



December 26, 2003

WILLIE C. MINER  
MANAGER, BALTIMORE DISTRICT

SUBJECT: Audit Report – Efficiency of Work Performed by Clerks in the Columbia, Maryland, Business Mail Entry Unit (Report Number NO-AR-04-002)

This report presents the results of our audit of work performed by business mail entry employees in the Columbia, Maryland, Business Mail Entry Unit (Project Number 03YG053AC000). We conducted this self-initiated audit jointly with Postal Service Capital Metro Area Marketing managers.

The audit disclosed that workhours necessary to accept business mailings in the Columbia, Maryland, Business Mail Entry Unit were excessive. During the audit, Postal Service management agreed to reduce business mail entry workhours by 3,960 hours by the end of fiscal year 2005. We calculated the financial impact of this reduction in workhours could produce an estimated cost avoidance of approximately \$1.4 million over 10 years. We recommended the manager, Baltimore District, reduce hours as planned and periodically reevaluate staffing needs. 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.

We appreciate the cooperation and courtesies provided by your staff during our audit. If you have any questions or need additional information, please contact Robert J. Batta, director, Network Operations - Processing, at (703) 248-2100 or me at (703) 248-2300.

Mary W. Demory  
Deputy Assistant Inspector General  
for Operations and Human Capital

Attachment

cc: John A. Rapp  
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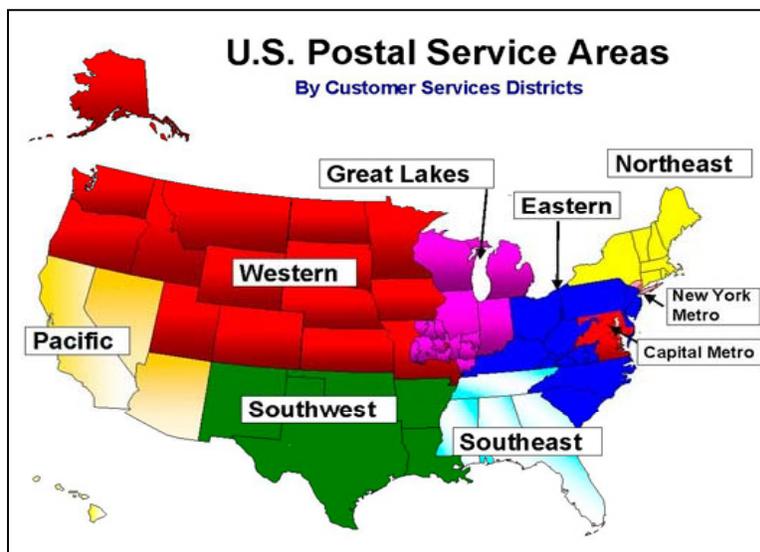
## INTRODUCTION

### Background

There are over 2,000 business mail entry units located in Postal Service facilities nationwide. They accepted approximately \$34.8 billion in revenue in fiscal year (FY) 2002, which represents about 53 percent of the Postal Service's total revenue. 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 processing and distribution centers. However, some clerks are located or operate at the bulk mail centers, detached mail units, associated post offices, and satellite offices.

Postal Service operations are organized into nine areas, as depicted below. The Columbia, Maryland, Business Mail Entry Unit is located in the Baltimore District in the Capital Metro Area. The Capital Metro Area accepted \$1.7 billion or 5 percent of total FY 2002 Postal Service business mail entry unit revenue. The Columbia, Maryland, Business Mail Entry Unit accepted \$32.4 million or 1.9 percent of the FY 2002 Capital Metro Area Business Mail Entry Unit revenue.



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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 within the Columbia, Maryland, 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 productivity at the Columbia, Maryland, Business Mail Entry Unit with other business mail entry units.

Our review was comprised of a business mail entry unit at the Columbia, Maryland, post office and a detached mail unit located at a customer site. The Columbia, Maryland, Business Mail Entry Unit has four full-time employees.

We relied on Postal Service operational systems, including the Web Enterprise Information System, Permit System, and Time and Attendance Collection 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.

This audit was conducted from October through December 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 four prior audit reports on the efficiency of business mail entry units. (See Appendix A for details.)

## AUDIT RESULTS

### **Assessment of Employees’ Workhours**

Our review disclosed that workhours within the Columbia, Maryland, Business Mail Entry Unit were excessive in relation to the number of business mailings processed. Postal Service policies<sup>1</sup> require that business mail entry units ensure the efficient use of workhours. Furthermore, FY 2002 mailings per workhour were below the area and national averages. Postal Service management agreed that 3,960 workhours<sup>2</sup> could be eliminated based on business mail volumes, benchmark data, and observations of business mail operations.

As shown in the table below, FY 2002 mailings per workhour<sup>3</sup> for the Columbia, Maryland, Business Mail Entry Unit was 0.78 while the national average was 1.66. This means the Columbia, Maryland, Business Mail Entry Unit processes less than one-half the national average for mailings per workhour.

**Table 1 – FY 2002 Mailings Per Workhour Comparison**

	<b>LDC 79<sup>4</sup> Workhours</b>	<b>Number of Mailings</b>	<b>Mailings per Workhour</b>
<b>Columbia, Maryland</b>	7,964	6,187	.78
<b>National Average<sup>5</sup></b>	8,134,577	13,495,189	1.66

<sup>1</sup> Handbook DM-109, Business Mail Acceptance, Chapter 2.

<sup>2</sup> Workhour reductions were based on the Columbia, Maryland, Business Mail Entry Unit Action Plan.

<sup>3</sup> Mailings per workhour is defined as the number of business mail entry unit mailings divided by the number of LDC 79 (labor distribution code) workhours.

<sup>4</sup> LDC 79 is the labor distribution code for mail acceptance.

<sup>5</sup> The national average was calculated by dividing total business mail entry unit FY 2002 mailings by total number of FY 2002 LDC 79 workhours.

To corroborate our analysis, observations of the Columbia, Maryland, Business Mail Entry Unit revealed:

- Business mail entry unit clerks performed nonlabor distribution code 79 tasks while clocked into the labor distribution code 79 operation code.
- Low mailing volumes per workhour.
- Detached mail unit workhours did not correspond with their mail flow.
- Business mail entry unit managers did not adjust staffing levels based on mail volumes.

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**Management's  
Actions**

To improve productivity, Postal Service managers agreed to reduce business mail entry workhours in the Columbia, Maryland, Business Mail Entry Unit by 3,960 hours by the end of FY 2005, primarily through attrition. Assuming mail volume remains constant, these actions would raise productivity to approximately 1.62 mailings per workhour based upon FY 2003 mailings. These actions would also save the Postal Service approximately \$1.4<sup>6</sup> million over the next 10 years. Appendix B details the financial impact of workhour reductions planned by the Columbia, Maryland, Business Mail Entry Unit.

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**Recommendations**

To improve business mail entry productivity, we recommend the manager, Baltimore District:

1. Reduce business mail entry hours as planned.
2. Periodically evaluate staffing to determine if further workhour adjustments are necessary based on workload.

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**Management's  
Comments**

Management agreed with our finding and recommendations, including the reduction of business mail entry workhours by 3,960 by the end of FY 2005.

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<sup>6</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. The 10-year savings equals \$1.8 million, which equates to a net present value of \$1.4 million. See Appendix B.

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**Evaluation of  
Management's  
Comments**

Management's comments for recommendations 1 and 2 are responsive to the recommendations. Management's actions, taken and planned, should correct the issues identified in the report.

## APPENDIX A

### PRIOR AUDIT COVERAGE

Work Performed by Business Mail Entry Employees in the Colorado/Wyoming Performance Cluster (Report Number CQ-AR-02-001, dated September 26, 2002), disclosed 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 were 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 workhours necessary to accept business mailings at these facilities should be reduced. As a result, management could produce an estimated cost avoidance of \$588,730 through the end of FY 2005 by fully implementing its planned workhour reductions. We recommended senior plant managers of the Seattle, Minneapolis, and Des Moines Bulk Mail Centers reduce hours, periodically reevaluate staffing needs, and ensure that appropriately trained personnel perform acceptance functions. Management agreed and the actions taken and planned were 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. During the audit, Postal Service management agreed to aggressively reduce business mail entry workhours by 28,800 hours by the end of FY 2005. We calculated the financial impact of this reduction in workhours could produce an estimated cost avoidance of approximately \$9.26 million over 10 years. We recommended the manager, Los Angeles District, reduce hours and periodically reevaluate staffing. Management agreed with our recommendations and has initiatives in progress addressing the issues identified in the report.

Efficiency of Work Performed by Business Mail Entry Clerks in the San Francisco Business Mail Entry Unit (Report Number AO-AR-03-002, dated September 25, 2003), disclosed 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 FY 2006. We calculated 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 periodically reevaluate staffing. Management agreed and the actions taken and planned were responsive to the issues identified in the report.

**APPENDIX B**

**COLUMBIA, MARYLAND, BUSINESS MAIL ENTRY UNIT  
COST AVOIDANCE  
(FUNDS PUT TO BETTER USE)**

<b>Year</b>	<b>Yearly Workhour Reduction</b>	<b>Fully Loaded Labor Rate/Hour</b>	<b>Cost Avoidance (10 Years with Escalation)</b>
FY 2004 (Effective Accounting Period 7)	3,960	\$ 40.29	\$ 1,809,825
		<b>Present Value @ 4.5% 10 Years</b>	<b>\$ 1,388,363</b>

**SOURCE**

- Workhour reductions were based on the Postal Service Columbia, Maryland, Business Mail Entry Unit Action Plan.

**ASSUMPTIONS**

- Labor rates were based on the Postal Service 2003 Published Rates for a PS-06 business mail entry unit technician.
- Yearly Escalation Factor is 2.5 percent.
- Postal Service Cost of Borrowing is 4.5 percent.

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

## APPENDIX C. MANAGEMENT'S COMMENTS

DISTRICT MANAGER  
BALTIMORE DISTRICT



November 21, 2003

Mr. Jeff Giordano  
Office of Inspector General  
1735 N. Lynn Street  
Arlington VA 22209-2020

SUBJECT: Transmittal of Draft Audit Report - Efficiency of Work Performed by  
Business Mail Entry Clerks in the Columbia Business Mail Entry Unit  
Report Number NO-AR-04-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, Columbia agrees to reduce  
business mail entry workhours (LDC 79) by 3,960 hours by the end of FY 2005.  
This will be accomplished primarily through attrition and the reversion of LDC 79  
positions. The cost avoidance savings of \$1.8 million over 10 years should be  
realized when we complete the reduction in FY 2005.

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

**Management Response:** John Gibson, Manager, Business Mail Entry Unit,  
Baltimore, will periodically review the business mail entry workhour (LDC 79) staffing  
to determine whether additional reductions are warranted.

A handwritten signature in black ink, appearing to read "W.C. Miner".

W.C. Miner  
District Manager,  
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