



February 22, 2006

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MANAGER, CAPITAL CUSTOMER SERVICE DISTRICT

SUBJECT: Audit Report – Efficiency Review of the Washington Bulk Mail Center  
(Report Number NO-AR-06-003)

This report presents the results of our review of the Washington Bulk Mail Center (BMC) located in the Capital Metro Area (Project Number 05YG019NO000). Our objective was to determine the efficiency of operations at the Washington BMC. The audit was self-initiated and conducted in cooperation with U.S. Postal Service Headquarters and local BMC officials.

While the Washington BMC has experienced productivity gains, it could further improve operational efficiency. Specifically, the Washington BMC did not adjust workhours in response to changes in workload, attain the efficiency achieved by other BMCs, achieve target productivities, or take full advantage of existing mechanization options.

The Washington BMC could improve efficiency by reducing 400,000 mail processing workhours. This reduction would produce a cost avoidance of approximately \$118 million in labor savings over a 10-year period. We will report this figure as funds put to better use in our *Semiannual Report to Congress*.

We made five recommendations in the report. Management 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.

The U.S. Postal Service Office of 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 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/ Colleen A. McAntee*

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## EXECUTIVE SUMMARY

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### Introduction

The U.S. Postal Service Office of Inspector General assessed the efficiency of mail processing operations at the Washington Bulk Mail Center (BMC), located in the Capital Metro Area. This is the first in a series of efficiency audits that will be conducted at BMCs. The audit was self-initiated and conducted in cooperation with U.S. Postal Service Headquarters and local BMC officials.

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### Results in Brief

While the Washington BMC has improved efficiency, further opportunities exist for improvement. Specifically, the Washington BMC did not adjust workhours in response to changes in workload, attain the efficiency achieved by other BMCs, achieve target productivities, or take full advantage of existing mechanization options.

Title 39 of the United States Code Chapter 4, § 403 (a) states “The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services . . . .” The *U.S. Postal Service Transformation Plan* also recommends that the Postal Service improve productivity.

The above conditions occurred because Washington BMC management did not evaluate operational efficiency by benchmarking operations against other BMCs, assessing its machine utilization, analyzing workhour trends, and adequately supervising its employees. In addition, the Washington BMC did not fully assess its potential automation and mechanization options. Consequently, the Washington BMC was using more workhours than necessary to process its mail volume.

Postal Service management agreed to reduce workhours by 400,000 by the end of fiscal year 2010 in anticipation of increased performance targets. These actions could produce a cost avoidance of over \$118 million over the next 10 years.

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### Summary of Recommendations

We recommended the manager, Capital Customer Service District, reduce workhours at the Washington BMC by 400,000 and periodically evaluate operating efficiency and staffing. In addition, the manager should consider installing a material container handling system and mechanizing the nonmachineable outside operation. Finally, the manager

should remove as much sack sorter equipment as possible and improve supervision of employees.

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**Summary of  
Management's  
Comments**

Management agreed with our finding, recommendations, and associated monetary impact. Management indicated they have already begun to address the recommended workhour reductions. Also, management agreed to consider installing a material container handling system and a mechanized solution for nonmachineable outside parcels. They also agreed to reduce the use of sack sorters. Furthermore, management agreed that proper supervision of employees is essential and tasked the Washington BMC manager with addressing these concerns. Management's comments, in their entirety, are included in Appendix F of this report.

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**Overall Evaluation of  
Management's  
Comments**

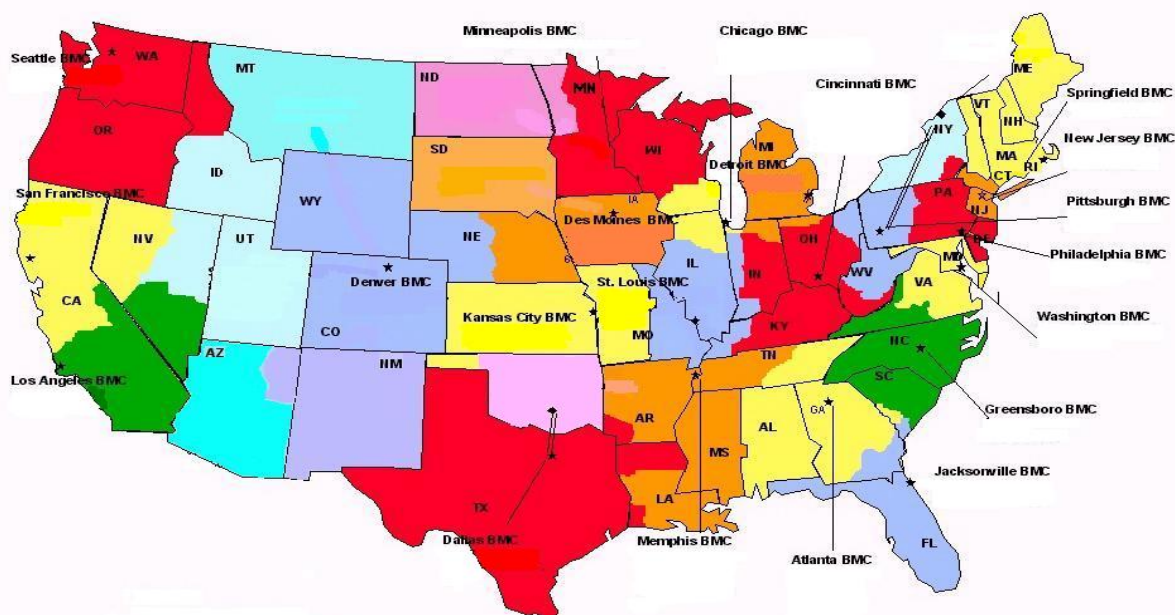
Management's comments are responsive to the audit finding and recommendations. The comments indicate management is taking a proactive approach to improving efficiency. Management's response also indicated they reviewed the material container handling system (the towveyor) and determined that installation costs significantly outweigh benefits. We consider this matter resolved. Management's actions, taken or planned, should correct the issues identified in the report.

## INTRODUCTION

### Background

Bulk Mail Centers (BMCs) are highly mechanized mail processing plants that are part of the National Bulk Mail System. These facilities distribute Parcel Post,<sup>1</sup> Standard Mail,<sup>2</sup> and Periodicals.<sup>3</sup> The U.S. Postal Service developed a bulk mail network in the 1970s to maintain its share of the parcel market against the United Parcel Service (UPS) and built 21 plants (see Illustration 1 below).

Illustration 1. BMC Locations



Many carriers serve the package delivery market. UPS; Federal Express; the Postal Service; and Dalsey, Hillbloom, and Lynn (DHL) are the larger players in the market. As seen in Table 1, the Postal Service has lost

<sup>1</sup> Parcel Post is mail that does not meet the mail processing category of letter-size mail or flat-size mail. It is usually enclosed in a mailing container such as a carton.

<sup>2</sup> Standard Mail is a mail class that is not mailed as First-Class Mail or entered as Periodicals.

<sup>3</sup> Periodicals consist of magazines, newspapers, or other publications formed of printed sheets that are issued at least four times a year from a known office of publication.

market share in every segment of the package delivery market.

**Table 1. Postal Service Package Delivery Market Share**

<b>Fiscal Year</b>	<b>Overnight Air</b>	<b>Two- and Three-Day Air</b>	<b>Ground</b>
2002	6 percent	74 percent	31 percent
2003	5 percent	71 percent	31 percent
2004	5 percent	71 percent	29 percent

Source: Fiscal Year (FY) 2004 USPS Household Diary Study

As shown in Table 2, Postal Service package volume increased in FY 2004 after declining in FY 2003. Households increased their use of both First-Class and Priority Mail Package Services.

**Table 2. Postal Service Package Volume  
(Units in Millions)**

<b>Mail Classification</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
First-Class and Priority	769	688	760
Standard Mail	800	903	887
Package Services	639	647	724
Unclassified	156	89	137
<b>Total Packages</b>	<b>2364</b>	<b>2327</b>	<b>2508</b>

Source: FY 2004 USPS Household Diary Study

To process parcels more efficiently, the Postal Service has developed automation to reduce manual handling and increase capacity. New mail processing equipment, such as the Singulate Scan Induction Unit (SSIU) and Automated Package Processing System (APPS), has raised BMC productivity and replaced less efficient equipment.

The Washington BMC has the 12th largest mail volume of the BMCs and is located in the Capital Metro Area. (See Appendix A for a map of the Capital Metro Area.) During the period FYs 2002 to 2004, the Washington BMC's mail volume declined by 18 billion pieces (15 percent) and workhours declined by 120,110 hours (8 percent). Also, during the same period, the Washington BMC did not



achieve performance targets as consistently as other BMCs.

The organizational structure for the Washington BMC differed from other BMCs. At the time of our audit, the Washington BMC did not have a dedicated In-Plant, Maintenance, and Transportation manager. Rather, these functions were under the control of the adjacent processing and distribution center. However, in FY 2005, the Washington BMC established a conventional BMC hierarchy with a dedicated management team.

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**Objective, Scope,  
and Methodology**

The audit objective was to determine the efficiency of operations performed by the Washington BMC. To assess the efficiency of the Washington BMC, we observed mail processing operations, analyzed mail volumes and workhours, evaluated machine use, and interviewed Postal Service officials. In addition, we benchmarked productivity against the other 20 BMCs located throughout the nation.

We relied on Postal Service operational systems, including the National Workhour Reporting System, the Breakthrough Productivity Initiative website, and the Management Operating Data System. 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.

We conducted this audit from March 2005 through February 2006 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.

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**Prior Audit Coverage**

We have issued 17 audit reports on workhour efficiency. As a result of these audits, the Postal Service has agreed to reduce 1,184,182 workhours. These reductions could produce a cost avoidance of about \$375 million over 10 years. (See Appendix B for details.)

## AUDIT RESULTS

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### Assessment of Washington Bulk Mail Center Efficiency

Management at the Washington BMC could use resources more efficiently. Specifically, the Washington BMC did not:

- Adjust workhours in response to changes in workload.
- Attain the efficiency achieved by other BMCs.
- Achieve target productivities.
- Take full advantage of existing mechanization options.

Title 39 of the United States Code Chapter 4, § 403 (a) states “The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services . . . .” The *U.S. Postal Service Transformation Plan* also recommends that the Postal Service improve productivity.

These conditions occurred because Washington BMC management did not evaluate operational efficiency by benchmarking operations against other BMCs, assessing its machine utilization, analyzing workhour trends, and adequately supervising its employees. In addition, the Washington BMC did not fully assess its automation and mechanization options. Consequently, the Washington BMC was using more workhours than necessary to process its mail volume.

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### Workhours in Relation to Workload

Workhours were excessive in relation to workload. In FY 2004, the First Handling Piece (FHP) mail volume declined 8 percent (9 million pieces), while workhours used to process this mail decreased 4.4 percent (60,760 workhours) from FY 2003 levels. Similarly, the overtime rate<sup>4</sup> used to process this mail increased from 12.36 percent in FY 2003 to 16.88 percent in FY 2004, an increase of nearly 37 percent. This means the Postal Service is not adjusting workhours and overtime usage in proportion to decreased mail volume.

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<sup>4</sup> The overtime rate is determined by dividing mail processing overtime workhours by total mail processing workhours.

Additionally, the increase in overtime has led to a dramatic increase in the number of craft employees on the high earner list. Excessive overtime results in higher labor costs because overtime rates are 50 percent more than the standard hourly rate. In pay year 2004, 83 out of 734 craft employees (11.3 percent) at the Washington BMC earned more than \$70,000, while in pay year 2003, 10 out of 751 (1.3 percent) earned more than \$70,000. (See Table 3.) Base salaries for these employees ranged from \$40,869 to \$52,181.

**Table 3. Washington BMC High Earners**

Pay Year	Number of Employees Earning More than \$70,000	Total Number of Craft Employees	Percentage of Employees Earning More than \$70,000
2003	10	751	1.3
2004	83	734	11.3

Comparison to Other Bulk Mail Centers

The Washington BMC has been one of the least productive BMCs during the period FY 2003 through Accounting Period (AP) 6, FY 2005. For example, in FY 2003, the Washington BMC ranked 15 out of 21 BMCs in overall productivity based on actual productivity (volume per workhour). In FY 2004 and through AP 6, FY 2005, the Washington BMC ranked 17 out of 21 BMCs in overall productivity. Table 4 shows the overall ranking as well as the Washington BMC's ranking for major parcel sorting operations from FY 2003 to AP 6, FY 2005.

**Table 4. Washington BMC Productivity Ranking**

Operation	FY 2003 Rank	FY 2004 Rank	FY 2005 Rank
Machinable Parcels*	18	20	20
Small Parcel and Bundle Sorter**	9	18	18
Sack	14	19	20
Nonmachinable Outside	9	18	14
Overall	15	17	17

\*Productivity ranking is based on FHP volume.

\*\*Only 18 BMCs have a Small Parcel Bundle Sorter operation.

Target Productivities

The Washington BMC has not achieved target productivity levels for the past two fiscal years for its mail processing operations. For example, in FYs 2003 and 2004, the

Washington BMC only achieved 84 percent and 77 percent of its target productivity levels, respectively. Target productivity levels are based on total pieces of mail that employees could process for each workhour of an operation. Achieving established productivity levels could lead to a reduction in workhours. For example, the nonmachinable outside (NMO) operation was achieving 29 percent of its national target level of 116 pieces per workhour in FY 2004. If this operation achieved its national Breakthrough Productivity Index (BPI) target level, the Washington BMC could save over 109,000 processing workhours in one operation.

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Mechanization  
Opportunities

Some Washington BMC operations could improve productivity through mechanization. For example, the Washington BMC does not have a material handling equipment system to enable efficient processing of mail containers. The towveyor<sup>5</sup> system, which allowed mail containers to be moved throughout the facility, was shut down because it constantly needed repairs. This resulted in additional workhours because power equipment operators were required to transport mail manually between operations. We observed many instances where power equipment operators were sometimes unproductive and loosely supervised and noted they were high earners (earning more than \$70,000) because of high overtime usage.



**Illustration 2.** Forklifts were used to transport mail in the absence of a towveyor (April 16, 2005, 11:30 p.m.)

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<sup>5</sup> The towveyor is an endless chain moving in a floor slot used to move over-the-road (OTR) and in-house containers. It permits transportation of mail within the BMC without the need for equipment operators.

Also, we observed idle employees in the NMO<sup>6</sup> manual operation. Currently all NMOs are worked manually.



**Illustration 3. Idle employees in the NMO operation (April 12, 2005, 11:54 a.m.)**

Additionally, employees used the sack sorting machine to process parcels instead of using more efficient methods. As shown in Table 5, actual and target productivities for sack processing are below that of the machinable parcel and small parcel and bundle sorter operations. Table 5 shows that the APPS processes three times as much mail as the sack sorter (586 pieces per workhour versus 168 pieces per workhour).<sup>7</sup>

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<sup>6</sup> Standard postal equipment cannot sort NMO parcels because the size or weight exceeds machine capacity, or some other aspect of the parcel requires manual handling.

<sup>7</sup> Elimination of the sack processing machines would necessitate additional workhours to unload and cull sack mail for processing by other equipment. Actual and target productivities for the machinable parcels, small parcel and bundle sorter, and APPS do not include these workhours.

**Table 5. FY 2004 National BMC Actual and Target Productivity Ratios for Mechanized/Automated Sack Processing Operations**

(Units in Total Pieces Handled Volume per Workhour)

Operation	FY 2004 Actual Productivity	FY 2004 Target Productivity
Machinable Parcels	325	379
Small Parcel and Bundle Sorter	235	366
Sack Sorter Processing	168	320
APPS*	586	630

\*APPS data is through AP 11, FY 2005 (August 31, 2005). APPS were not used in FY 2004.

Furthermore, sack processing machines require a large amount of space,<sup>8</sup> an inventory of sacks, and additional handling to unload and transport the sacks.

We also found that trays were being processed on the sack sorter, which resulted in loose mail that required additional handling. (See Illustrations 4 and 5.)



**Illustration 4.** Trays dumped onto the sack sorter machine broke open, resulting in loose mail (April 12, 2005, 10:34 a.m.).

<sup>8</sup> Sack sorters at the Washington BMC currently occupy 17,500 square feet.



**Illustration 5.** Excessive amounts of loose mail that had to be worked manually. To expedite processing, this mail could have been faced on the Automated Facer Canceller System (AFCS) in the adjacent Southern Maryland Processing and Distribution Center (P&DC) (April 12, 2005, 2:28 p.m.)

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Causes and Impact on  
Operations

Management at the Washington BMC had addressed operational efficiency by reducing workhours in response to budgeted workhours. As a result, they had reduced FY 2003 workhours by approximately 120,000 (8.59 percent) from FY 2002 levels.

These conditions occurred because Washington BMC management did not evaluate operational efficiency by benchmarking operations against other BMCs, assessing its machine use, analyzing workhour trends, and assessing its options for automation and mechanization. Appendix C provides suggestions to improve Washington BMC efficiency.

We also found that employees at the Washington BMC needed proper supervision. (See Illustrations 5 through 7.) For example, employees were:

- Late to their assigned workstations at the start of their tour, took long breaks, and sat idle for lengthy periods.
- Not promptly directed to empty induction slides and OTR containers, which resulted in a high recycle rate and low productivity.

- Not always placing containers at discharge slides, which led to additional handling.
- Unaware of BMC productivity goals.



**Illustration 6.** Parcel sorter machine discharge slides were not cleared promptly, resulting in a high reject rate and poor productivity. (April 12, 2005, 2:00 a.m.)



**Illustration 7.** Parcel sorter machine mail allowed to drop on floor. This mail had to be manually loaded into mail containers. (April 16, 2005, 10:30 p.m.)





**Illustration 8.** OTR containers were not emptied promptly, causing mail to recycle and requiring additional processing. (April 15, 2005, 7:00 p.m.)

Consequently, the Washington BMC was using more workhours than necessary based on its mail volume. Based on raising the Washington BMC productivity to the average of the top ten BMCs, we concluded that management could reduce workhours by 387,898. We further concluded that there are ample opportunities for this reduction based on individual operations achieving 100 percent of target levels. This would produce workhour reductions of 392,200. (See Appendix D.) However, in anticipation of higher future targets, Postal Service management agreed to reduce workhours at the Washington BMC by 400,000 by the end of FY 2010. These actions could produce a cost avoidance of over \$118 million over the next 10 years. (See Appendix E.)

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Postal Service Actions	During the audit, the Postal Service agreed to reduce workhours more aggressively to improve efficiency. In addition, management began to take corrective action on the recommendations in this report. This proactive approach included making organizational changes and developing an action plan.
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**Recommendations**

To improve efficiency, we recommend the manager, Capital Customer Service District:

1. Reduce workhours by 400,000 at the Washington Bulk Mail Center by the end of FY 2010, with an associated economic impact of over \$118 million over 10 years.
2. Periodically evaluate operating efficiency and staffing at the Washington Bulk Mail Center to determine whether further workhour adjustments are necessary based on workload.
3. Consider installing a material container handling system and mechanizing the nonmachinable outside operation.
4. Remove sack sorter machines from the Washington Bulk Mail Center to the extent possible.
5. Improve supervision of employees.

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**Management's  
Comments**

Management agreed with our finding, recommendations, and associated monetary impact. Management's response indicated they have already begun to address the recommended workhour reductions. Also, management agreed to consider installing a material container handling system and a mechanized solution for nonmachineable outside parcels. They also agreed to reduce the utilization of the sack sorters. Furthermore, management agreed that proper supervision of employees is essential and tasked the Washington BMC manager with addressing these concerns. Management's comments, in their entirety, are included in Appendix F of this report.

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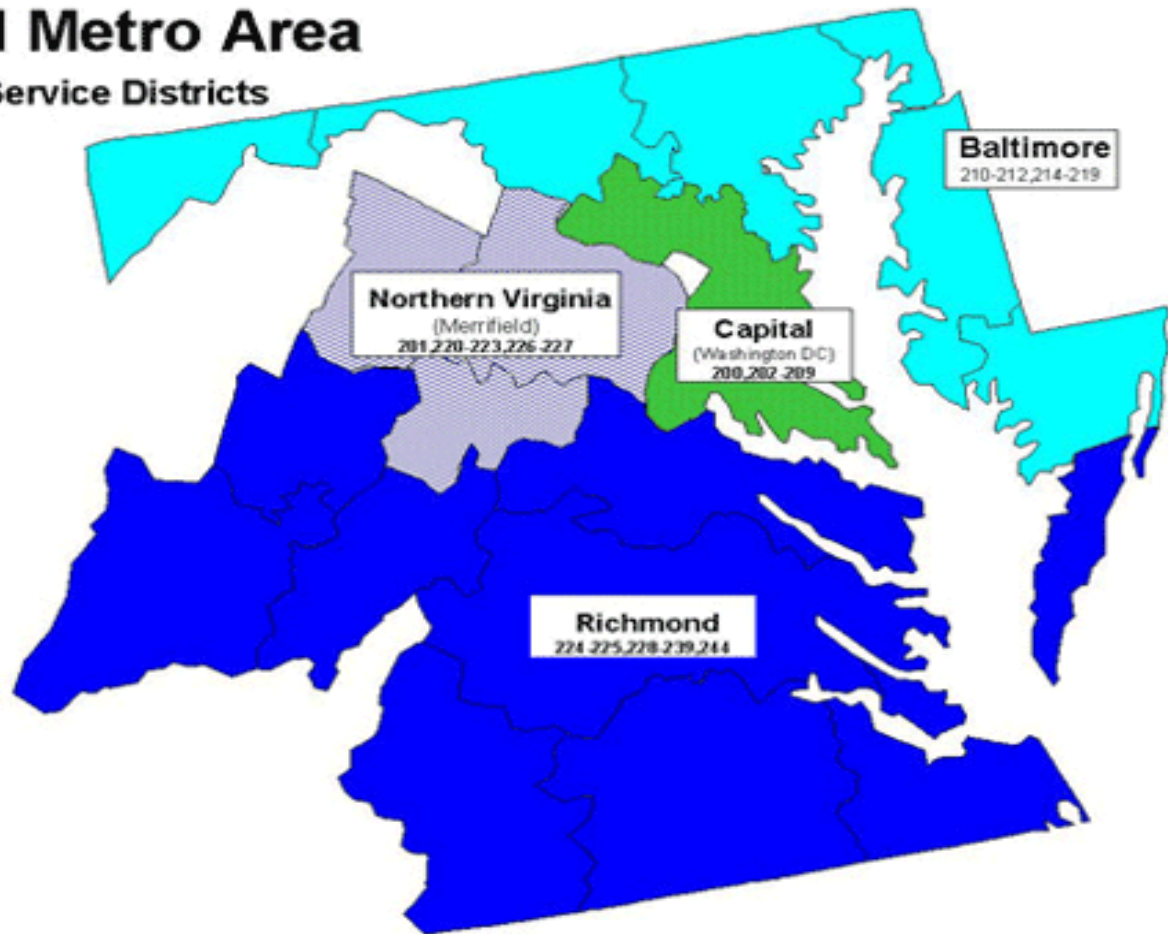
**Evaluation of  
Management's  
Comments**

Management's comments are responsive to the audit finding and recommendations. The comments indicate management is taking a proactive approach to improving efficiency. Management's response also indicated they reviewed the material container handling system (the towveyor) and determined that installation costs significantly outweigh the benefit. We consider this matter resolved. Management's actions, taken or planned, should correct the issues identified in the findings.

## APPENDIX A

### CAPITAL METRO AREA CUSTOMER SERVICE DISTRICTS BY THREE-DIGIT ZIP CODE AREA

#### Capital Metro Area Customer Service Districts



Source: United States Postal Service Blue Pages

## APPENDIX B

### PRIOR AUDIT COVERAGE

Audit	Report Number	Issue Date	Workhour Reductions	Monetary Impact
Canton, OH P&DC <sup>9</sup>	NO-AR-05-013	9/22/2005	202,000	\$64 million
San Francisco, CA ISC AMRU <sup>10</sup>	NO-AR-05-012	8/29/2005	7,757	\$2.6 million
Los Angeles, CA ISC <sup>11</sup>	NO-AR-05-011	6/17/2005	85,000	\$26.1 million
Los Angeles, CA ISC AMRU	NO-AR-05-010	4/28/2005	5,450	\$1.8 million
Akron, OH P&DC	NO-AR-05-009	3/30/2005	235,000	\$74 million
Mansfield OH Main Post Office	NO-AR-05-004	12/08/2004	52,000	\$17.2 million
New York ISC	NO-AR-04-009	9/24/2004	320,000	\$98 million
New York ISC AMRU	NO-AR-04-011	9/24/2004	30,000	\$9.3 million
San Francisco, CA ISC and GSA <sup>12</sup> Facility	NO-AR-04-006	3/31/2004	120,000	44.2 million
Oakland, CA ISC and the Regatta Facility	NO-AR-04-007	3/31/2004	25,000	\$8.8 million
Springfield, VA BMEU <sup>13</sup>	NO-AR-04-004	2/09/2004	2,775	\$1 million
Columbia, MD BMEU	NO-AR-04-002	12/26/2003	3,960	\$1.4 million
Southern MD BMEU	NO-AR-04-001	12/24/2003	20,240	\$8.4 million
San Francisco, CA BMEU	AO-AR-03-002	9/25/2003	18,000	\$6.9 million
Los Angeles, CA BMEU	AO-AR-03-001	7/31/2003	28,000	\$9.3 million
Seattle, Minneapolis, and Des Moines BMEU	CQ-AR-03-001	3/28/2003	15,053	\$0.6 million
Colorado/Wyoming Performance Cluster BMEU	CQ-AR-02-001	9/26/2002	15,947	\$1 million
<b>Totals</b>			<b>1,184,182</b>	<b>\$375 million</b>

<sup>9</sup> Processing and Distribution Center

<sup>10</sup> Air Mail Records Unit

<sup>11</sup> International Service Center

<sup>12</sup> General Services Administration

<sup>13</sup> Business Mail Entry Unit

## APPENDIX C

### WASHINGTON BULK MAIL CENTER SUGGESTIONS FOR IMPROVING EFFICIENCY<sup>14</sup>

- ✓ Send loose mail to the adjacent P&DC for processing on the AFCS.
- ✓ Improve scheduling of employees.
- ✓ Send all service area barcoded mail directly to the SSIU.
- ✓ Inform employees of productivity goals and reward them accordingly.
- ✓ Streamline the process to report and clear mail jams.
- ✓ Closely monitor overtime usage.
- ✓ Redesign sorting schemes for parcel sorters by moving the high-volume primary sort operation for the local service area to the secondary/SSIU sort operation. If necessary, analyze mail flow and bin density.
- ✓ Acquire a strapping machine and ensure that employees feed only securely bound letter trays onto the equipment.
- ✓ Increase usage of the universal dumper in the NMO operation.
- ✓ Surplus the unused wrapping machine in the NMO area.
- ✓ Use a mechanized belt to unload trucks.
- ✓ Ensure that letter trays are not placed on the sack sorter machines.
- ✓ Ensure that parcel sorters' barcode applicators are functioning.
- ✓ Improve scheduling of preventive maintenance.
- ✓ Review employee keying errors, take corrective actions, and reward good performance.
- ✓ Ensure that an adequate supply of mail containers is available (OTRs, Postal Paks, and other containers).

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<sup>14</sup> These items present options to management as possible sources of workhour reductions. These options are not recommendations and management may or may not implement them at their discretion.

**APPENDIX D**

**POTENTIAL WORKHOUR SAVINGS AT  
WASHINGTON BULK MAIL CENTER**

Source: USPS BPI data

<b>Major Operation</b>	<b>FY 2004 Volume</b>	<b>FY 2004 Workhours</b>	<b>FY 2004 Actual Productivity</b>	<b>Target Productivity</b>	<b>Percentage of Achievement (Target)</b>	<b>Workhours at 100 Percent BPI</b>	<b>Potential Workhour Savings</b>
Machinable Parcels (Primary)	45,860,346	204,240	225	437	51%	104,944	99,296
Machinable Parcels (Secondary)	37,984,816	129,680	293	338	87%	112,381	17,299
Small Parcel and Bundle Sorter	18,204,150	114,397	159	366	43%	49,738	64,659
Sack Processing	21,981,810	169,357	130	320	41%	68,693	100,664
NMO	5,210,716	155,002	34	116	29%	44,920	110,282
<b>Total</b>							<b>392,200</b>

## APPENDIX E

### WASHINGTON BULK MAIL CENTER COST AVOIDANCE (FUNDS PUT TO BETTER USE)

Year	Total Yearly Workhour Reduction	Cost Avoidance (10 Years with Escalation)
FY 2006 - 2015 (100,000 hours per year for years 1 - 4 escalated over 10 years)	400,000	\$160,328,387
	<b>Present Value at 5 percent for 10 years</b>	<b>\$118,383,220</b>

#### NOTES

- The 400,000 workhour reduction was based on Postal Service management's plan to reduce workhours over a 4-year period, based on FY 2004 usage of approximately 1.3 million workhours.
- The cost avoidance was calculated using the savings in hours multiplied by the escalated labor rate over a 10-year period.
- The net present value was calculated using the discount rate of 5 percent over a 10-year period.
- Labor rates were based on the Postal Service's March 2004 published rates for a level 05 (PS-05) mail processing clerk.
- 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 F. MANAGEMENT'S COMMENTS

MANAGER, OPERATIONS SUPPORT  
CAPITAL METRO OPERATIONS



February 6, 2006

Colleen A. McAntee  
Deputy Assistant Inspector General  
For Core Operations

Subject: Draft Audit Report – Efficiency Review of Washington Bulk Mail Center  
(Report Number NO-AR-06-DRAFT)

This responds to the subject draft audit review of the Washington Bulk Mail Center (BMC). I am responding for Capital Metro Operations as the BMC is a Capital Metro Operations network facility. The responses to the recommendations are as follows:

Recommendation 1—*Reduce workhours by 400,000 at the Washington Bulk Mail Center (BMC) by the end of FY 2010, with an associated economic impact of over \$118 million over 10 years.*

Management agrees with the 400,000 workhour reduction and associated economic impact. Management has already begun addressing the recommended workhour reductions.

Recommendation 2—*Periodically evaluate operating efficiency and staffing at the Washington BMC to determine whether further workhour adjustments are necessary based on workload.*

Management agrees to periodically evaluate efficiency and adjust workhours in response to changes in workload.

Recommendation 3—*Consider installing a material container handling system and mechanizing the nonmachinable outside operation.*

Management agrees that a mechanized solution for non-machineable outsides is preferred. Management has reviewed the potential cost and benefit of renovating the towveyor system and determined that the costs significantly outweigh the potential benefit.

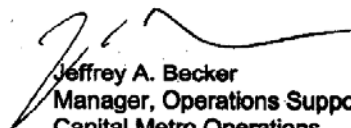


**Recommendation 4**—*Remove sack sorter machines from the Washington BMC to the extent possible.*

Management agrees that the removal of the sack sorter system is needed to capture the savings related to reduced sack volume. In the interim, actions to reduce utilization of the sack sorters, including elimination of tray handling have already been taken.

**Recommendation 5**—*Improve supervision of employees.*

Management agrees that the relationship between efficiency, attainment of production targets and proper management of employees is fundamental to effective business practice. The manager of the Washington BMC has been charged with responsibility for addressing the specific issues documented on draft report.

  
Jeffrey A. Becker  
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