. Management's comments, in their entirety, are included in Appendix B of this report.

**Evaluation of
Management's
Comments**

Management's comments are responsive and proactive in the implementation of our recommendations. Management's actions taken or planned should correct the issues identified in the finding.

APPENDIX A

COST AVOIDANCE AT THE CHICAGO AMRU, J.T. WEEKER ISC (FUNDS PUT TO BETTER USE)

Employee Category	Total Workhour Reduction	Undiscounted Total Savings (or Costs) (10 Years; 3.1 Percent Escalation Rate)	Discounted Total Savings (or Costs) (10 Years; 5 Percent Discount Rate)
AMRU Clerks (PS-6): Yearly reduction of 772 hours average per year over 5 years.	3,860	\$1,533,894	\$1,121,794

Notes

- We based workhour reductions on Postal Service management's plan to reduce 3,860 workhours over a 5-year period from fiscal years (FY) 2006 to 2010, based on FY 2004 workhour usage.
- Using the April 15, 2005, Decision Analysis Report (DAR) "Productive Workyear Factor" of 1,746 hours per year for bargaining employees, 3,860 workhours is the equivalent to about two employees (2.2).
- We calculated cost avoidance using the workhour savings multiplied by the escalated labor rate over a 10-year period beginning in FY 2006.
- We calculated the net present value using the discount rate of 5 percent over a 10-year period. The yearly escalation factor is 3.1 percent (DAR factors effective April 15, 2005).
- We based labor rates on the Postal Service's March FY 2005 published rates for a PS-6 mail processing clerk in FY 2006 (salary, fringe, and service-wide costs).

Funds Put to Better Use – Funds that can be used more efficiently by implementing recommended actions.

APPENDIX B. MANAGEMENT'S COMMENTS

PLANT MANAGER
JT WEEKER ISC



November 25, 2005

Kim H. Stroud,
Director, Audit Reporting

Subject: JT Weeker ISC Facility Response to IAMRU Audit Report

Plant Management at the JT Weeker ISC is in agreement with the Audit findings but would like to address each item.

Audit Assessment:

- Processed fewer records per workhour than the targeted productivity rate.
 - JT Weeker ISC Management is in agreement that overall productivity in IAMRU is below where it should be and improvement can be made by closer monitoring of employee activities.
 - Plant Management agrees to periodical operational efficiency evaluations at a minimum of once annually to ensure established procedures are being adhered to.
 - Information systems solutions such as productivity reporting of IAMRU work, by user, would be invaluable to the Unit Supervisor. It is our understanding that this type of production reporting for IAMRU is under development.
- Misaligned some workhours with workload.
 - JT Weeker ISC Management does not agree with this assessment at face value. A simple count of documents handled does not accurately portray the units activities. Some documents are easily administered by simply sorting and filing. Some require extensive research within multiple information technology platforms to resolve the issue. Document counts are driven by the arrival of the mail or the accumulation of dispatch and receipt documentation over a weekend or holiday (Sep 6th was a Tuesday after Labor Day, Oct 11th was the Tuesday after Columbus Day). Monday for example would seem to be more productive due to a different document workload mix then on a Friday.
 - We have found that our employee's tend to work to the volume on-hand. We have found that by ensuring our mail is opened as soon as it is received, we can improve our efficiency. This tactic was put in place in September and since then our IAMRU overtime has been virtually eliminated.
- Performed extra work because plant operations personnel sorted some mail improperly.
 - JT Weeker ISC Management is in agreement with this assessment and has been working to improve the facilities quality of distribution. The IAMRU supervisor provides a weekly rollup report that summarizes the prior weeks BV's by irregularity type and flags the highest contributing destinations.

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- Employee mix at the JT Weeker ISC plays a part in our inability to effectively reduce these types of mis-sort and process irregularities in Chicago. Chicago, like the rest of our organization is currently in a transitional environment where facility and operational consolidations are in the planning stages. In FY 2005 the ISC maintained an employee mix of 177 carrier and 90 casual clerk employees in Function 1 distribution. The collective bargaining agreement limits casual clerk appointments to two 89 day periods within the same calendar year. Essentially we turn over 33% of our distribution workforce every 160 days or once a year. At this time we can not project when our complement mix can be improved to a more stable career workforce.
- JT Weeker Plant Management will ensure Supervisors of Distribution operations and the Quality Analyst will conduct verification of distribution in every unit every day and provide training to those employees found to be making errors.
- Manually maintained and retrieved records.
 - JT Weeker Plant Management is in agreement with this assessment.
 - IS solution such as the "Document Portal" eliminating unnecessary paper handling and mailing hard copies. Additional IS solutions are in the planning and developmental stages and will result in additional workhour savings.
 - Improved tools and paperless transactions are beyond our control and will require Headquarters action.
- Performed some unnecessary work.
 - It was the understanding of JT Weeker ISC Management that work cited in the report, such as the "Missing/Duplicate Report" was still requested by the accounting branch.
 - Standardized SOP's developed and implemented from the HQ level would help local Management eliminate unnecessary effort.

A cash flow analysis of the audits projected workhour savings shows over the ten years, the JT Weeker ISC would save \$963,032. This cash flow using this facilities actual S&B for LDC 52 is \$158,762 less than the audit report projects. Attached you will find a copy of the cash flow analysis.

In summary, JT Weeker ISC Management is in agreement with the findings of this audit and that with improved Management, Employee training, and updated processes, the workhour saving are achievable.

Ayodeji Sanyaolu,
A/Plant Manager

Cc: Dr. Akinyele
Mr. Nappi
Mr. Tovey

J.T. Weeker ISC
IAMRU Cost Avoidance

Avoidance Year	Wktns	WktnRate (3.1% escalation Rate)	Baseline S&B	Anticipated S&B	Net Savings	Savings Discounted @ 5.0%
1. LDC 52 FY 05 Actual	17,250	\$38.08	\$603,750			
2. LDC 52 Anticipated to Continue in FY 06	15,475	\$38.08	\$582,468	\$594,409	\$12,941	\$12,941
3. LDC 52 Anticipated to Continue in FY 07	15,175	\$37.20	\$561,763	\$572,423	\$10,660	\$10,660
4. LDC 52 Anticipated to Continue in FY 08	14,994	\$38.36	\$561,667	\$569,081	\$7,414	\$7,414
5. LDC 52 Anticipated to Continue in FY 09	14,182	\$38.55	\$552,069	\$545,936	\$6,133	\$6,133
6. LDC 52 Anticipated to Continue in FY 10	13,380	\$40.77	\$703,316	\$562,980	\$140,336	\$140,336
7. LDC 52 Anticipated to Continue in FY 11	13,380	\$42.04	\$728,119	\$560,309	\$167,810	\$167,810
8. LDC 52 Anticipated to Continue in FY 12	13,350	\$43.34	\$747,597	\$558,259	\$189,338	\$189,338
9. LDC 52 Anticipated to Continue in FY 13	13,350	\$44.68	\$770,973	\$546,846	\$224,127	\$224,127
10. LDC 52 Anticipated to Continue in FY 14	13,350	\$46.07	\$794,867	\$535,968	\$258,899	\$258,899
11. LDC 52 Anticipated to Continue in FY 15	13,350	\$47.50	\$819,302			
Totals Over 10 years:	141,820		\$7,188,829	\$5,952,020	\$1,236,809	\$953,032

DISCOUNT RATE = 5.0%
INFLATION RATE (USPS Labor) = 3.1%