

September 25, 2003

SCOTT TUCKER  
MANAGER, SAN FRANCISCO DISTRICT

SUBJECT: Transmittal of Audit Report – Efficiency of Work Performed by Business Mail Entry Clerks in the San Francisco Business Mail Entry Unit (Report Number AO-AR-03-002)

This report presents the results of our audit of work performed by business mail entry employees in the San Francisco Business Mail Entry Unit (Project Number 03WG002AO000). This self-initiated audit was conducted jointly with Pacific Area Finance and Marketing managers in response to analytical observations we made during recent audits of business mail entry staffing in the Western and Pacific Areas.

Our audit disclosed that workhours necessary to accept business mailings in the San Francisco Business Mail Entry Unit should be reduced. During the audit, Postal Service management agreed to aggressively reduce business mail entry workhours by 18,000 hours by the end of fiscal year 2006. We calculated that the financial impact of this reduction in workhours could produce an estimated cost avoidance of approximately \$6.9 million over 10 years. We recommended the manager, San Francisco District reduce hours as planned and reevaluate staffing needs periodically. Management agreed with our finding and recommendations and actions taken or planned should correct the issues identified in the report. Management's comments and our evaluation of these comments are included in the report.

The Office of Inspector General (OIG) considers recommendations 1 and 2 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations 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 Kim H. Stroud, director, Audit Operations and Follow-up, at (703) 248-2100 or me at (703) 248-2300.

John M. Seeba  
Assistant Inspector General  
for Audit

Attachment

cc: John A. Rapp  
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## EXECUTIVE SUMMARY

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<b>Introduction</b>	The Office of Inspector General assessed the efficiency of work performed by business mail entry employees in the San Francisco Business Mail Entry Unit. This self-initiated audit was conducted jointly with Pacific Area Finance and Marketing managers in response to analytical observations we made during recent audits of business mail entry staffing in the Western and Pacific Areas.
<b>Results in Brief</b>	<p>Our audit disclosed that workhours at the San Francisco Business Mail Entry Unit were excessive and could be reduced by more than a third of fiscal year (FY) 2002 levels. Although Postal Service policies require the efficient use of workhours, management did not periodically evaluate staffing levels to the degree necessary to improve productivity.</p> <p>As a result of our audit, Postal Service management agreed to reduce business mail entry workhours in the San Francisco Business Mail Entry Unit by at least 18,000 hours by the end of FY 2006. This will be done through employee attrition and would raise productivity closer to benchmarked averages for comparable business mail entry units. The financial impact of this workhour reduction could also produce a cost avoidance for the Postal Service of approximately \$6.9 million over 10 years based on Postal Service cash flow methodology.</p>
<b>Summary of Recommendations</b>	We recommended the manager, San Francisco District, reduce workhours as planned, and periodically evaluate staffing needs.
<b>Summary of Management's Comments</b>	Management agreed with the finding and recommendations. Management's comments, in their entirety, are included in Appendix D of this report.
<b>Overall Evaluation of Management's Comments</b>	Management's comments are responsive to the recommendations. Management's actions, taken or planned, should correct the issues identified in the report.

## INTRODUCTION

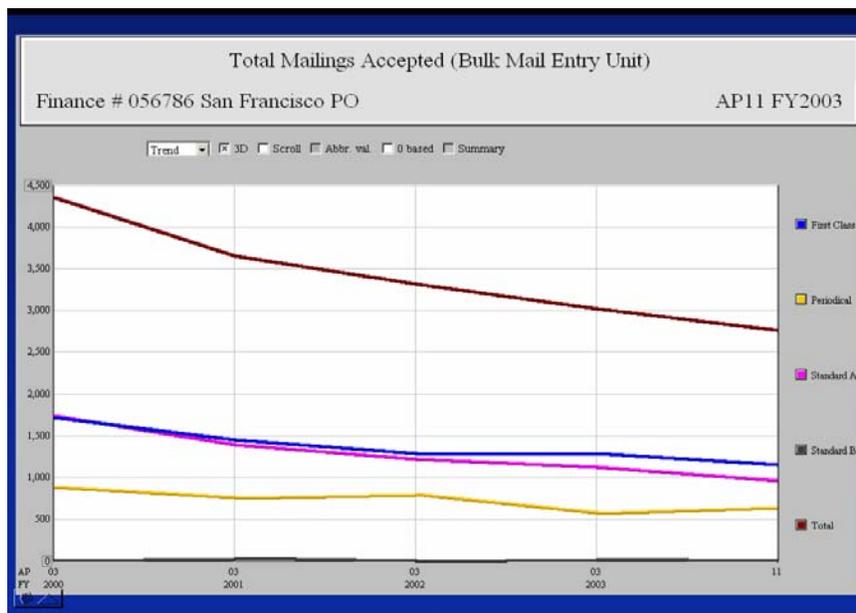
### Background

Business mail entry units are located in Postal Service facilities nationwide. Business mail entry unit clerks receive business mailers' bulk, presorted, and permit mail for acceptance. Business mail is accepted using dedicated platform space, office space, and a staging area on the workroom floor. A business mail entry clerk, using prescribed acceptance procedures, typically performs mailing verifications. Verification procedures include verifying fees and funds on deposit, reviewing contents of mailpieces, checking of labels and mail make up, and completing postage verification.

Business mail entry clerks are primarily located at a general mail facility. However, some clerks are located or operate at the bulk mail centers, detached mail units, associated post offices, and satellite offices. These secondary facilities provide limited acceptance and verification of business mail in support of the central business mail entry unit located at the general mail facility.

As shown in Diagram A,<sup>1</sup> the San Francisco business mailings have steadily declined on average since fiscal year (FY) 2000.

**Diagram A. Total Mailings Accepted.**



<sup>1</sup> Web Enterprise Information System as of accounting period 11, FY 2003.

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**Objective, Scope,  
and Methodology**

The objective of our audit was to assess the efficiency of work performed by business mail entry clerks in the San Francisco Business Mail Entry Unit. To assess the efficiency of work performed, we observed business mail entry unit operations and analyzed business mail volumes and workhours. In addition, we benchmarked the San Francisco unit's revenues and mailings with comparable business mail entry units.

The business mail entry unit in San Francisco had operations at a central acceptance site in the general mail facility, a detached mail unit at a customer site, and at the International Service Center.

We relied on Postal Service operational systems, including the National WorkHour Reporting System, Standard Field Accounting System Unit Revenue Data, Web Enterprise Information System, and the Permit System to perform our analysis of mailings and workhours. We did not test the validity of controls over these systems. However, we checked the accuracy of data by confirming our analysis and results with Postal Service managers. Nothing came to our attention to suggest that data used was unreliable. Therefore, we believe the computer-generated data was sufficiently reliable to support the opinions, conclusions, and recommendations in this report.

This audit was conducted from April 2003 through September 2003 in accordance with generally accepted government auditing standards, and included such tests of internal controls as were considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

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**Prior Audit  
Coverage**

We have issued three prior audit reports on the efficiency of business mail entry units.

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

management oversee the consolidation of business mail entry operations and reduce staff as planned, and reevaluate staffing to determine if further staff reductions are necessary. Management agreed and the actions taken and planned are responsive to the issues identified in the report.

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

Efficiency of Work Performed by Business Mail Entry Clerks Within the Los Angeles District (Report Number AO-AR-03-001, dated July 31, 2003), disclosed that workhours necessary to accept business mailings at the facilities we reviewed should be reduced. As a result, management could save an estimated \$9.26 million over 10 years by reducing workhours by 28,800 hours by the end of FY 2005. 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.

## AUDIT RESULTS

### Assessment of Employees' Workhours

Our review disclosed that workhours at the San Francisco Business Mail Entry Unit were excessive in relation to the number of business mailings processed. Postal Service policies<sup>2</sup> require that business mail entry units ensure the efficient use of workhours. FYs 2001 and 2002 mailings per workhour for the San Francisco Business Mail Entry Unit were markedly below benchmarked units. Postal Service management agreed that 18,000 workhours could be eliminated based on business mail volumes, benchmark data, and observations of business mail operations. The following chart depicts average productivity levels for the San Francisco Business Mail Entry Unit, and benchmark sites.

	Fiscal Year	LABOR DISTRIBUTION CODE 79 WORKHOURS	NUMBER OF MAILINGS	MAILINGS PER WORKHOUR FOR SAN FRANCISCO	MAILINGS PER WORKHOUR FOR BENCHMARK SITES
<b>San Francisco</b>	2001	53,316	45,539	.85	1.47
<b>San Francisco</b>	2002	49,537	41,117	.83	1.45
<b>Growth Rate</b>		-7.1%	-9.7%		

FYs 2001 and 2002 mailings per workhour for the San Francisco Business Mail Entry Unit were .85 and .83 while the averages for comparable<sup>3</sup> business mail entry units were 1.47 and 1.45, respectively. Appendix A highlights how the San Francisco Business Mail Entry Unit compared to similar sites for mailings per workhour for FY 2002.

In addition, mailings per workhour trends since the beginning of FY 2001 show that San Francisco business mail acceptance productivity is significantly lower than the national and Pacific Area performance.

The San Francisco Business Mail Entry Unit maintained the largest number of employees when compared to

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

<sup>3</sup> Comparative sites have revenue greater than \$40 million and mailings within +/- 10 percent of San Francisco.

comparable sites for FY 2002. While not unusual by itself, there is cause for concern when productivity measures are below expectations. Appendix B highlights how the San Francisco Business Mail Entry Unit compared to other similar sites for the number of employees.

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

- Inconsistencies between bulk mail entry unit hours of operation and mail arrival times.
- Low mailing volumes per workhour.
- Business mail entry unit managers not evaluating and adjusting staffing levels based on current mail volumes.

Other factors that contributed to business mail acceptance inefficiencies were:

- Poor business mail entry unit design, which resulted in excessive business mail handling.
- Bulk mail entry unit employees performing unnecessary functions.

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Management's Actions	To improve productivity, Postal Service managers agreed to reduce business mail entry workhours in the San Francisco Business Mail Entry Unit by 18,000 hours by the end of FY 2006 primarily through attrition. While holding mail volume constant, these actions would raise productivity to approximately 1.30 mailings per workhour based upon FY 2002 mailings and hours and would save the Postal Service approximately \$6.9 <sup>4</sup> million over the next 10 years. Appendix C details the financial impact of workhour reductions planned by the San Francisco Business Mail Entry Unit.
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<sup>4</sup> Based on Postal Service's methodology, the cost avoidance was projected over 10 years using Postal Service's assumptions for annual workhours, the business mail entry clerk labor rate, and the latest labor escalation factor.

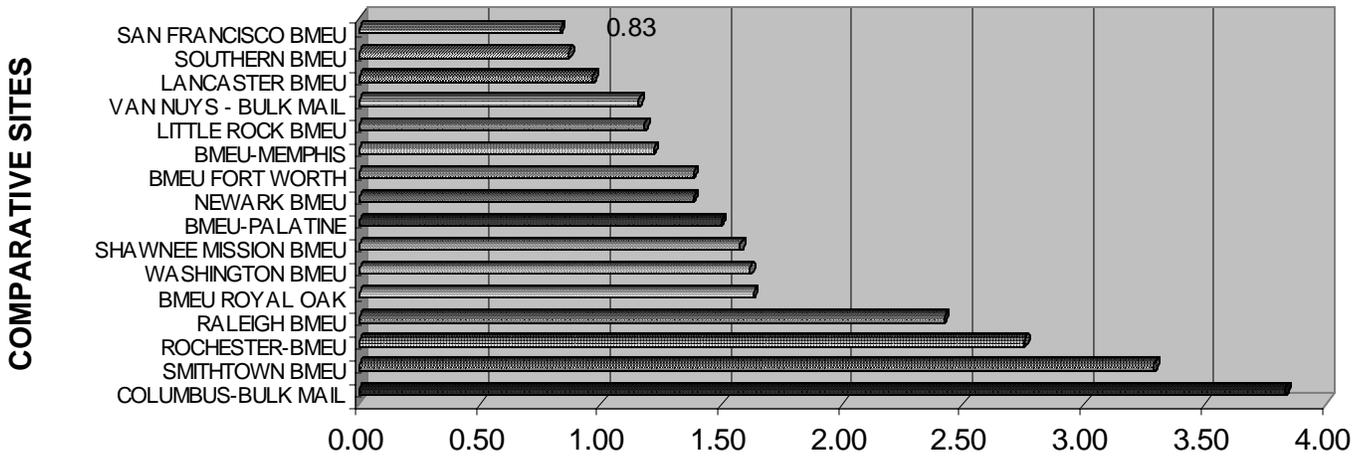
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<b>Recommendations</b>	To improve business mail entry productivity, we recommend the manager, San Francisco District:  1. Reduce business mail entry hours as planned.  2. Periodically evaluate staffing to determine if further workhour reductions are necessary based on workload.
<b>Management's Comments</b>	Management agreed with our finding and recommendations.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to the recommendations. Management's actions, taken or planned, should correct the issues identified in the report.

APPENDIX A

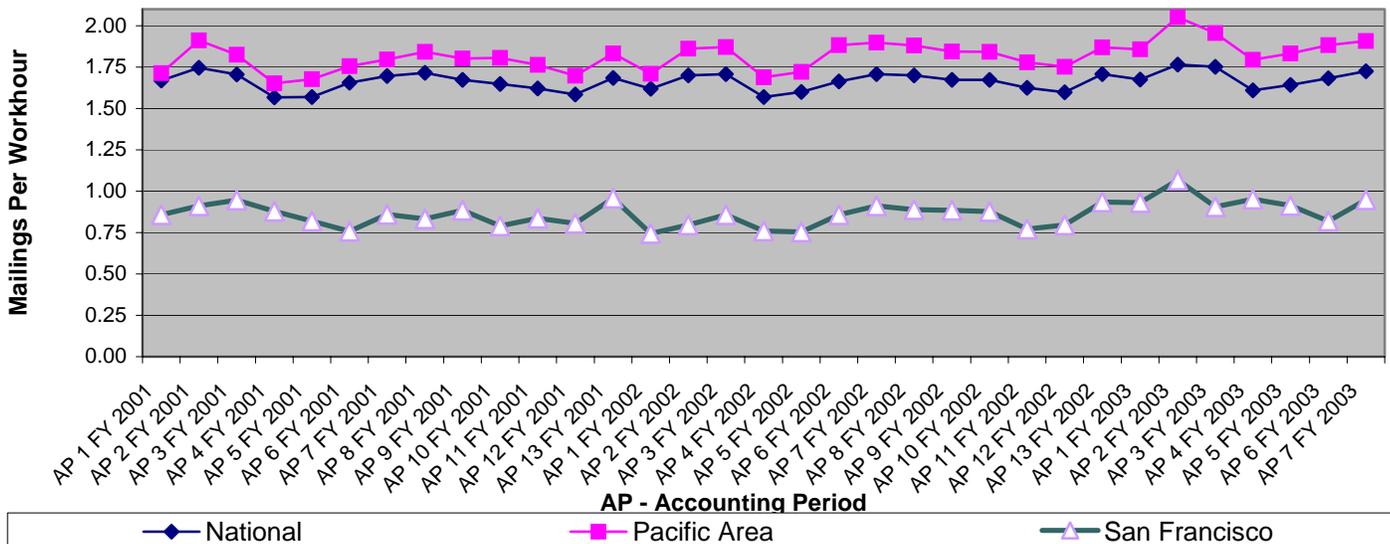
FY 2002 MAILINGS PER WORKHOUR AND TREND COMPARISON  
FOR THE SAN FRANCISCO BUSINESS MAIL ENTRY UNIT

FISCAL YEAR 2002 MAILINGS PER WORKHOUR



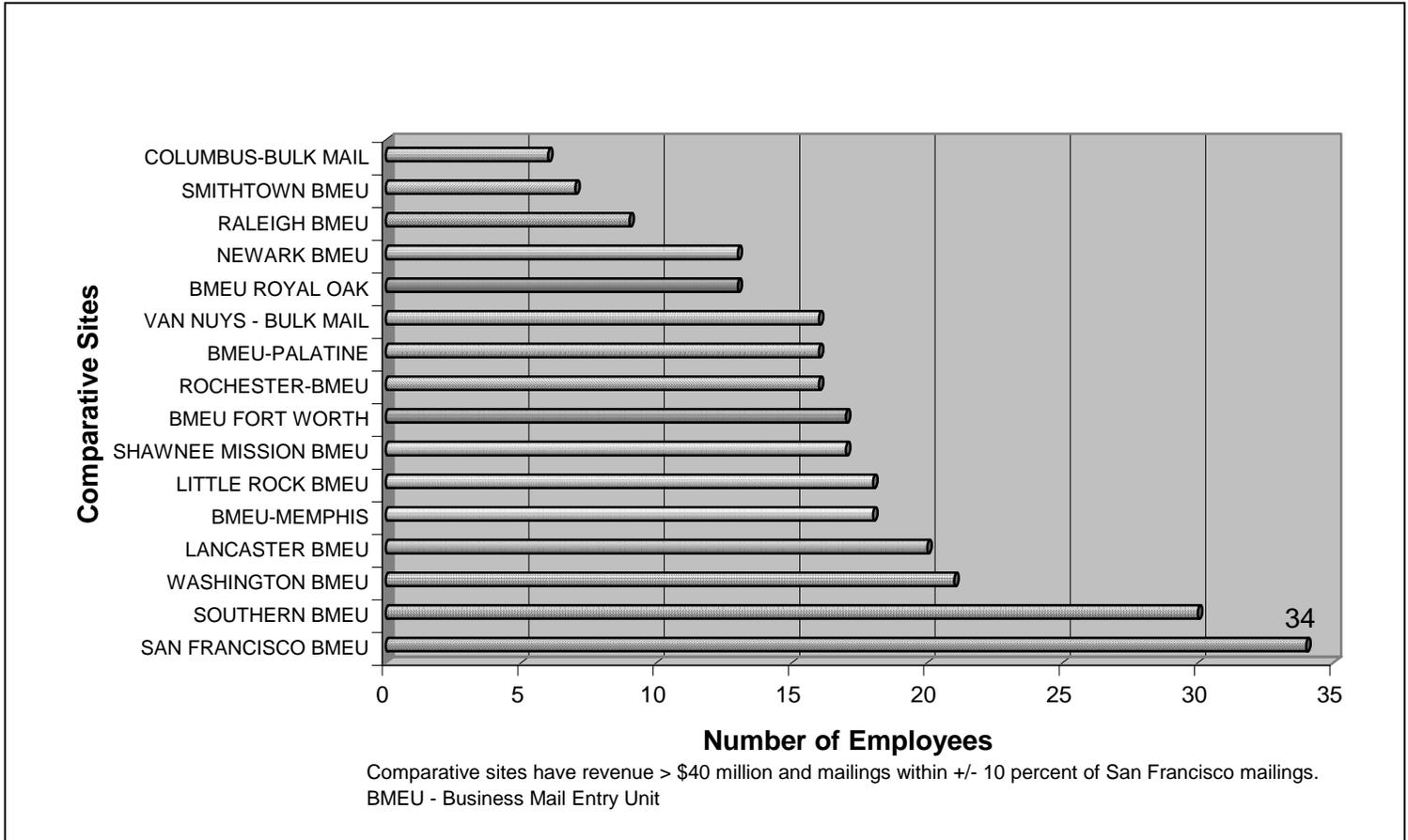
AVERAGE 1.43  
Comparative sites have revenue > \$40 million and mailings within + 10 percent of San Francisco mailings.  
BMEU - Business Mail Entry Unit

Mailings Per Workhour Trends



### APPENDIX B

## FY 2002 TOTAL BUSINESS MAIL ACCEPTANCE STAFFING (LDC 79) COMPARISON



## APPENDIX C

### SAN FRANCISCO BUSINESS MAIL ENTRY UNIT COST AVOIDANCE (FUNDS PUT TO BETTER USE)

Year	Yearly Workhour Reduction	Fully Loaded Labor Rate/Hr	Cost Avoidance (10 Years with escalation)
FY 2004 (Effective Accounting Period 1)	5,400	\$ 40.84	\$ 2,760,801
FY 2005 (Effective Accounting Period 1)	5,400	\$ 42.84	\$ 2,896,080
FY 2006 (Effective Accounting Period 1)	7,200	\$ 44.94	\$ 4,050,651
Totals (10 full fiscal years)	18,000		\$ 9,707,532
		<b>Present Value @ 5%, 10 Years</b>	<b>\$ 6,963,499</b>

#### SOURCE

- Workhour Reductions were based on the United States Postal Service San Francisco Area Action Plan.

#### ASSUMPTIONS

- Labor rates were based on the United States Postal Service 2003 Published Rates for a PS-06 Business Mail Entry Unit technician.
- Yearly Escalation Factor is 4.9 percent.
- Postal Service Cost of Borrowing is 5 percent.

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

## APPENDIX D. MANAGEMENT'S COMMENTS

SAN FRANCISCO DISTRICT MANAGER



September 8, 2003

JOHN M. SEEBA  
ASSISTANT INSPECTOR GENERAL FOR AUDIT

SUBJECT: Transmittal of Draft Audit Report - Efficiency of Work Performed by Business Mail Entry Clerks in the San Francisco Business Mail Entry Unit Report Number AO-AR-03-DRAFT)

The following is our response to the recommendation from the above subjected audit report:

**Recommendation #1:** Reduce business mail entry hours as planned.

**Management Response:** To improve productivity, San Francisco agrees to reduce business mail entry workhours (LDC 79) by 18,000 hours by the end of FY 2006. This will be accomplished primary through attrition. Currently Merlin is being installed in San Francisco District, which should contribute to increased business mail acceptance efficiencies. The cost avoidance saving of \$6.9 million over 10 years should be realized when we complete the reduction in FY 2006.

**Recommendation #2:** Periodically evaluates staffing to determine if further workhour reductions are necessary based on workload.

**Management Response:** Management in San Francisco will periodically review the business mail entry workhour (LDC 79) staffing to determine whether additional reductions are warranted or if we can reduce the numbers of hours stated in Recommendation #1 prior to FY 2006.

Regarding Freedom of Information Act (FOIA), there are no portion of this report that contain proprietary or other business information that may be exempt from disclosure under the FOIA.

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