



July 28, 2010

DEAN J. GRANHOLM
VICE PRESIDENT, DELIVERY AND POST OFFICE OPERATIONS

VICE PRESIDENTS, AREA OPERATIONS

SUBJECT: Audit Report – Efficiency of Retail Customer Service Operations
(Report Number MS-AR-10-004)

This report presents the results of our self-initiated audit of Retail Customer Service operations¹ (Project Number 09RO028MS000). Our objective was to assess the overall efficiency of Retail Customer Service operations. This audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

Current economic conditions, along with increased competition from electronic communications, has significantly reduced mail volume. Although management has reduced overall Retail Customer Service workhours by approximately 56 million since fiscal year (FY) 2006, they have not yet fully adjusted workhours in response to changes in workload. The overall operational efficiency rate (earned workhours² divided by actual workhours) has remained unchanged at approximately 84 percent since 2006. The FY 2009 national goal was 97.7 percent.

Conclusion

Opportunities exist to reduce Retail Customer Service workhour usage by 14.3 million based on FY 2009 usage. This would allow the U.S. Postal Service to increase operational efficiency to approximately 93 percent³ and achieve cost reductions of 613,695,129 million based on workhour savings for 1 year. See [Appendix D](#) for the monetary impact calculation.

¹ Retail Customer Service (also referred to as Function 4) operations include customer service activities at post offices, stations, and branches for automated, mechanized, manual, and post office box distribution of mail, post office window, and vending equipment services and miscellaneous administrative and Central Forwarding System operations.

² Earned workhours are Postal Service-developed standard time rates applied to operations for specific mail processing tasks. Operations are actions Postal Service employees must perform to process mail, among other activities.

³ The lowest of the FY 2009 Retail Customer Service efficiency performance goals established by area offices. We chose this efficiency rate as we believe it to be conservative and achievable.

We identified four opportunities for improving the efficiency of Retail Customer Service operations and realizing additional workhour savings. These include:

- Best Practices for Retail Customer Service Operations.
- Business Mail Acceptance at Post Offices, Stations, and Branches.
- Carrier Sequence Barcode Sorter (CSBCS) Machine Usage.
- Workforce Flexibility.

Opportunities Exist to Improve Retail Customer Service Efficiency

The Postal Service could reduce Retail Customer Service workhour usage by improving efficiency. We identified four areas requiring improvement in order to realize additional workhour reductions.

Implementing Best Practices

Postal Service officials have implemented a variety of best practices for Retail Customer Service operations. These include managers and supervisors:

- Using performance management tools including Customer Service Variance (CSV),⁴ Customer Service Adjust Work (CSAW),⁵ and Window Operations Survey (WOS)⁶ to effectively manage the workload.
- Surveying units at critical times during the day to understand the workflow and determine how best to manage the workload.
- Ensuring employees' work schedules align with the workflow.
- Coordinating with the districts' Customer Service Operations managers to periodically evaluate operational efficiency by conducting on-site reviews of workhours and workload.
- Coordinating with the districts' Customer Service Operations and Human Resources managers to re-assign excess employees to facilities with sufficient workload to support the workhours.

⁴ A management tool that provides earned workload using nationally established factors. This model analyzes the number of employees, workhours, workload, and productivity performance using automated data sources. Managers and supervisors can use the reports generated from this model to right-size the number of employees needed to support the earned workload.

⁵ CSAW is designed to reflect the daily impacts of workload changes. This tool assists managers and supervisors with Retail Customer Service scheduling. Using data from the Time and Attendance Collection System and Retail Data Mart along with the manual input of daily volumes, this tool provides the data necessary to balance actual workhours with actual workload.

⁶ WOS is designed to identify opportunities to increase revenue, match workhours to earned workload and assist with budget forecasting.

Management did not implement these best practices effectively at all facilities. The high-performing units we visited were using these best practices, while the under-performing units we visited were not. For example, managers and supervisors at the under-performing units were not using performance management tools such as CSV, CSAW, and WOS to manage the workload, opting instead to rely on their experience. Effectively implementing best practices at all units would reduce workhours and improve operational efficiency. See [Appendix B](#) for our detailed analysis of this topic.

[Business Mail Acceptance at Post Offices, Stations, and Branches](#)

The Postal Service has 6,675 (74 percent) of the 9,027 business mail acceptance facilities located at post offices, stations, and branches. These facilities do not always have sufficient workloads to match workhours,⁷ but are kept open for the customers' convenience. In addition, acceptance employees at post offices, stations, and branches are not always proficient at business mail acceptance because they perform the functions infrequently.

While some district offices have consolidated business mail acceptance operations to eliminate redundant service and reduce costs, others have yet to explore this opportunity. The Postal Service should require district offices to explore opportunities to consolidate business mail acceptance facilities at post offices, stations, and branches to eliminate redundant service without hindering customers' convenience. Consolidating operations would potentially allow management to re-deploy employees to facilities where there is sufficient workload to support the workhours and assign the most proficient employees to the remaining acceptance facilities. See [Appendix B](#) for our detailed analysis of this topic.

[CSBCS Machines Usage](#)

The Postal Service purchased over 3,700 CSBCS machines in the early to mid-1990s (when mail volumes were projected to increase) to accommodate decentralized mail processing in associate offices. There were 1,001 CSBCS machines in use as of May 2010.

Employees charged approximately 1.9 million workhours to Retail Customer Service operations in FY 2009 for processing mail on CSBCS machines. Declining mail volume and under-utilization of Delivery Barcode Sorter (DBCS) machines at mail processing plants,⁸ led the Postal Service to begin an initiative to centralize mail processing at the plants and reduce the number of CSBCS machines nationwide. This effort should help

⁷ Workhours used by employees who accept and verify mailings and perform other tasks associated with the processing of mailings accepted at non-BMEU units are charged to Retail (Function 4) operations.

⁸ OIG Report, *Capital Metro Area: Delivery Barcode Sorters Equipment Utilization* Report Number DR-AR-10-002, dated May 7, 2010), reported that declining mail volume has resulted in decreased use of DBCS machines in the Capital Metro Area, resulting in DBCS excess capacity ranging from 50 to 57 percent.

reduce workhour usage and improve operational efficiency. The U.S. Postal Service Office of Inspector General (OIG) recently completed an audit of CSBCS machines⁹ and, because of the headquarters' initiative and other potential mail processing changes, we are not making recommendations in this report regarding this issue. See [Appendix B](#) for our detailed analysis of this topic.

Workforce Flexibility

Some union contract provisions limit the ability of managers and supervisors to efficiently manage the workload. The OIG is currently reviewing this issue in a separate audit¹⁰; therefore, we are not making recommendations in this report regarding this issue. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, Delivery and Post Office Operations, coordinate with the vice presidents, Area Operations, to:

1. Implement best practices for Retail Customer Service operations at all facilities.
2. Explore opportunities to consolidate business mail acceptance operations at post offices, stations, and branches.
3. Periodically evaluate operating efficiency by assessing performance against productivity targets and adjusting resources in response to workload changes.
4. Re-deploy employees, as appropriate, to facilities where there is sufficient workload to support the workhours.

Management's Comments

Management agreed with our findings and recommendations. Management agreed with our estimated \$613.7 million of monetary impact in subsequent correspondence. Management stated that they are in the process of implementing the Retail Customer Service business plan and variance initiatives, which include implementing best practices and additional tools for field use, including an automated Postal Service Form 1994, Employee Work Schedule,¹¹ Mail Arrival Profile, and Event Tracker. Management plans to complete the Retail Customer Service business plan and variance initiatives by October 2010.

Management also stated that they will begin to explore opportunities to consolidate business mail acceptance operations at post offices, stations, and branches with a

⁹ OIG Report, *Continuing Use of Carrier Sequence Barcode Sorter Machines at Delivery Units* (Report Number DR-AR-10-004, dated March 31, 2010), reported opportunities to reduce 10 CSBCS machines at the Mid-Carolinas District.

¹⁰ *Postal Service Work Rules*, Project Number 10YG009HR000.

¹¹ Management's response refers to Form 1194, not 1994. Management advised us that the reference to Form 1194 is a typo; Form 1994 is correct.

target implementation date of October 2010. Finally, management indicated that they will continue to focus on the full implementation and effective utilization of CSAW for improvements in workload-based scheduling. See [Appendix E](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to our recommendations, and management's corrective actions should resolve the issues identified in the report.

The OIG considers all the recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's 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. If you have any questions or need additional information, please contact Robert Mitchell, director, Sales and Service, or me at 703-248-2100.



Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Revenue and Systems

Attachments

cc: Patrick R. Donahoe
Steven J. Forte
Corporate Audit Response Management

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service uses Labor Distribution Codes (LDCs) to compile labor utilization and other operational and financial information by functional category. LDCs 40 through 49 capture Retail Customer Service operations at post offices, stations, and branches. Retail Customer Service operations include both supervisory and nonsupervisory activities related to automated and manual distribution of mail, retail window and vending equipment services, and miscellaneous administrative and Computerized Forwarding System operations.

LDCs 43, 45, and 48 accounted for over 84 percent of all retail customer service workhour usage in FYs 2008 and 2009. See Table 1.

Table 1. Retail Customer Service Workhour Usage by LDC¹²					
		FY 2008		FY 2009	
LDC	Description	Workhours (Actual)	LDC Workhours as a Percentage of Total Workhours	Workhours (Actual)	LDC Workhours as a Percentage of Total Workhours
41	Unit Distribution – Automated	5,186,761	3%	3,798,970	2%
42	Customer Services	142,366	0%	1,467,445	1%
43	Unit Distribution – Manual	53,291,276	28%	44,761,202	27%
44	Post Office Box Distribution	13,615,509	7%	11,377,425	7%
45	Window Services	57,543,697	30%	52,418,935	31%
46	Vending Equipment	765,455	0%	214,117	0%
47	Associate Office (CAG H-L) ¹³	8,131,700	4%	7,019,584	4%
48	Administrative/Miscellaneous	49,639,414	26%	43,692,378	26%
49	Computerized Forwarding System	3,963,699	2%	3,411,186	2%
Total		192,279,877	100%	168,161,242	100%

Source: eFLASH

Although management has reduced overall Retail Customer Service workhour usage by approximately 56 million workhours since FY 2006, the overall operational efficiency

¹² We excluded LDC 40, Supervision, and LDC 49, Training, because they are not subject to the efficiency analysis.

¹³ Cost Ascertainment Group (CAG) is a method of classifying post offices based on revenue generated. See Handbook F-101, *Field Accounting Procedures*, page 386, October 2009.

rate (earned workhours divided by actual workhours) has remained unchanged at approximately 84 percent since FY 2006. See Table 2.

Fiscal Year	Actual Workhours	Earned Workhours	Efficiency Rate
2006	223,786,365	188,576,623	84%
2007	220,308,144	185,054,867	84%
2008	192,279,877	152,398,210	79%
2009	168,161,242	140,467,589	84%

Source: FY 06-07, www.blue.usps.gov/opsplanning; FY 08-09, eFlash and CSV data.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess the overall efficiency of Retail Customer Service operations.

To accomplish our objective we:

- Interviewed the manager of Customer Service Standardization at Postal Service Headquarters to obtain information on the policies and procedures for matching workhours to workload, improving performance, and developing efficiency information on operating units.
- Reviewed applicable policies and procedures and other pertinent documentation.
- Obtained necessary access to Postal Service systems.
- Obtained actual and earned workhours by area for FYs 2005 through 2009.
- Obtained a universe of Postal Service CAG A-G retail units¹⁴ with their corresponding FY 2009 actual and earned workhours, headcount information, overtime hours, and revenue information.
- Eliminated from the universe those units with only one Retail Customer Service employee.
- Computed the opportunity workhours (actual workhours less earned workhours) for each unit remaining in the universe.

¹⁴ Units for which the Postal Service computes earned workhours.

- Computed the efficiency rate for each unit remaining in the universe.
- Judgmentally selected and visited seven high-performing and average units in five districts to observe operations and interview employees to determine the reasons for their success and developed best practices. See [Appendix C](#).
- Judgmentally selected and visited 12 underperforming units in the five districts to observe operations and interview employees to determine the reasons for underperformance. See [Appendix C](#).
- Discussed the best practices and underperforming units with Postal Service Headquarters Delivery and Post Office Operations officials to determine what initiatives they have in place or plan to implement to improve performance.
- Identified workhours savings that are achievable if the underperforming units adopt the best practices implemented at the high- and average-performing units.

We conducted this performance audit from September 2009 through July 2010 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on June 10, 2010, and included their comments where appropriate.

We relied on data obtained from eFLASH¹⁵ and CSV. We did not audit the eFLASH and CSV, but interviewed knowledgeable officials about the data and performed reasonable tests to support our data reliance.

¹⁵ A weekly reporting management system that combines data from Delivery, Mail Processing, Employee Relations, Labor Relations, and Finance.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<p><i>Assessment of Overall Plant Efficiency 2010</i></p>	<p>NO-MA-10-001</p>	<p>6/11/2010</p>	<p>\$744 million</p>	<p>Management had not yet fully adjusted workhours in response to declining mail volume resulting from poor economic conditions, nor achieved all possible efficiencies in mail processing operations.</p> <p>We identified opportunities to eliminate nearly 16.2 million workhours by the end of FY 2012, saving \$744 million based on workhour savings for 1 year. We recommended reducing 16.2 million workhours by FY 2012 and periodically evaluating operating efficiency by assessing performance.</p> <p>Management agreed with the findings, recommendations, and monetary impact.</p>

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<p><i>Continuing Use of Carrier Sequence Barcode Sorter Machines at Delivery Units</i></p>	<p>DR-AR-10-004</p>	<p>3/31/2010</p>	<p>\$3 million</p>	<p>Although a business case exists for continued use of CSBCS machines in some associate offices in the Mid-Carolinas District, we concluded the offices can reduce 10 machines. While the district previously reduced the number of CSBCS machines by 11 during the audit, it had not yet fully evaluated moving more letter mail to the DBCS machines in the plants. We estimated the district could reduce mail processing and maintenance workhours, and save more than \$3 million as a result of eliminating 10 CSBCS machines.</p> <p>We recommended the district manager, Mid-Carolinas Customer Service District, reduce 10 CSBCS machines and the associated workhours at selected associate offices. We also recommended that management evaluate mail processing operations on a recurring basis to identify further opportunities for cost savings and greater mail processing efficiencies.</p> <p>Management agreed with the findings, recommendations, and monetary impact. They will discontinue using the 10 CSBCS machines by June 19, 2010, and will evaluate mail processing operations on a recurring basis for cost-savings opportunities and greater mail processing efficiencies.</p>

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>City Delivery Efficiency</i>	DR-AR-10-002	12/18/2009	\$21 million	<p>The Napoleon Street Station was using more workhours than necessary to deliver the mail. By adjusting operations, the Napoleon Street Station's overall productivity would increase, saving approximately \$2.1 million annually, or \$21 million over 10 years.</p> <p>We recommended periodically evaluating operating efficiency and staffing at the Napoleon Street Station to determine whether further workhour adjustments are necessary based on workload, reinforcing Postal Service policies and procedures for supervising city and street operations in delivery units and eliminating time-wasting practices as appropriate.</p> <p>Management agreed with the findings and recommendations.</p>
<i>Assessment of Overall Plant Efficiency</i>	NO-MA-09-002	5/8/2009	\$969.5 million	<p>Management had not yet fully adjusted workhours in response to changes in workload, nor achieved all possible efficiencies in mail processing operations provided by opportunities such as introducing additional automation.</p> <p>We identified opportunities to eliminate nearly 23 million workhours based on FY 2008 usage, saving \$969.5 million based on workhour savings for 1 year.</p> <p>Management agreed with the recommendations and monetary impact.</p>

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Function 4 Business Plan Process</i>	MS-AR-08-002	11/16/2007	None	<p>Management did not complete all the scheduled Function 4 on-site reviews, did not always implement review recommendations at units with completed reviews, and did not always update workload information. We estimated the annual value of recommended budget reductions in units that did not implement the on-site review recommendations at approximately \$2.7 million.</p> <p>We recommended adhering to the Function 4 on-site review schedule, ensuring that qualified teams are available to conduct the targeted reviews as scheduled, monitoring adherence to the approved Function 4 business plans, and annually updating workload data.</p> <p>Management did not indicate agreement or disagreement with our findings and recommendations. However, their planned initiatives were responsive to the recommendations.</p>

APPENDIX B: ADDITIONAL INFORMATION

Opportunities Exist to Improve Retail Customer Service Efficiency

Opportunities exist to reduce Retail Customer Service workhour usage by 14.3 million based on FY 2009 usage. This would allow the Postal Service to increase operational efficiency to approximately 93 percent¹⁶ and achieve a cost avoidance of \$613.7 million based on workhour savings for 1 year. We identified four opportunities to improve efficiency and realize additional workhour savings.

Implementing Best Practices

In order to determine best practices, we obtained a universe of all retail units along with their actual, earned, and overtime workhours and number of employees for FY 2009. We eliminated from the universe those units with only one employee. We then computed the efficiency rate for each of the 8,014 facilities remaining in the universe and ranked them based on their efficiency rate. We found that 3,201 of the 8,014 units in the universe performed at or above the 93 percent efficiency performance goal while the remaining 4,813 units did not achieve the 93 percent efficiency rate.

We judgmentally selected seven units from those that performed at or above 93 percent and 12 units from those that did not achieve the 93 percent efficiency rate. We visited these facilities to interview officials and observe operations and drew conclusions regarding best practices based on our interviews and observations. See [Appendix C](#) for a list of the field offices we visited.

We noted the following five best practices at the seven facilities we visited in the Great Lakes and Northeast Areas.

¹⁶ The lowest of the FY 2009 Retail Customer Service efficiency performance goals established by area offices. We chose this efficiency rate as we believe it to be conservative and achievable.

Five Identified Best Practices

1. *Using Performance Management Tools.*

Managers and supervisors at these units were using performance management tools such as CSV, CSAW, and WOS to determine workload and associated workhours. Most of the managers and supervisors were trained on the use of these tools and use them on a regular basis. These tools provide effective methods for the managers and supervisors to closely monitor and evaluate workhours and align them with the workload and workflow at units.

2. *Surveying units at critical times during the day to understand the workflow and determine how best to manage the workload.*

Management was monitoring operations daily and worked proactively to manage the workload. For example, an official at the Fort Dearborn Station in the Chicago District indicated that he makes periodic visits to the dock every day to obtain an understanding of the mail profile. He uses this information to decide how best to align the workforce to handle the workload. He also indicated that he meets with his supervisors at critical points during the day to discuss operations and make adjustments to ensure resources are aligned with the workflow.

3. *Ensuring employees' work schedules align with the workflow.*

Management continuously monitored operations to understand the workload and available resources, working to ensure employees' work schedules aligned with the workflow. For example, officials at the Fort George Station in the New York District have worked with employees to voluntarily agree to change their work schedules to better align with the workload. In some instances, officials have rescinded and re-bid positions in order to better align employees' schedules with the workflow.

4. *Coordinating with the district's Retail Customer Service Operations officials to periodically evaluate operational efficiency by conducting on-site reviews of workhours and workload.*

The managers and supervisors were coordinating with the districts' Retail Customer Service Operations Coordinators to periodically evaluate operational efficiency by conducting on-site reviews. The Chicago District performed on-site reviews that were used to assist the stations to better align workhours to workload. For example, in FY 2009, officials at Fort George Station and Fort Dearborn Station performed on-site reviews to assist the stations to better align workhours to workload.

5. *Coordinating with the district's Customer Service Operations and Human Resources managers to assign excess employees to facilities with sufficient workload to support the workhours.*

The managers worked with the districts' Customer Service Operations and Human Resources managers to ensure that excess employees were reassigned to facilities where there was sufficient workload to match their workhours. For example, the Fort Dearborn Station manager was able to reduce clerk positions through attrition and reassignments in coordination with district officials.

We noted several instances where practices in the under-performing group differed from those in the high-performing group. Examples include:

- Some managers and supervisors not using performance management tools such as CSV, CSAW, and WOS to manage the workload, opting instead to rely on their experience.
- The 12 under-performing facilities did not perform on-site reviews to better align workhours to workload. For example, managers and supervisors were not taking action to move employees to other units or stations when workload did not justify workhours.
- Managers and supervisors not adjusting employees' work schedules to align with the workflow.
- Managers and supervisors not always proactively managing the workload.

In other instances, officials from the under-performing units cited obstacles beyond their control that hindered the efficiency of unit operations. Some of these obstacles are:

- Officials stated they did not have formal training on management tools such as CSV, CSAW, and WOS.
- The lack of continuity of the management team. Under-performing units have had several managers and supervisors during a short time span.

[Business Mail Acceptance at Post Offices, Stations, and Branches](#)

The Postal Service has 6,675 (74 percent) of the 9,027 business mail acceptance facilities located at post offices, stations, and branches. These facilities do not always have sufficient workload to match workhours,¹⁷ but they are kept open for the customers' convenience. In addition, acceptance employees at post offices, stations, and branches are not always proficient because they perform acceptance functions infrequently.

Postal Service Headquarters Business Mail Acceptance officials developed a Business Mail Entry Centralization Standard Operating Procedure (SOP) in November 2008. The purpose of the SOP is to provide guidance and instruction regarding centralization of Business Mail Entry Units and Business Mail Acceptance operations within an area or district. The process has three phases: Feasibility Study and Review; Business Mail Entry Centralization Proposal and Disposition; and Implementation. Management must base their decision of whether to consolidate access points on a comprehensive business case, with the vice president, Area Operations, making the final decision.

We visited the Chicago, Central Illinois, and Northern Illinois Districts in the Great Lakes Area and the Capital District in the Capital Metro Area to determine whether officials

¹⁷ Workhours used by employees who accept and verify mailings and perform other tasks associated with the processing of mailings accepted at non-BMEU units are charged to Function 4 operations.

have explored opportunities to consolidate business mail acceptance operations in their districts. While officials in the Chicago and Capital Districts have made significant progress in consolidating business mail acceptance operations, officials in the Central Illinois and Northern Illinois Districts have not yet taken advantage of this opportunity. Central Illinois District officials stated they have not explored opportunities to consolidate business mail acceptance operations at post offices, stations, and branches because they believe customers would be dissatisfied with the change and the post offices would lose revenue. Northern Illinois District officials stated that they performed some consolidations but temporarily stopped because of instructions from headquarters.

The Postal Service should require all district offices to explore opportunities to consolidate business mail acceptance facilities at post offices, stations, and branches to eliminate redundant service without hindering customer convenience. Consolidating operations would allow officials to re-deploy excess employees to facilities where there is sufficient workload to support the workhours and assign the most proficient employees to the remaining acceptance facilities.

CSBCS Machine Usage

Initially, the Delivery Point Sequencing¹⁸ strategy relied exclusively on centralized processing at mail processing centers using DBCS machines. As mail volumes were projected to increase, the Postal Service purchased over 3,700 CSBCS machines in the early to mid-1990s to accommodate decentralized processing in associate offices.

Headquarters Operations Technical and Systems Integration Support personnel began an initiative during FY 2009 to reduce the number of CSBCS machines nationwide because of underutilization of DBCS machines and declining mail volume. Specifically, mail volume decreased from 213.1 billion in FY 2006 to 177 billion pieces in FY 2009 (a 17 percent decline). This volume decline continued through Quarter 2 of FY 2010, with volume declining by 5.9 billion pieces (6.3 percent) from the same period during the prior year.

As part of the initiative, area and district personnel have been encouraged to explore opportunities to reduce the number of CSBCS machines in use, especially at associate post offices within 50 miles of processing and distribution centers (plants). In FY 2009, employees charged approximately 1.9 million workhours to Retail Customer Service Operations for processing mail on CSBCS machines. As of May 2010, there were 1,001 CSBCS machines in use. The initiative to centralize mail processing at the plants and reduce CSBCS machines should help reduce workhour usage and improve operational efficiency. The OIG recently completed an audit of CSBCS machines and, because of the headquarters' initiative and other potential mail processing changes, we are not making any recommendations in this report regarding this issue.

¹⁸ The process of sorting barcoded mail into the carrier's walk sequence to eliminate manual sorting before beginning street delivery.

Workforce Flexibility

Some union contract provisions limit the ability of managers and supervisors to efficiently manage the workload. For example, managers and supervisors at facilities within the same geographical area are not allowed to share full-time regular employees. In addition, units with 200 or more work years of employment can no longer be staffed with Part-Time Flexible (PTF) employees; they must be staffed with regular employees. Management converted all PTFs employed at units with 200 or more work years to full-time status effective December 1, 2007. Further, the contract provisions allow for a certain percentage of casual employees at these facilities, but on a limited basis. Managers and supervisors need greater workforce flexibility to manage the workload. The OIG is currently reviewing this issue in a separate audit; therefore, we are not making any recommendations in this report regarding this issue.

APPENDIX C: FIELD OFFICES VISITED

High-Performing Sites			
Area	District	Field Office	FY 2009 Efficiency Rate
Great Lakes	Chicago	Fort Dearborn	93%
		Jefferson Park Station	107%
	Central Illinois	Flossmoor	104%
Northeast	New York	Fort George Station	105%
	Triboro	Staten Island	106%
		Flushing	101%
	Northern New Jersey	Newark	137%

Under-Performing Sites			
Area	District	Field Office	FY 2009 Efficiency Rate
Capital Metro	Capital	Capital Heights	53%
		Capital District	40%
		Ward Place	31%
Great Lakes	Chicago	Ashburn	44%
		Roseland	70%
Northeast	Triboro	Flushing Main Post Office	75%
	New York	NYC – Hanover	68%
		Grand Central	50%
Southeast	Atlanta	Northside Carrier Facility	65%
		North Atlanta Carrier Facility	66%
		Midtown	63%
		Martech Delivery	68%

APPENDIX D: MONETARY IMPACT

Potential Sources of Workhour Savings			
Source of Workhour Savings	Number of Workhours	Labor Rate	Unrecoverable Questioned Costs¹⁹
Employee Attrition	11,515,000	\$44.26	\$509,653,900
Reduction in Overtime	2,750,958	\$37.82	104,041,229
Total	14,265,958	-	\$613,695,129

To calculate the potential workhour savings and monetary impact, we obtained a universe of all retail units along with their actual, earned, and overtime workhours and headcount information for FY 2009. We eliminated from the universe those units with only one employee.

Of the 8,014 units remaining in the universe, 3,201 performed at or above the 93 percent operational efficiency rate while the remaining 4,813 did not. We computed potential workhour savings for each of the 4,813 units by deducting what actual workhours would have been at 93 percent efficiency from actual incurred workhours. We determined that the Postal Service could reduce Retail Customer Service workhour usage by 14,265,958 based on FY 2009 usage.

We then determined that management could eliminate 11,515,000 workhours (or 6,580 full-time equivalent [FTE] positions) through attrition by dividing potential workhour savings for each of the 4,813 units by 1 man-year (1,750 hours). Retail Customer Service operations has approximately 95,000 employees. At a 5 percent attrition rate,²⁰ we estimated that 4,750 employees would retire each year. As of October 2009, the Postal Service had about 25,000 Retail Customer Service employees eligible to retire within the next 5 years. In addition, the Postal Service could eliminate approximately 12,000 non-career status and casual staff existing on the rolls as of October 2009. These positions can be eliminated because they are not subject to the no reduction-in-force clause in the union agreement.²¹ At a fully loaded labor rate of \$44.26²² per hour, the Postal Service could achieve a cost savings of \$509,653,900 each year if management does not hire new employees to backfill positions vacated through attrition and re-deploys excess employees to facilities where there is sufficient workload to support the workhours.

¹⁹ Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation.

²⁰ GAO-10-455, *U. S. Postal Service: Strategies and Options to Facilitate Progress toward Financial Viability*, April 2010, pages 15 -17 addresses the Postal Service's attrition rate.

²¹ Handbook EL-912, (May 2008) Agreement between United States Postal Service and American Postal Workers Union, AFL-CIO, 2006-2010. According to Article 6, No Layoffs or Reduction in Force, non-protected employees are subject to the reduction in force provisions.

²² *Postal Service Workhour Rates for Fiscal Years 2009-2011*.

We also determined that the remaining 2,750,958 workhours that could not be converted to FTE positions could be eliminated through overtime reductions. In FY 2009, the Postal Service incurred 9.8 million overtime workhours for Retail Customer Service operations — approximately 5.83 percent of 168 million total workhours. Several under-performing units used significant amounts of overtime workhours. At an overtime labor rate of \$37.82²³ per hour, the Postal Service could achieve a cost savings of \$104,041,229 each year if management eliminated unjustified overtime.

²³ *Postal Service Workhours Rates for Fiscal Year 2009-2011*, page 2.

APPENDIX E: MANAGEMENT'S COMMENTS

DEAN J. GRANHOLM
VICE PRESIDENT
DELIVERY AND POST OFFICE OPERATIONS



July 23, 2010

Lucine M. Willis
Director, Audit Operations
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SUBJECT: Transmittal of Draft Audit Report – Efficiency of Retail Customer Service Operations (Report Number MS-AR-10-DRAFT)

We have read the Draft Audit Report – Efficiency of Retail Customer Service Operations (Report Number MS-AR-10-DRAFT). Management agrees with the findings outlined in the reports. Management's responses to each recommendation are included below.

Recommendation 1:

Implement best practices for Retail Customer Service operations at all facilities.

Response:

Management agrees with the recommendation. The best practices recommended are inclusive of the F4 Business Plan and F4 Variance programs initiatives and are currently in the implementation stage. Additional tools that will be deployed for field use are the automated 1194, Mail Arrival Profile (MAP) and Event Tracker.

Target Completion Date: October FY2011

Recommendation 2:

Explore opportunities to consolidate business mail acceptance operations at post offices, stations, and branches.

Response:

Management agrees with the recommendation. We will begin to explore this recommendation for possible implementation in fiscal year (FY) 2011.

Target Completion Date: October FY2011

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Recommendation 3:

Periodically evaluate operating efficiency by assessing performance against productivity targets and adjusting resources in response to workload changes.

Response:

Management agrees with the recommendation. We will continue to focus on the full implementation and effective utilization of Customer Service Adjusted Workload (CSAW) for improvements in workload based scheduling.

Target Completion Date: In Progress

Recommendation 4:

Re-deploy employees, as appropriate, to facilities where there is sufficient workload to support the workhours.

Response:

Management agrees with the recommendation. This recommendation is inclusive of the F4 Business Plan and is currently in progress of implementation. Additional tools that will be deployed for field use are the automated 1994, MAP and Event Tracker.

Target Completion Date: October FY2011



Dear J. Granholm
Vice President
Delivery and Post Office Operations

cc: Vice Presidents, Area Operations
Ms. Haring
Mr. Graves