

September 26, 2002

TALMADGE M. MIDDLETON
SENIOR PLANT MANAGER
DENVER GENERAL MAIL FACILITY

GEORGE A. BOETTGER
MANAGER, COLORADO WYOMING DISTRICT

SUBJECT: Audit Report - Work Performed by Business Mail Entry Employees in the
Colorado Wyoming Performance Cluster
(Report Number CQ-AR-02-001)

This report presents the results of our audit of the appropriateness of work performed by business mail entry employees at the Denver Bulk Mail Center and the Denver General Mail Facility (Project Number 02BO008CQ000). This self-initiated review was conducted in response to observations made during recurring financial installation audits by the Office of Inspector General (OIG).

Our review disclosed that many business mail entry employees currently working at the two facilities were not needed to accept business mailings. We recommended that 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 with our recommendations and has initiatives in progress, completed, or planned addressing the issues identified in this report. Management's comments and our evaluation of these comments are included in the report.

The 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 review. If you have any questions or need additional information, please contact Kim H. Stroud,

director, Audit Operations and Quick Response, at (703) 248-2100 or me at (703) 248-2300.

Robert L. Emmons
Acting Assistant Inspector General
for Audit

Attachment

cc: Patrick R. Donahue
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EXECUTIVE SUMMARY

Introduction

The Office of Inspector General (OIG) conducted a review of the appropriateness of work performed by business mail entry employees at the Denver Bulk Mail Center and the Denver General Mail Facility (Project Number 02BO008CQ000). Both of the facilities are located in the Colorado Wyoming Performance Cluster. This self-initiated review was conducted in response to observations made during recurring financial installation audits by the OIG.

Results in Brief

Our review disclosed that many business mail entry employees currently working at the two facilities were not needed to accept business mailings.¹ Based on benchmarking averages, we determined that a reduction of 16 - 22 employees could save over \$1 million a year and bring the Colorado Wyoming Performance Cluster within averages for nationally comparable sites for employee complement, as well as mailings and revenue per workhour.

Excessive workhours were assigned to business mail entry units because:

1. Business mail entry technicians at the Denver Bulk Mail Center accomplished duties that should have been accomplished by dock personnel and their remaining workload is minimal.
2. Managers did not consider consolidating business mail entry units that were less than a mile apart.
3. Managers did not periodically reevaluate staffing levels to improve productivity.

During the audit, local managers initiated an aggressive plan to consolidate business mail entry operations and reduce employee complements. Because there are other opportunities to improve productivity at other locations, we plan to expand our work to other business mail entry units in the Western Area.

¹ A mailing is a unique event whereby the customer has prepared similar pieces of mail in accordance with the criteria set forth in the Domestic Mail Manual.

Summary of Recommendations	We recommended management oversee the consolidation of business mail entry operations and reduce staff as planned, reevaluate staffing after the consolidation transition period to consider reducing additional business mail entry staff, and reevaluate staffing periodically to determine if further reductions are necessary based on changes in workload and revenue.
Summary of Management's Comments	Management agreed with our findings, recommendations, and forecasted savings. They are in the process of consolidating business mail entry unit functions at the Denver Bulk Mail Center into the unit located at the Denver General Mail Facility and plan to re-evaluate staffing again next year based on the outcome of an annual staffing survey. Management's comments, in their entirety, are included in Appendix H of this report.
Overall Evaluation of Management's Comments	In the OIG's opinion, management's actions, taken or planned, should correct the problem or resolve the issues identified in the report.

INTRODUCTION

Background

Business mail entry units are located in Postal Service facilities nationwide. Business mail entry technicians receive business mailers' bulk, presorted, and permit mail for acceptance. Business mail entry technicians accept business mail using dedicated platform space, office space, and a staging area on the workroom floor. A business mail entry technician, 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. Work activity associated with platform acceptance, presort verification, and mail entry is captured in the Management Operating Data System.

Between fiscal years (FY) 1999 and 2001, revenues for business mail entry units located in the two facilities we reviewed declined 3 percent from approximately \$129 million to \$125 million. In addition, mailings decreased 2.34 percent from 89,801 to 87,701. However, workhours increased 1.2 percent from 81,349 to 82,326.

Objectives, Scope, and Methodology

To assess the appropriateness of business mail entry technicians' work, we made observations of business mail entry staff, conducted interviews, and compared work activities to policies and procedures.

To assess the appropriateness of employee complements, we benchmarked revenues and mailings per workhour to other business mail entry units located in the same area, with similar amounts of revenue and mailings. We also benchmarked the data against Postal Service facilities located nationally.

We relied on Postal Service operational systems to perform our analysis of revenue, mailings, and workhours. We did not test the validity of controls over these systems.

This review was conducted from July through September 2002 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.

**Prior Audit
Coverage**

We did not identify any prior reviews related to the objectives of this audit.

AUDIT RESULTS

Employee Workhours are Excessive

Excessive workhours were assigned to business mail entry units because:

- Business mail entry technicians accomplished duties that should have been accomplished by dock personnel.
- Remaining workload is minimal.
- Managers did not consider consolidating business mail entry units that were less than a mile apart.
- Managers did not periodically reevaluate staffing levels to improve productivity.

Business Mail Entry Technicians Performing Work of Dock Personnel

Although Postal Service policies state that dock personnel should perform acceptance activities, business mail entry technicians currently accept plant-verified drop shipments at the Denver Bulk Mail Center. This activity constituted the vast majority of the business mail entry technicians workload. Business mail entry technicians were assigned the responsibility of accepting plant-verified drop shipments since there was insufficient workload.

A plant-verified drop shipment is a procedure that enables a mailer to pay postage and have mailings verified at its origin office and then to enter the mailings at a destination office using shipper-paid transportation. Plant-verified drop shipments are accounted for using the Postal Service (PS) Form 8125, Plant-Verified Drop Shipment Verification and Clearance, and are normally accepted by dock personnel. According to Postal Service policies,² dock personnel at the destination office such as, the business mail entry unit at the Denver Bulk Mail Center, need only compare information on the PS Form 8125 to the actual mail and does not entail the level of detail required for mail acceptance because the mail has already been verified. Therefore, we believe this work should be assigned to dock personnel as required by Postal Service policies.

² Publication 804, Drop Shipment Procedures for Destination Facility, Section 5-5, Destination Entry Office Acceptance, Part d and Chapter 6.

Business Mail Entry Technicians' Remaining Workload is Minimal	We also noted if business mail entry technicians' no longer performed acceptance activities of plant-verified drop shipments, their remaining workload would be minimal. On average, the business mail entry unit at the Denver Bulk Mail Center has approximately six mailings per week performed by 14 employees, or .43 mailings per employee. We believe the volume of remaining business mail as observed during our visits does not appear to support current staffing levels.
Consolidation of Business Mail Entry Units	Managers did not consider consolidating business mail entry units that were closely located though intended workload at the bulk mail center was minimal. Currently, the Denver Bulk Mail Center and Denver General Mail Facility both maintain business mail entry units that are located approximately seven-tenths of a mile from each other. We believe that consolidating the business mail entry unit operations for these two facilities would result in cost savings and improve productivity.
Reevaluation of Staffing Levels to Improve Productivity	Although Postal Service policies ³ require that business mail entry units ensure the efficient use of workhours, managers did not periodically reevaluate staffing levels to improve productivity. ⁴ When FY 2001 revenue, mailings, and workhours for the two facilities were compared to business mail entry units with similar size revenue in the Western Area (see Appendices A and B) we noted that: <ul style="list-style-type: none">• Revenue per workhour was less than a third the average of other business mail entry units.• Mailings per workhour were almost two-thirds the average of other business mail entry units.• Business mail entry operations ranked last in revenue and mailings per workhour.

³ Domestic Mail Manual 109.

⁴ Productivity measured in terms of mailing per hour and revenue per hour—national measures for business mail entry unit operations. Averages used for representative benchmarks.

Our comparisons of 2001 revenues, mailings, and workhours at business mail entry units with similar size revenue in the nation (see Appendices C and D) revealed that:

- Revenue per workhour was about half the average of other business mail entry units.
- The business mail entry operations at the two facilities we reviewed ranked last in revenue per workhour.
- Mailings per workhour were two-thirds the average of other business mail entry units.
- The facilities we reviewed ranked second to last in mailings per workhour.

To bring the Denver business mail entry operations within benchmarked averages, an employee complement ranging from 24 to 30 personnel would be needed rather than the current complement of 46 employees. Downsizing the Denver business mail entry staff to a complement of 30 would bring the unit within the national average for mailings. However, we believe further opportunities exist to improve revenue measures with a reduced complement of 30 employees. (See Appendices E and F.)

**Management's
Actions**

During our review, local managers initiated a plan to consolidate business mail entry operations and reduce its employee complements. Specifically, local managers planned to:

- Discontinue acceptance of PS Form 8125 mail by business mail entry technicians.
- Reduce the positions of eight business mail entry technicians and one manager during a transitional period.
- Reassess workhour requirements within a year to further reduce staff.

The results of these actions will result in annual savings of approximately \$1 million, if fully implemented. Appendix G contains our detailed calculations. We found management's preliminary actions responsive to our findings.

Recommendations

We recommend the senior plant manager, Denver General Mail Facility, in conjunction with the Colorado Wyoming district manager:

1. Oversee the consolidation of business mail entry operations and reduce staff as planned.
2. Reevaluate staffing after the consolidation transition period to consider reducing business mail entry staff by another eight positions.
3. Reevaluate staffing periodically to determine if further reductions are necessary based on changes in workload and revenue.

**Management's
Comments**

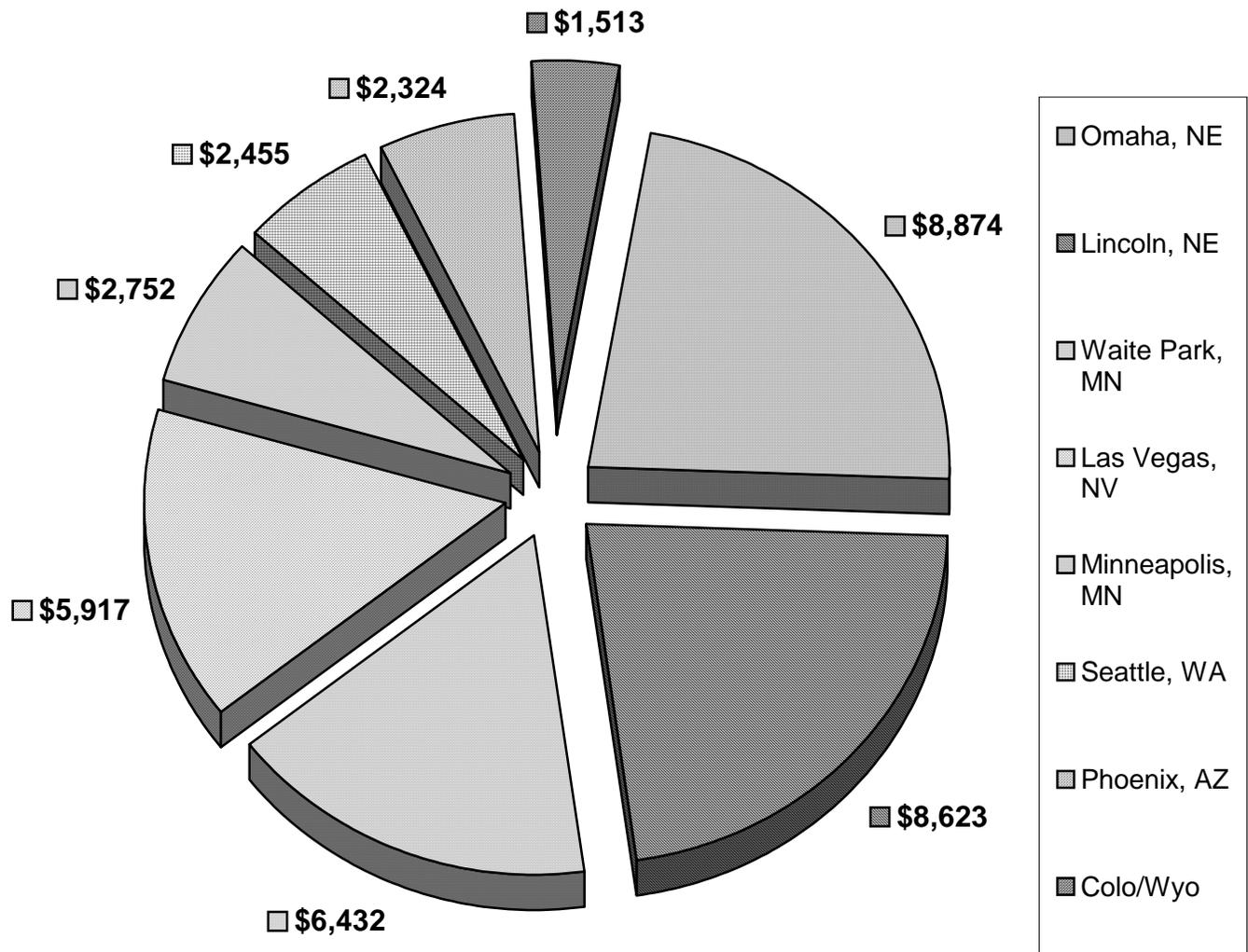
Management agreed with our findings and recommendations. They are in the process of consolidating business mail entry unit functions at the Denver Bulk Mail Center into the unit located at the Denver General Mail Facility and plan to re-evaluate staffing again next year based on the outcome of an annual staffing survey.

Management also agreed with the annual savings forecasted based on its intent to excess 12 business mail technicians at the Denver Bulk Mail Center and offer 4 new positions at the unit located at the general mail facility. Management further plans to equitably transfer 1 manager and readdress questioned costs after its annual staffing survey.

**Evaluation of
Management's
Comments**

In the OIG's opinion, management's actions, taken or planned, should correct the problem or resolve the issues identified in the report.

APPENDIX A FY 2001 REVENUE PER WORKHOUR FOR SELECTED WESTERN AREA* BUSINESS MAIL ENTRY SITES



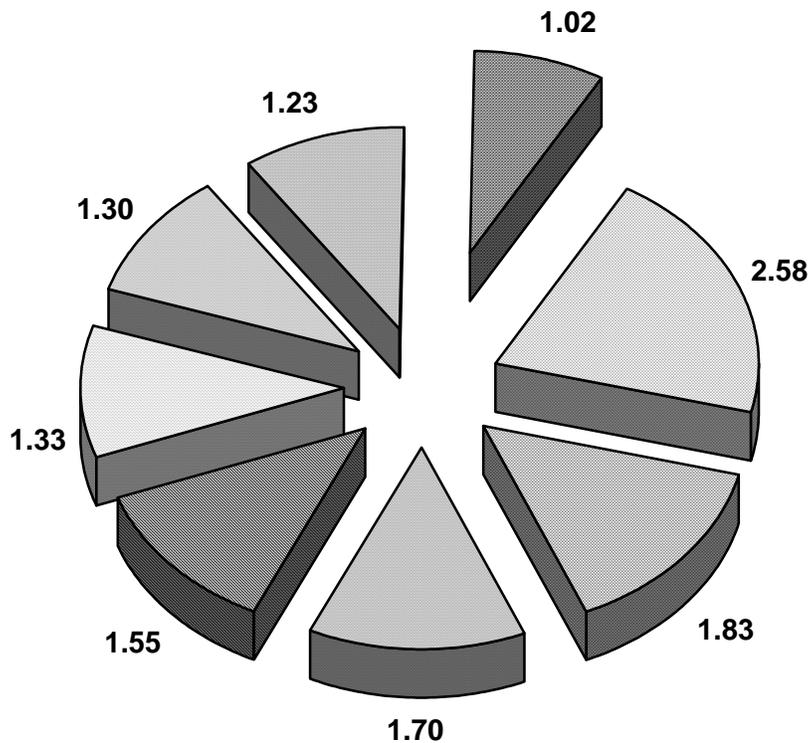
Average Revenue Per Workhour Excluding Colo/Wyo = \$5,339

*Districts that were part of Western Area in July 2002.

*Colorado Wyoming Business Mail Entry Unit includes the combined Denver Bulk Mail Center and Denver General Mail Facility employees, revenue, and mailings.

Comparative sites were selected based on FY 2000 revenue greater than \$100 million. Maple Grove, Minnesota, and Northland District, was excluded because of extremely low personnel requirements relative to workload. Does not include in-depth analysis of individual mailings at locations involved.

APPENDIX B FY 2001 MAILINGS PER WORKHOUR FOR SELECTED WESTERN AREA* BUSINESS MAIL ENTRY SITES



- Las Vegas, NV
- Seattle, WA
- Waite Park, MN
- Lincoln, NE
- Phoenix, AZ
- Minneapolis, MN
- Omaha, NE
- Colo/Wyo

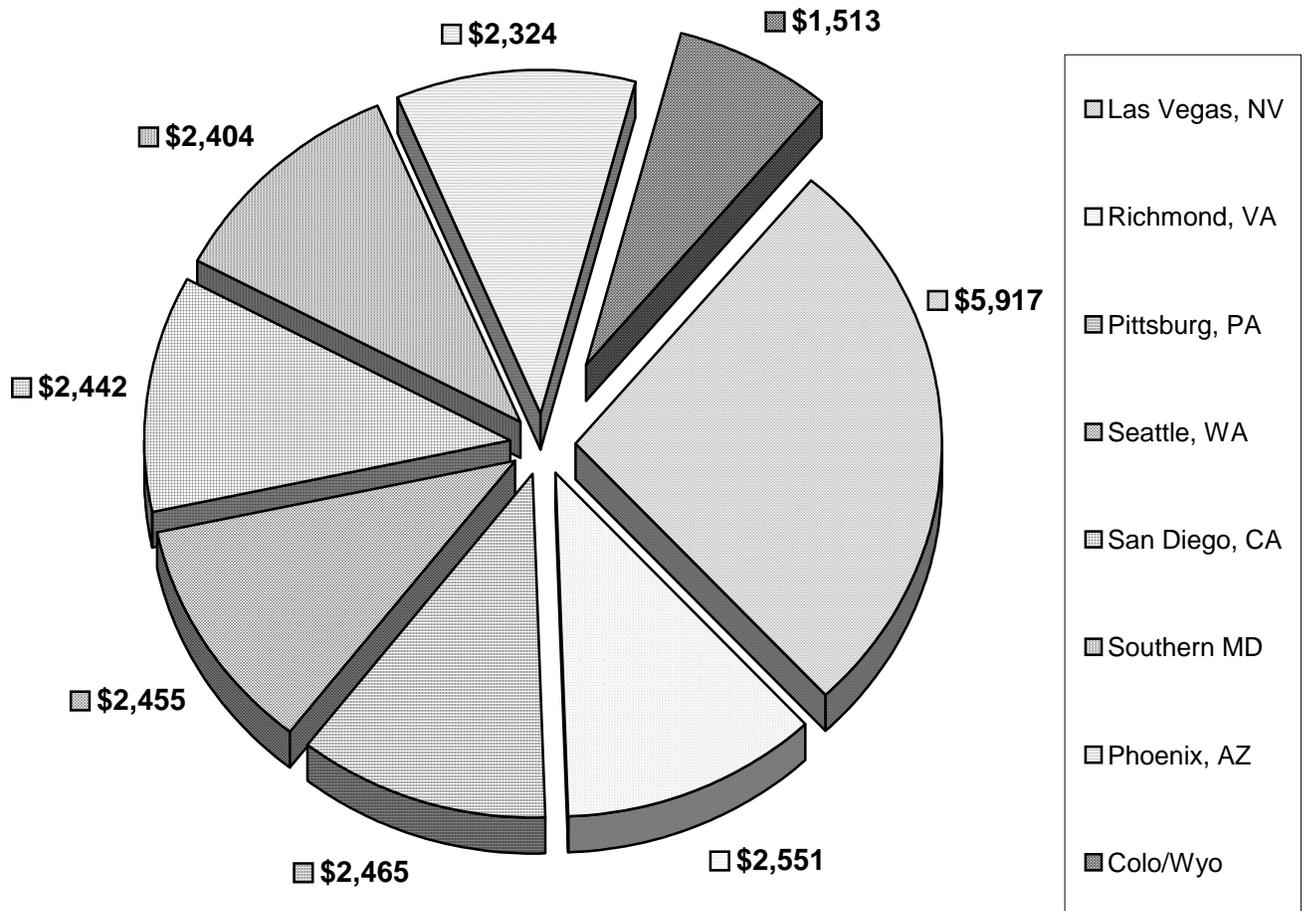
Average Mailings Per Workhour Excluding Colo/Wyo= 1.64

Districts that were part of Western Area in July 2002.

*Colorado Wyoming Business Mail Entry Unit includes the combined Denver Bulk Mail Center and Denver General Mail Facility employees, revenue, and mailings.

Comparative sites were selected based on FY 2000 revenue greater than \$100 million. Maple Grove, Minnesota, and Northland District, was excluded because of extremely low personnel requirements relative to workload. Does not include in-depth analysis of individual mailings at locations involved.

APPENDIX C FY 2001 REVENUE PER WORKHOUR FOR NATIONALLY COMPARABLE BUSINESS MAIL ENTRY UNITS

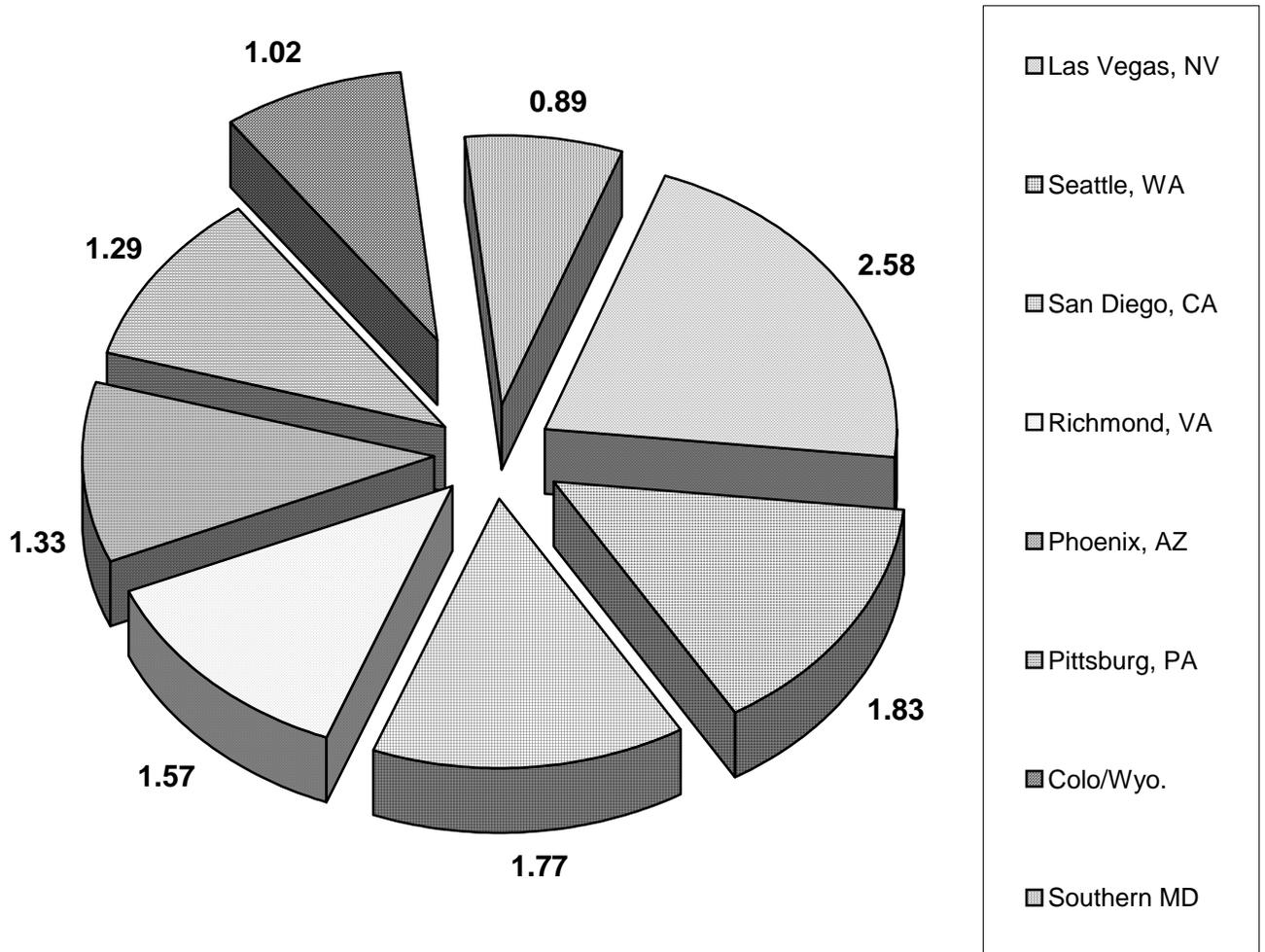


Average Revenue Per Workhour Excluding Colo/Wyo = \$2,937

Colorado Wyoming Business Mail Entry Unit includes the combined Denver Bulk Mail Center and Denver General Mail Facility employees, revenue, and mailings.

Comparative sites were selected based on FY 2000 revenue between \$117 million and \$160 million, excluding sites that reported no workhours in the National Workhour Reporting System. Does not include in-depth analysis of individual mailings at locations involved.

APPENDIX D FY 2001 MAILINGS PER WORKHOUR FOR NATIONALLY COMPARABLE BUSINESS MAIL ENTRY UNITS

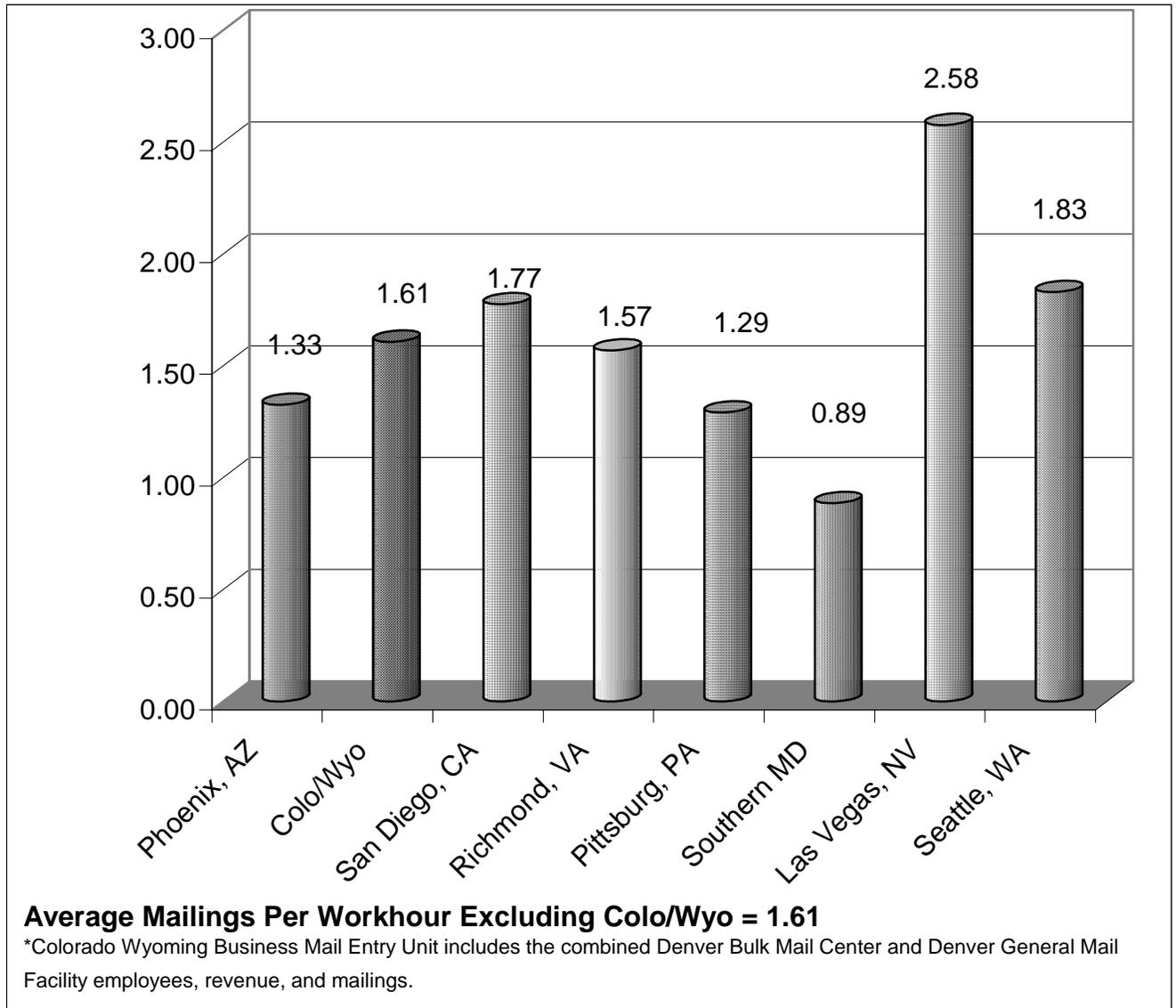


Average Mailings Per Workhour Excluding Colo/Wyo = 1.61

*Colorado Wyoming Business Mail Entry Unit includes the combined Denver Bulk Mail Center and Denver General Mail Facility employees, revenue, and mailings.

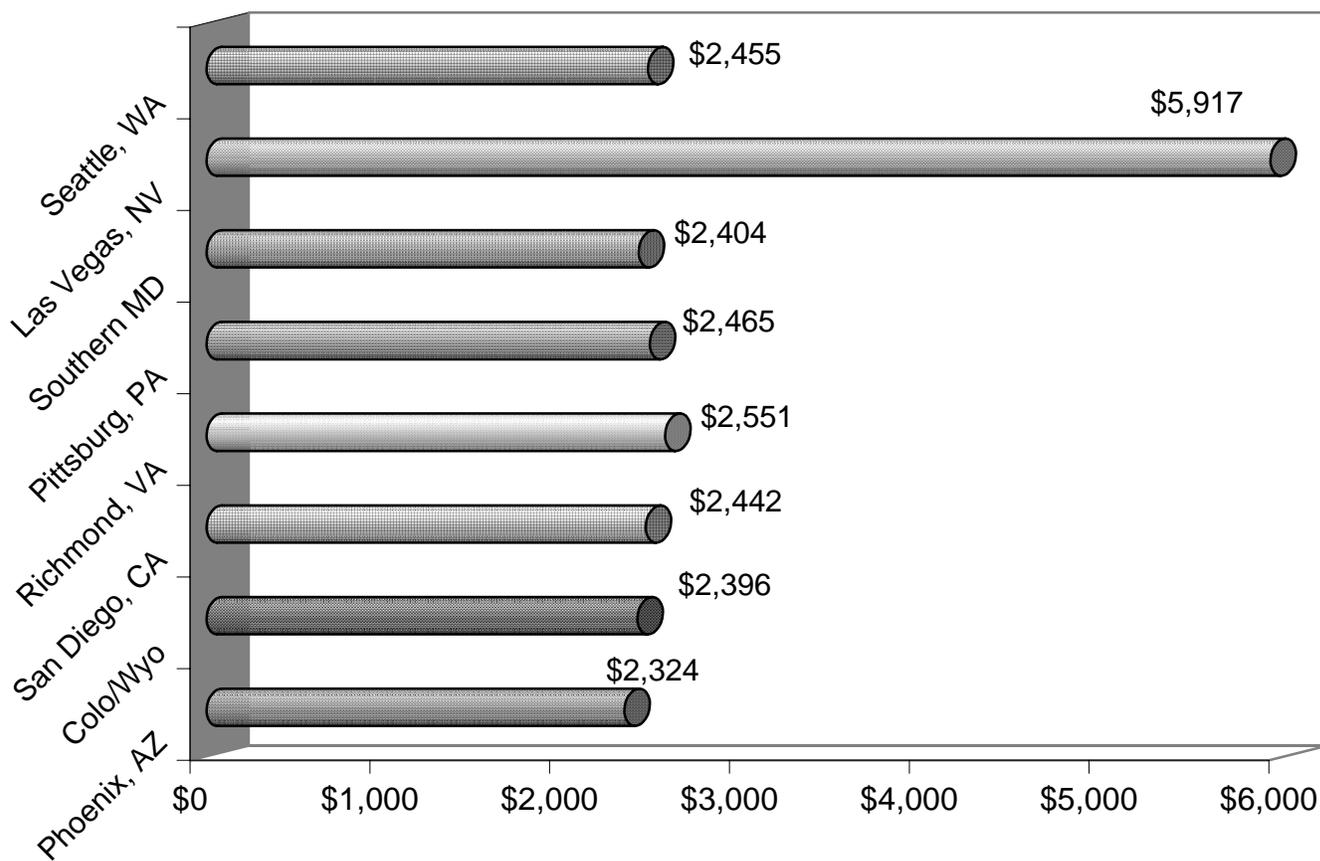
These are FY 2001 mailings corresponding to the sites selected in Appendix C. Does not include in-depth analysis of individual mailings at locations involved.

APPENDIX E
FY 2001 MAILINGS PER WORKHOUR FOR A REDUCED
COMPLEMENT DENVER BUSINESS MAIL ENTRY UNIT AND SEVERAL
NATIONALLY COMPARABLE SITES (DENVER COMPLEMENT
REDUCED TO 30 EMPLOYEES)



Sites for comparison as selected in Appendix C. Does not include in-depth analysis of individual mailings at locations involved.

APPENDIX F FY 2001 REVENUE PER WORKHOUR FOR A REDUCED COMPLEMENT DENVER BUSINESS MAIL ENTRY UNIT AND SEVERAL NATIONALLY COMPARABLE SITES (DENVER COMPLEMENT REDUCED TO 30 EMPLOYEES)



Average Revenue Per Workhour Excluding Colo/Wyo = \$2,937

*Colorado Wyoming Business Mail Entry Unit includes the combined Denver Bulk Mail Center and Denver General Mail Facility employees, revenue, and mailings. Sites for comparison as selected in Appendix C. Does not include in-depth analysis of individual mailings at locations involved.

APPENDIX G. ANNUAL SAVINGS FORECAST

Benefits of reducing complements:

<i>Number Employees</i>	<i>Hours/Yr FY 2001</i>	<i>Rate/Hr FY 2001</i>	<i>Amount per Year</i>	<i>Amount per Year</i>	<i>Combined</i>
			FUNDS PUT TO BETTER USE	QUESTIONED COSTS	
8 PS-06 Craft	1,774	\$35.15	\$498,849		
1 EAS-20*	1,755	\$46.80	\$82,134		
8 PS-06 Craft **	1,774	\$35.15		\$498,849	
Grand Totals/YR			\$580,983	\$498,849	\$1,079,832

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

QUESTIONED COSTS – A cost that is unnecessary, unreasonable, or unsupported.

*Executive and administrative schedule.

**We classified the cost of maintaining eight employees during a transitional period as an unsupported cost since workhours did not correspond with workload requirements as compared to similar business mail entry units.

Does not include in-depth analysis of individual mailings at locations involved.

APPENDIX H. MANAGEMENT'S COMMENTS

COLORADO/WYOMING
PERFORMANCE CLUSTER



September 13, 2002

Mr. Robert L. Emmons
Acting Assistant Inspector General for Audit
Office of Inspector General
1735 North Lynn Street
Arlington, Virginia 22209-2020

Re: Transmittal of Draft Audit Report - Work Performed by Business Mail Entry Employees in the Colorado/Wyoming Performance Cluster (Report Number CQ-AR-02 Draft)

Dear Mr. Emmons:

Listed below are the Colorado/Wyoming Performance Cluster responses to the Office of Inspector General recommendations made in the audit report of August 22, 2002. This report concerns the number of employees currently working at the Denver Bulk Mail Center (BMC) Business Mail Entry Unit (BMEU). The responses are listed in the same order as they were listed in the August 22, 2002, report.

BUSINESS MAIL ENTRY TECHNICIANS AT THE DENVER BULK MAIL CENTER ACCOMPLISHED DUTIES THAT SHOULD HAVE BEEN ACCOMPLISHED BY DOCK PERSONNEL. REMAINING WORKLOAD WOULD BE MINIMAL.

1. **Recommendation:** Oversee the consolidation of Business Mail Entry operations and reduce staff as planned.

Response: Management agrees to consolidate the current work duties assigned to the Bulk Mail Technicians (BMT) at the BMC with the GMF/BMEU. The BMC will follow the national policy concerning the acceptance procedures for verified drop shipments as prescribed in *Publication 804, Drop Shipment Procedures for Designation Entry*. As stated in Section 5-5 (b), dock personnel will have the responsibilities for verifying the correct discount claimed and that the entry office is the correct destination facility.

The offering of the four (4) new positions at the GMF will begin by the end of September 2002. Management anticipates all positions to be filled by February 2003; however, this is contingent upon training availability at the National Center of Employee Development in Norman, Oklahoma.

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The excessing of twelve (12) employees at the BMC/BMEU will begin after proper notification is given to the national and local labor unions. Baring any unforeseen labor issues, management anticipates finalization will be completed by February 2003.

One (1) BMT position will remain at the BMC/BMEU for verification and acceptance of designating BMC mail.

Status – Ongoing – Complete – AP 07, FY 2003

MANAGERS DID NOT CONSIDER CONSOLIDATING BUSINESS MAIL ENTRY UNITS THAT WERE LESS THAN A MILE APART.

2. **Recommendation:** Reevaluate staffing after the consolidation transition period to consider reducing Business Mail Entry staff by another eight (8) positions.

Response: Management agrees to consolidate the BMC/BMEU unit within the GMF/BMEU. After the initial transition and consolidation period, management will reevaluate the staffing needs at the GMF/BMEU. This will occur no later than the beginning of Fiscal Year 2004. Management will reduce staffing as identified by the outcome of the BME Staffing Survey.

Status – Ongoing – Complete – AP 01, FY 2004

MANAGERS DID NOT PERIODICALLY REEVALUATE STAFFING LEVELS TO IMPROVE PRODUCTIVITY.

3. **Recommendation:** Reevaluate staffing periodically to determine if further reductions are necessary based on changes in workload and revenue.

Response: Management agrees to continue to conduct yearly staffing surveys at the GMF/BMEU office to determine staffing needs. This will be done each fiscal year, beginning FY 2004.

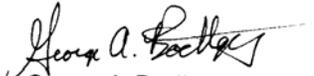
Status – Ongoing – Complete – FY 2004

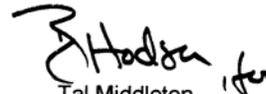
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Summary:

Management agrees with the amount of the potential savings forecasted at \$580,983, which includes eight (8) PS-06 craft employees and one (1) EAS-20 position. It is our intention to move the EAS-20 employee into another EAS position within the organization. _____

The questioned costs of \$498,849 will be dependent upon the results of the review conducted, as stated in Question 2 of this response.


George A. Boettger
District Manager
Customer Service and Sales


Tal Middleton
Senior Plant Manager
Processing and Distribution

cc: Patrick R. Donahoe
Sylvester Black
Susan M. Duchek