



September 24, 2004

THOMAS A. GUTTADAURO  
MANAGER, NEW YORK INTERNATIONAL SERVICE CENTER

SUBJECT: Audit Report - Efficiency of the New York International Service Center  
(Report Number NO-AR-04-009)

This report presents the results of our audit of the New York International Service Center (ISC) located in the New York Metro Area (Project Number 04YG008NO000). Our objective was to determine the efficiency of work performed by the New York ISC. The Manager, International Network Operations, requested this audit, which we conducted jointly with New York Metro Area mail processing managers and in cooperation with the Manager, New York ISC.

The New York ISC could improve the efficiency of processing international and military mail by reducing employee workhours by 326,000 and increasing supervisory workhours by 6,000, for a net reduction of 320,000 workhours.<sup>1</sup> This 320,000-workhour reduction could produce a cost avoidance of more than \$98 million based on labor savings over ten years. These funds represent funds put to better use and will be reported as such in the September 2004 Semiannual Report to Congress.

We made two recommendations to Postal Service management addressing these issues. Management agreed to our finding, recommendations, and monetary impact and has initiatives in progress or planned addressing the issues in this report. Management's comments and our evaluation of these comments are included in this report.

The Office of Inspector General (OIG) considers recommendation 1 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

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<sup>1</sup> This workhour reduction is based on management's aggressive plan of achieving 90 percent target productivity goal (Breakthrough Productivity Index).

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

/s/ Mary W. Demory

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## EXECUTIVE SUMMARY

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### Introduction

The Office of Inspector General assessed mail processing operations at the New York International Service Center (ISC) located in the New York Metro Area. Our objective was to determine the efficiency of work performed by the ISC. The Manager, International Network Operations, requested this audit, which we conducted jointly with New York Metro Area mail processing managers and in cooperation with the Manager, New York ISC.

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### Results in Brief

The New York ISC could improve the efficiency of processing international and military mail by reducing employee workhours by 326,000 and increasing supervisory workhours by 6,000, for a net reduction of 320,000 workhours.<sup>2</sup> This 320,000-workhour reduction could produce a cost avoidance of more than \$98 million based on labor savings over ten years. These funds represent funds put to better use and will be reported as such in the September 2004 Semiannual Report to Congress.

Postal Service management had addressed operational efficiency by adjusting their actual workhours to match the number of workhours planned for in the budget process. As a result, they reduced fiscal year (FY) 2003 workhours by 15 percent from FY 2001 levels. However, Postal Service management had not evaluated operational efficiency by benchmarking operations against other ISCs, evaluating machine utilization, or analyzing trends.

Postal Service management agreed to reduce mail processing workhours by 320,000 at the New York ISC by the end of FY 2009.

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### Summary of Recommendations

We recommended that the Manager, New York ISC, reduce mail processing by 320,000 workhours. Workhour reductions are based on FY 2003 workhour usage, with reductions to begin in FY 2004 and be completed by the end of FY 2009. We recommended management periodically evaluate operating efficiency and staffing at the New York ISC to determine whether further workhour adjustments are necessary based on workload.

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<sup>2</sup> This workhour reduction is based on management's aggressive plan of achieving 90 percent target productivity goal (Breakthrough Productivity Index).

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**Summary of  
Management's  
Comments**

Management agreed with our finding, recommendations, and associated monetary impact. They planned to reduce 320,000 mail processing workhours by the end of FY 2009, and periodically evaluate operational efficiency and staffing. Management's comments, in their entirety, are included in Appendix G of this report.

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**Overall Evaluation of  
Management's  
Comments**

Management's comments reflect that the Manager, New York ISC, has been very proactive and aggressive with implementing the recommendations. The New York ISC management has a plan to meet 90 percent of its Breakthrough Productivity Index goal. They are also committed to continually improving their operations as made evident by their participation and cooperation with the joint effort process. Management's actions, taken or planned, should correct the issues identified in the finding.

## INTRODUCTION

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### Background

The Postal Service established International Service Centers (ISCs) in 1996 to improve competition in the growing international mail market. Before 1996, Exchange Offices<sup>3</sup> processed international and military mail.<sup>4</sup> These Exchange Offices were collocated in processing and distribution centers where domestic mail processing took precedence over international mail.

On August 5, 1997, the Board of Governors approved \$146.9 million in capital investments funding and \$129.7 million (undiscounted) for lease expense funding to establish a network dedicated to processing international and military mail. The international/military network was established to improve international/military mail service with a dedicated workforce and single-focus management. The Postal Service hoped that this approach would improve service and provide the structure needed to support new products and increase revenue. In response to this marketing and sales plan, ISCs were established in Miami, Florida; Chicago, Illinois; Los Angeles, California; Dallas, Texas; San Francisco and Oakland, California; New York, New York; and Dulles, Virginia.<sup>5</sup>

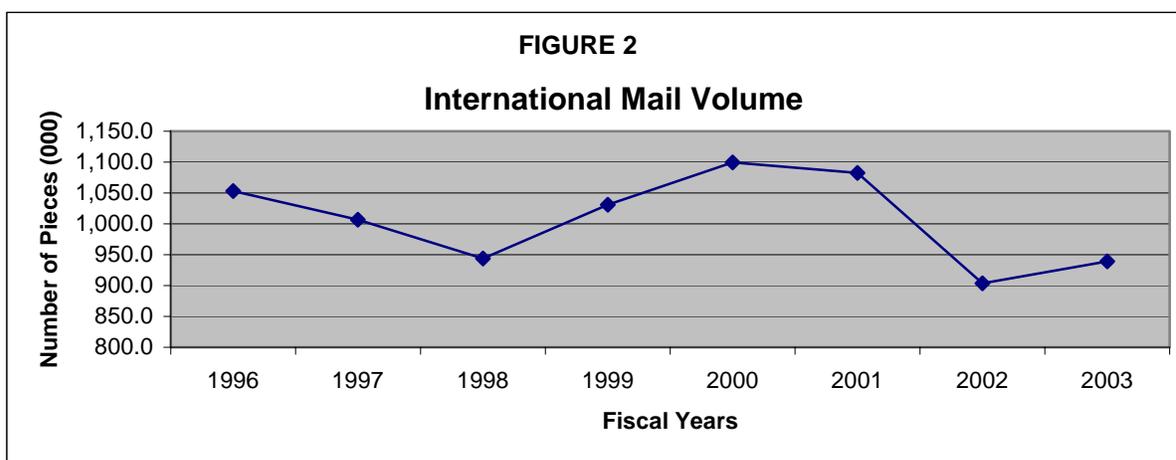
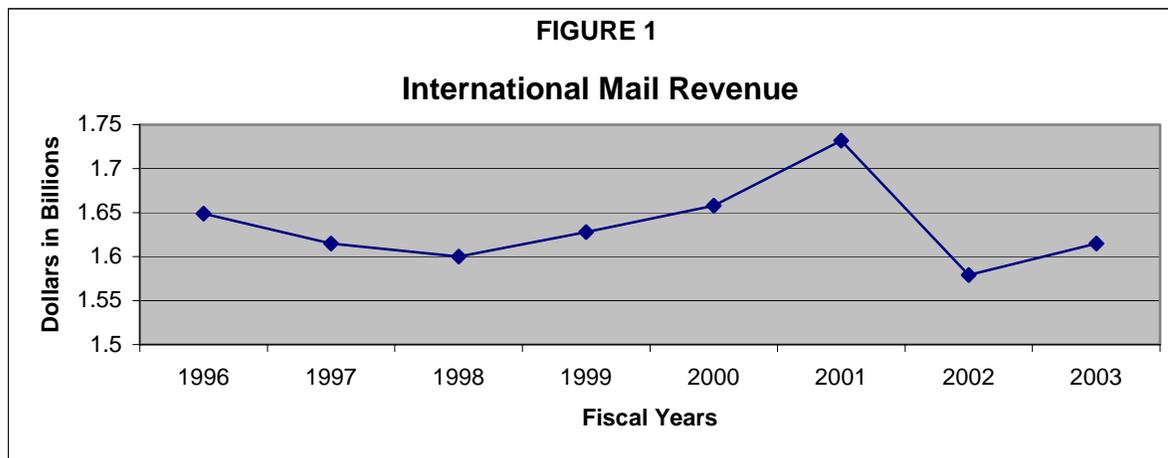
However, the marketing plan did not increase volume or revenue as projected. The volume of international mail declined by 11 percent and revenue declined by 2 percent from fiscal years (FYs) 1996 to 2003. The revenue and volume trends are shown in Figures 1 and 2 on the next page.

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<sup>3</sup> An International Exchange Office or International Mail Service Center is a post office or airport mail center or facility authorized to exchange international mail and military mail, both air and surface, with another country.

<sup>4</sup> International mail is mail originating in one country and arriving in another. It is classified as Postal Union Mail (letters, cards, and other articles), postal parcels, and Express Mail International Service. Military mail is mail addressed to or mailed from a military unit located outside the continental United States or between two military units overseas.

<sup>5</sup> The planned Dulles, Virginia, ISC was completed in October 1999 and is currently processing Priority Mail. This center does not serve as an ISC.

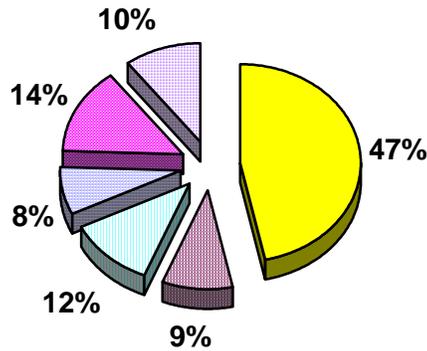


In March 1996, Coopers & Lybrand L.L.P. conducted a study on behalf of the Postal Service. The study projected international mail revenue at \$6.1 billion in FY 2000 and \$11.4 billion by FY 2005. However, actual revenue in FY 2000 was \$1.66 billion and represented a shortfall of 73 percent of the projected amount. It is unlikely that the Postal Service will achieve the FY 2005 projection of \$11.4 billion, based on FY 2003 revenue of \$1.6 billion.

The New York ISC is the largest facility in the international network. In 2003, the New York ISC processed nearly 515 million mailpieces or 47 percent of the total international mail volume. In addition, the New York ISC used approximately 2.8 million hours or 52 percent of the total international workhours to process this mail. Figures 3 and 4 on the next page, "Cumulative First Handling Pieces FY 2002 Through 2003" and "Workhours FY 2002 Through

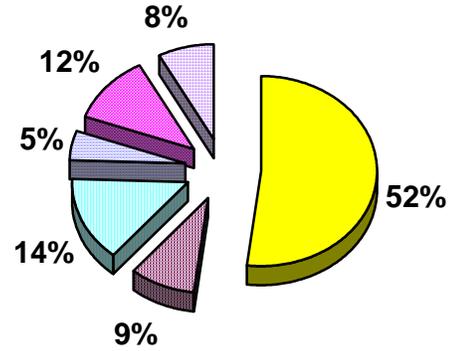
2003,” show the percentage of total volume and hours used at each of the ISCs.

**FIGURE 3**  
**Cumulative First Handling Pieces in FYs 2002 and 2003**



FY 2002 First Handling Pieces total - 1,115,942,000  
FY 2003 First Handling Pieces total - 1,075,591,000

**FIGURE 4**  
**Cumulative Workhours in FYs 2002 and 2003**



FY 2002 workhours - 5,511,291  
FY 2003 workhours - 5,477,378

**Objective, Scope, and Methodology**

The audit assessed the efficiency of work performed by the New York ISC. The Manager, International Network Operations, requested this audit, which we conducted jointly with New York Metro Area mail processing managers and in cooperation with the Manager, New York ISC.

To assess the efficiency of the New York ISC, we observed processing operations, analyzed mail volume and workhours, interviewed Postal Service employees, and evaluated machine utilization. In addition, we benchmarked the mail volumes per workhour at the New York ISC with other ISCs.

We relied on Postal Service operational systems, including the National Workhour Reporting System, the Management Operating Data System, the Web Enterprise Information System, and the Web End-of-Run System to analyze 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.

This audit was conducted from April through September 2004 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 observations and conclusions with appropriate management officials and included their comments, where appropriate.

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**Prior Audit Coverage**

We have issued two audit reports on workhour efficiency at ISCs and seven reports on efficiency at business mail entry units. (See Appendix A for details.)

## AUDIT RESULTS

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### Assessment of Resources at the New York International Service Center

Management at the New York ISC has addressed operational efficiency, but could further improve the efficiency of processing international mail by reducing workhours. Workhours could be reduced by cutting overtime, increasing machine utilization, improving productivity, improving and increasing supervision, and better scheduling of employees.

Title 39, United States Code, Chapter 4, Section 403, states, "The Postal Service shall plan, develop, promote and provide adequate and efficient postal services. . . ." Postal Service management had addressed operational efficiency by adjusting their actual workhours to match the number of workhours planned for in the budget process. As a result, FY 2003 workhours were reduced by 15 percent from FY 2001 levels. However, Postal Service management had not evaluated operational efficiency by benchmarking operations against other ISCs, evaluating machine utilization, and analyzing trends. Consequently, the New York ISC was not operating as efficiently as possible.

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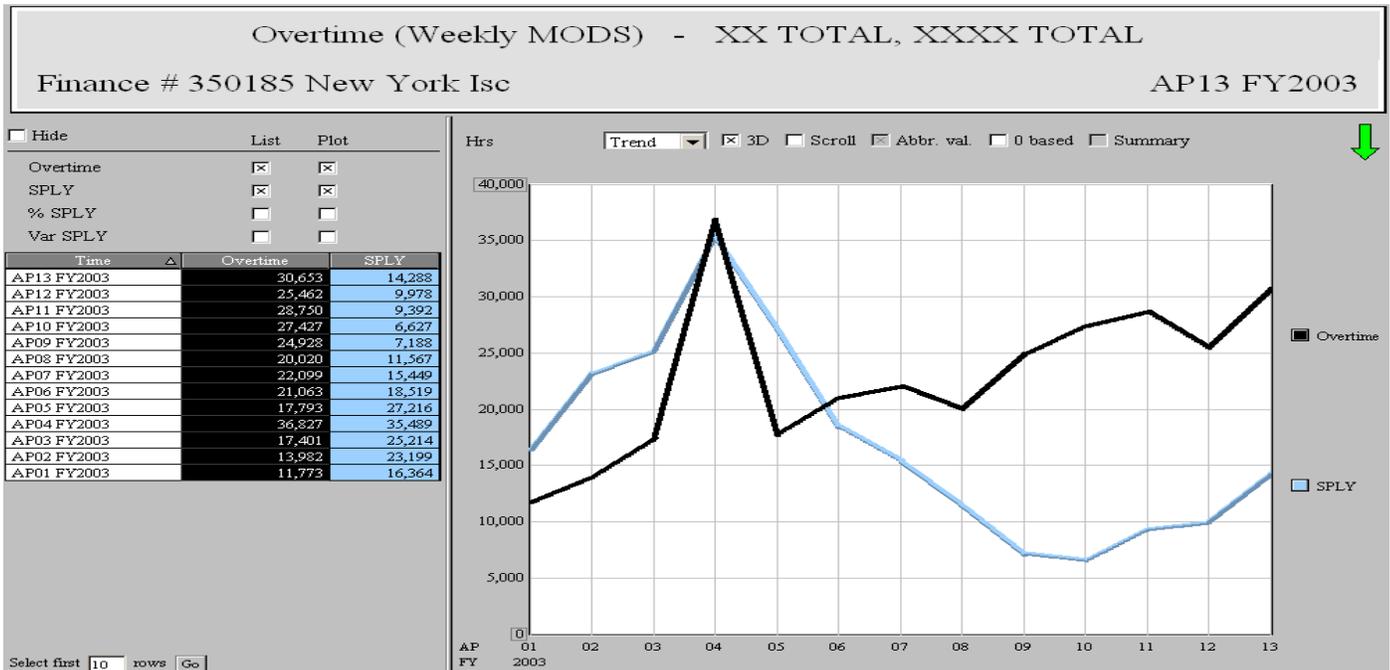
### Overtime Workhours Were Excessive in Relation to Workload

The mail volume (first handling pieces<sup>6</sup>) processed at the New York ISC increased from 505 million pieces in FY 2002 to 515 million pieces in FY 2003, an increase of nearly 2 percent. However, during the same period, overtime workhours used to process this mail increased from 220,490 in FY 2002 to 298,178 in FY 2003, an increase of 77,688 hours or 35 percent. The figure on the next page shows the increase in overtime hours for FY 2003 from the same period as last year.

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<sup>6</sup> A first handling piece is a letter, flat, or parcel that receives its initial distribution in a Postal Service facility.

**FIGURE 5. Overtime Used at the New York ISC in FY 2003**



In addition, 329 employees (22 percent of the total number of mail processing employees) are projected to earn in excess of \$70,000 in FY 2004, and 54 of these 329 employees are projected to earn in excess of \$100,000. These employees have a base annual salary range from \$37,201 to \$52,261. Because overtime was not properly monitored or controlled, the New York ISC paid overtime for processing the slight increase in mail volume. In addition, the New York ISC is incurring higher labor costs because these workhours are paid at a premium rate.

New York International Service Center  
Generally Did Not Meet Productivity Targets

The New York ISC has not achieved target productivity levels in the last two-year period for each of its mail processing operations, with the exception of the flat sorter machine. Target productivity levels are based on total pieces of mail that could be processed for each machine or workhour of an operation. In FY 2003, the New York ISC achieved 58 percent of its total targeted productivity levels.

For example, the delivery barcode sorting operation achieved 53 percent of its national target level in FY 2002 and 45 percent in FY 2003. Appendix B shows the percentage of target productivity levels achieved for each

operation and the potential workhour savings to be obtained by achieving selected target productivity levels.

New York ISC Was Generally Less Efficient Than Other ISCs

The New York ISC was generally less efficient than other ISCs. The following table depicts productivity levels using first handling pieces per workhour for the New York ISC compared to all other ISCs.

**Table 1**  
**New York ISC Data on First Handling Pieces per Workhour Versus All Other ISCs**

FISCAL YEAR	FIRST HANDLING PIECES PER WORKHOUR FOR NEW YORK	FIRST HANDLING PIECES PER WORKHOUR FOR OTHER SITES
2002	173.81	234.50
2003	183.21	210.24

For FYs 2002 and 2003, first handling pieces per workhour ratios for the New York ISC were 173.81 and 183.21 compared to the other ISCs' ratios<sup>7</sup> of 234.50 and 210.24, respectively. These ratios show that the New York ISC processed less mail per workhour than the other ISCs. Appendix C shows how the New York ISC compared to other ISCs with regard to first handling pieces per workhour for FY 2003.

Inefficiencies in Mail Operations Caused by Inadequate Supervision

Employees in mail processing did not have adequate supervision. We observed many employees who were not promptly reporting to their assigned workstations during the start of their tour or left their assigned workstation before the conclusion of their tour. In addition, employees took extended breaks or sat idle while mail backed up. As a result, numerous mail backlogs from the prior tour caused bottlenecks for the subsequent tour. These bottlenecks often resulted in work stoppages, idle employees, and overtime. We observed unmanned workstations and a large volume of mail trays and sacks backlogged on conveyors from the previous tour and mail backing up on the parcel slides with no employees present to work it, although 139 mail handlers were on duty, including 7 full-time staff on overtime. (See Illustrations 1 through 7.)

<sup>7</sup> The other ISCs included Miami, Chicago, San Francisco, Los Angeles, and Dallas.

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**Illustration 1. Mail sacks backed up at the sack sorter slide because of a lack of staff during turnover from Tour 2 to 3. Ten operators were idle at keying stations. (April 2004, New York ISC.)**



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**Illustration 2. Letter trays backed up at a receiving station on the second floor. (April 2004, New York ISC.)**



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**Illustration 3. Sack sorter backed up. Mail handlers left the area temporarily. (May 2004, New York ISC.)**



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**Illustration 4. Airline cargo containers waiting to be unloaded by ISC employees. Three hours later, an employee from the next tour began unloading mail. (April 2004, New York ISC.)**



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**Illustration 5. Outbound mail backed up on slides. We advised the Manager on duty, who instructed employees to work the mail. (May 2004, New York ISC.)**



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**Illustration 6. Mail handlers sitting while mail waits on a slide. (Note the feet in center of picture.) (May 2004, New York ISC.)**



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**Illustration 7. Inbound tray line with a letter tray jammed into rollers, stopping the conveyor and backing up mail bins. (April 2004, New York ISC.)**



Supervisor hours as a percentage of total workhours were less than the average for other ISCs. Supervisor hours for FY 2003 were 5.8 percent for the other ISCs while the New York ISC used 5.5 percent. The New York ISC could increase supervisory hours by 6,000 and still be within the average usage of supervisory hours. This comparison and our observations showed that efficiency gains could be obtained through improved and increased supervision. Appendix D shows this comparison.

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**Better Employee  
Scheduling Could  
Improve Efficiency**

Through analysis and observation, we determined that better scheduling of mail processing employees could improve efficiency. We compared mail volume with employee workhours and computed volume per work ratios for each hour of operation for the registry and Express Mail operations, as well as for overall mail processing operations. Efficiencies could be gained by reducing workhours in the registry and express section from 10:00 p.m. to 5:00 a.m., and improved scheduling throughout the entire operation could increase workhour efficiencies. (See Appendix E.)

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<b>Recommendations</b>	We recommend the Manager, New York ISC: <ol style="list-style-type: none"><li>1. Reduce mail-processing workhours by 320,000; this will result in a cost savings of approximately \$98 million over a ten-year period.</li><li>2. Periodically evaluate operating efficiency and staffing at the New York ISC to determine whether further workhour adjustments are necessary based on workload.</li></ol>
<b>Management's Comments</b>	Management agreed with our finding, recommendations, and associated monetary impact. The Manager, New York ISC, will continue to reduce workhours at the ISC through the end of FY 2009. Postal Service management also will monitor the efficiency of operations on a daily basis, and arrange an independent review semiannually to ensure savings are captured.
<b>Evaluation of Management's Comments</b>	Management's comments reflect that the Manager, New York ISC, has been very proactive and aggressive with implementing the recommendations. The New York ISC management has a plan to meet 90 percent of its Breakthrough Productivity Index goal. They are also committed to continually improving their operations as made evident by their participation and cooperation with the joint effort process. Management's actions, taken or planned, should correct the issues identified in the finding.

## APPENDIX A

### PRIOR AUDIT COVERAGE

Work Performed by Business Mail Entry Employees in the Colorado/Wyoming Performance Cluster (Report Number CQ-AR-02-001, September 26, 2002), reported that many of the business mail entry employees at the Denver Bulk Mail Center and Denver General Mail Facility were not needed to accept business mailings. Management could save an estimated \$1 million annually if the number of employees was reduced. We recommended that management oversee the consolidation of business mail entry operations and reduce staff as planned, and reevaluate staffing to determine whether further staff reductions were 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, March 28, 2003), reported that these facilities should reduce the workhours necessary to accept business mailings. Management could save an estimated \$588,730 through the end of FY 2005 when its planned workhour reductions are fully implemented. We recommended that Senior Plant Managers at 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 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, July 31, 2003), reported that the district should reduce the workhours necessary to accept business mailings. During the audit, Postal Service management agreed to aggressively reduce business mail entry workhours by 28,800 hours by the end of FY 2005. This reduction in workhours could produce an estimated cost avoidance of approximately \$9.26 million over ten years. We recommended that 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.

Efficiency of Work Performed by Business Mail Entry Clerks Within the San Francisco District (Report Number AO-AR-03-002, September 25, 2003), reported that the district should reduce the workhours necessary to accept business mailings in the San Francisco Business Mail Entry Unit. During the audit, Postal Service management agreed to aggressively reduce business mail entry workhours by 18,000 hours by the end of FY 2006. This reduction in workhours could produce an estimated cost avoidance of approximately \$6.9 million over ten years. We recommended that the Manager, San Francisco District, reduce hours as planned and reevaluate staffing

needs periodically. 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 at the Southern Maryland Business Mail Entry Unit (Report Number NO-AR-04-001, December 24, 2003), reported that the district should reduce the workhours necessary to accept business mailings in the Southern Maryland Business Mail Entry Unit. During the audit, Postal Service management agreed to aggressively reduce business mail entry workhours by 20,240 hours by the end of FY 2006. This reduction in workhours could produce an estimated cost avoidance of approximately \$8.4 million over ten years. We recommended that the Manager, Capital District, reduce hours as planned and reevaluate staffing needs periodically. 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 in the Columbia, Maryland, Business Mail Entry Unit (Report Number NO-AR-04-002, December 26, 2003), reported that the district should reduce the workhours necessary to accept business mailings in the Columbia, Maryland, Business Mail Entry Unit. During the audit, Postal Service management agreed to reduce business mail entry workhours by 3,960 hours by the end of FY 2005. This reduction in workhours could produce an estimated cost avoidance of approximately \$1.4 million over ten years. We recommended that the Manager, Baltimore 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.

Efficiency of Work Performed by Business Mail Entry Clerks in the Springfield, Virginia, Business Mail Entry Unit (Report Number NO-AR-04-004, February 9, 2004), reported that the district should reduce the workhours necessary to accept business mailings in the Springfield, Virginia, Business Mail Entry Unit. During the audit, Postal Service management agreed to reduce business mail entry workhours by 2,775 hours by the end of FY 2006. This reduction in workhours could produce an estimated cost avoidance of \$969,893 over ten years. We recommended that the Manager, Northern Virginia 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.

Efficiency of the San Francisco International Service Center and the General Services Administration Facility (Report Number NO-AR-04-006, March 31, 2004), reported that the district should reduce the workhours necessary to process mail at the San Francisco ISC, transfer mail from the General Services Administration (GSA) facility to the San Francisco ISC, and close the GSA facility. During the audit, Postal Service management agreed to reduce mail processing workhours at the San Francisco ISC by 120,000 hours by the end of FY 2007. This reduction in workhours could produce an estimated cost avoidance of approximately \$39 million over ten years. In addition, management agreed to close the GSA facility, which could produce a cost avoidance of

approximately \$5.2 million over ten years. We recommended that the Manager, San Francisco District, reduce hours as planned, close the GSA facility, and periodically reevaluate staffing. Management agreed, and the actions taken and planned were responsive to the issues identified in the report.

Efficiency of the Oakland International Service Facility and the Regatta Facility (Report Number NO-AR-04-007, March 31, 2004), reported that the district should reduce the workhours necessary to process mail at the Oakland International Service Facility, transfer mail from the Regatta Facility, and close the Regatta Facility. During the audit, Postal Service management agreed to reduce mail processing workhours at the Oakland ISC by 25,000 hours by the end of FY 2006. This reduction in workhours could produce an estimated cost avoidance of approximately \$5.4 million over ten years. In addition, management agreed to close Building 512 rather than the Regatta Facility due to an early termination of the Building 512 lease. The closure of Building 512 could produce a cost avoidance of approximately \$3.4 million. We recommended that the Manager, Oakland District, reduce hours as planned, close Building 512, and periodically reevaluate staffing. Management agreed, and the actions taken and planned were responsive to the issues identified in the report.

**APPENDIX B**

**TARGETED PRODUCTIVITY LEVELS ACHIEVED BY EACH TYPE OF MAIL PROCESSING  
OPERATION AND POTENTIAL HOUR SAVINGS BASED ON PERCENTAGE OF ACHIEVEMENT  
TO TARGET  
FYS 2002 AND 2003**

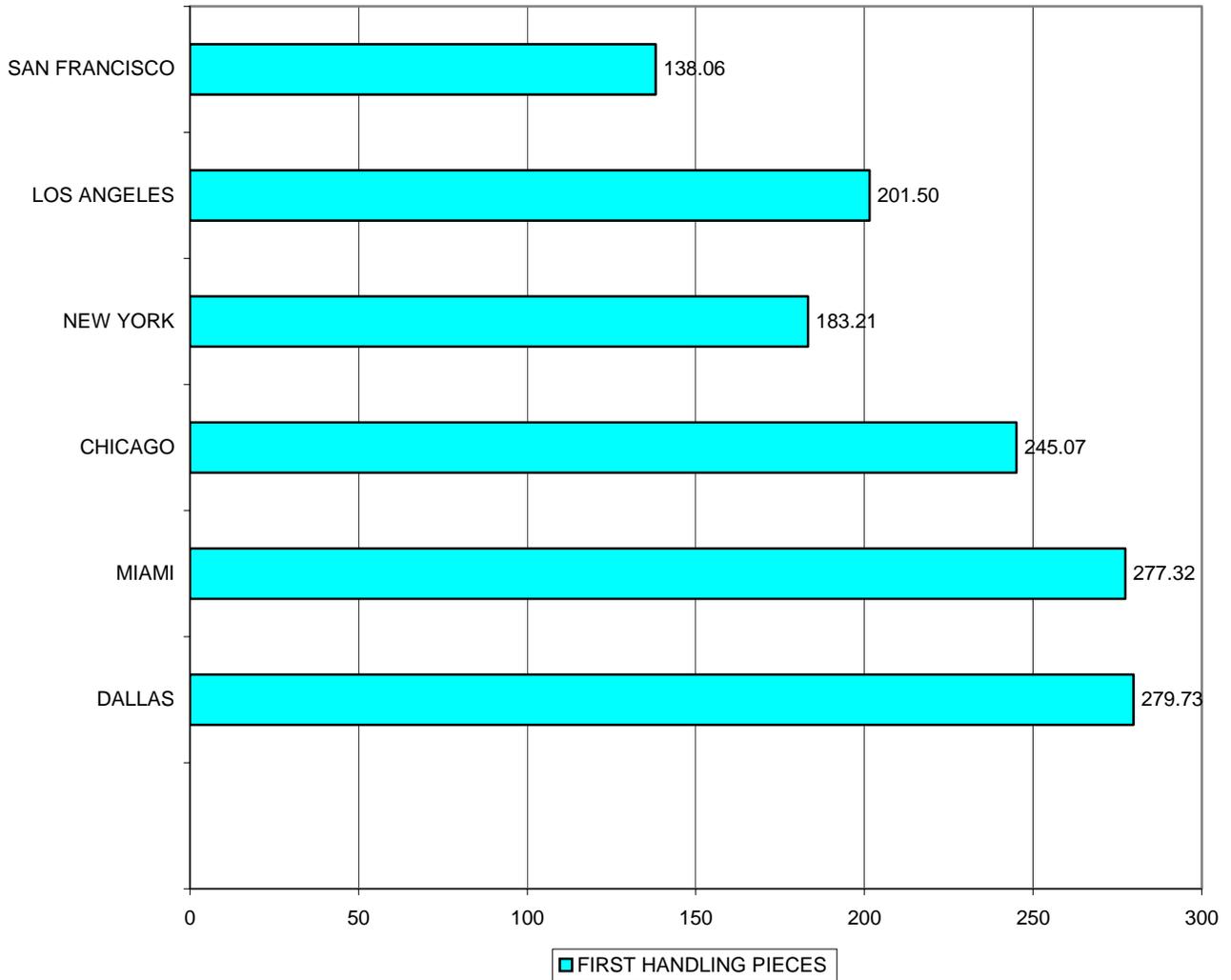
	WORKHOUR PRODUCTIVITY		Target	ACHIEVED		ON TARGET ACHIEVED			
	2002	2003		2002	2003	100%	90%	80%	70%
Flat Sorter Machine 1000	639	380	600	106%	63%	6,921	5,596	3,940	1,810
Automated Flat Sorter Machine 100	1,897	2,201	2,100	90%	105%	(1,931)	(6,590)	(12,414)	(19,902)
Small Parcel Bundle Sorter	297	235	300	99%	78%	58,500	35,211	6,100	(31,329)
Delivery Barcode Sorter	4,792	4,119	9,082	53%	45%	46,590	42,294	36,924	30,020
Multi Line Optical Character Reader	3,901	4,184	6,400	61%	65%	28,171	22,261	14,873	5,375
Mail Processing Barcode Sorter	N/A	3,314	8,086	N/A	41%	10,139	9,356	8,378	7,120
Advance Facer Cancellor Sorter	N/A	4,144	20,000	N/A	21%	18,807	18,261	17,578	16,700
Manual Letters	316	228	445	71%	51%	102,434	90,500	75,583	56,404
Sack Sorter	N/A	105	316	N/A	33%	29,935	28,288	26,228	23,581
<b>Totals</b>	<b>11,841</b>	<b>18,805</b>	<b>5,259</b>	<b>80%</b>	<b>59%</b>	<b>299,566</b>	<b>245,177</b>	<b>177,190</b>	<b>89,779</b>
<b>Manual letters productivity based on total pieces fed</b>									

Totals for operations were determined by total pieces on each of the mail processing operations divided by the total workhours used on each of the mail processing operations.

Source: Management Operating Data System and Breakthrough Productivity Index Targets.

### APPENDIX C

### FY 2003 FIRST HANDLING PIECES PER TOTAL WORKHOURS

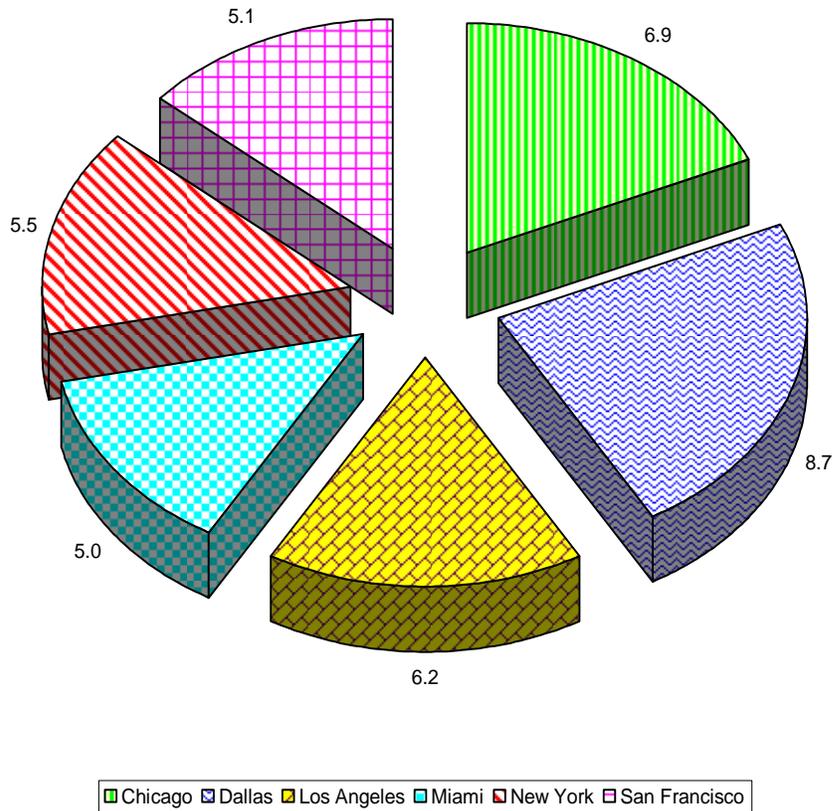


Note: We computed the ratios by dividing the first handling pieces volume and total handling pieces volume by the total workhours for FY 2003.

Source: Web Enterprise Information System.

### APPENDIX D

## SUPERVISOR HOURS AS A PERCENTAGE OF TOTAL WORKHOURS FY 2003 (Shown in Percentages)

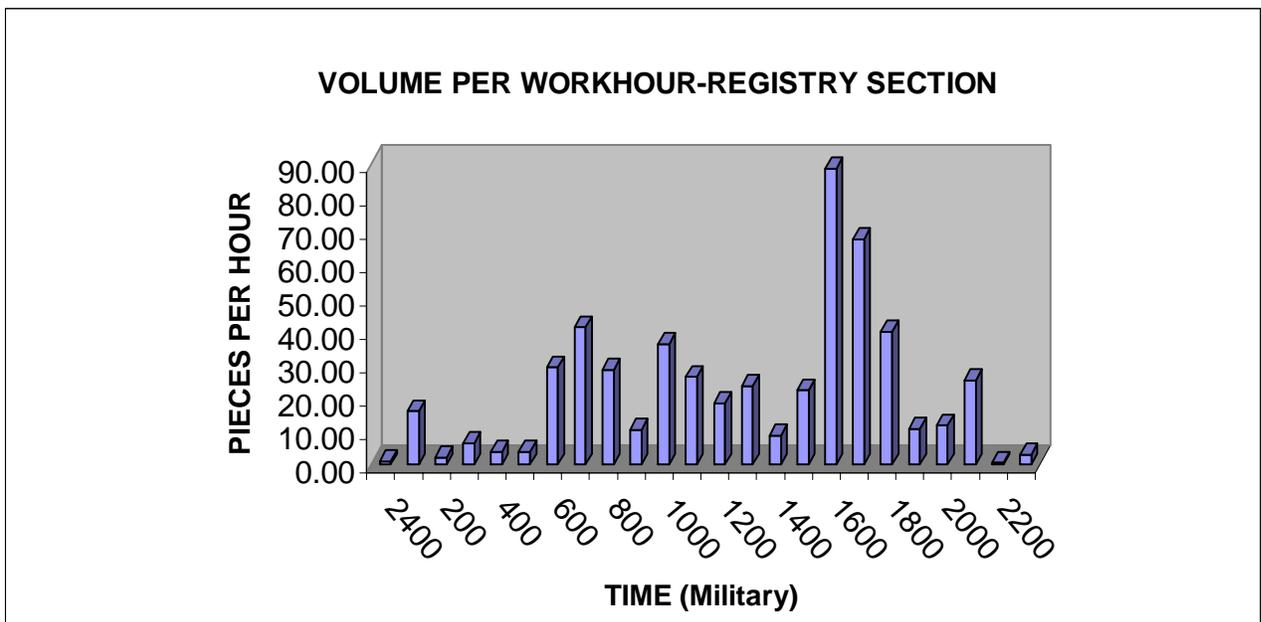
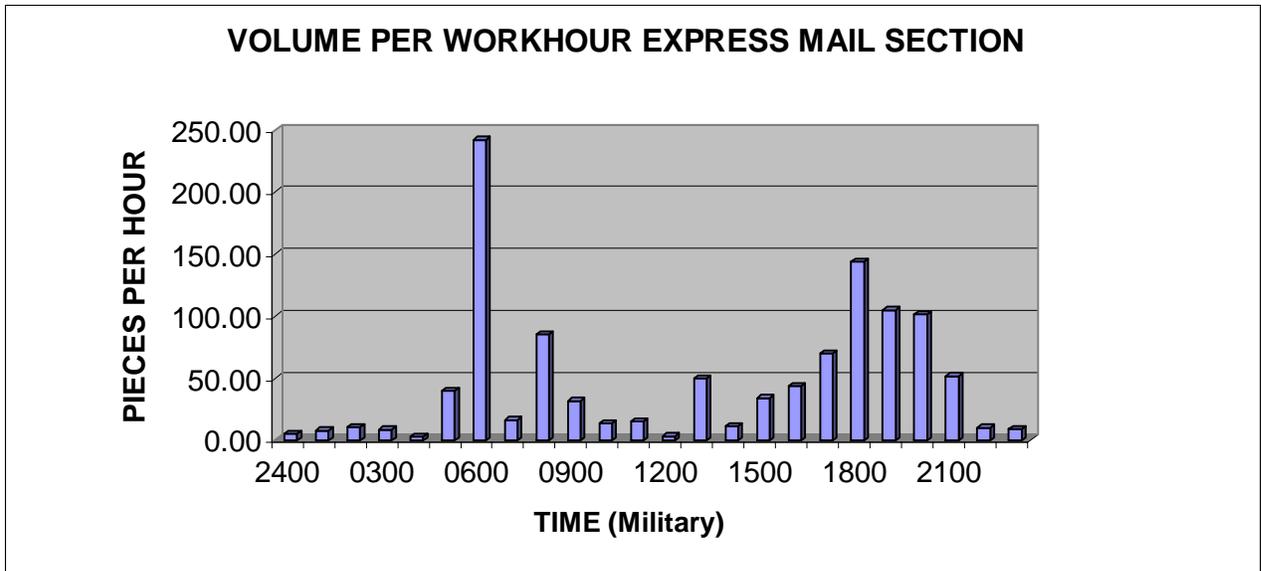


The average for all sites is 5.8 percent. The percentage used by the New York ISC was 5.5 percent.

## APPENDIX E

### VOLUME PER HOUR OF OPERATION BASED ON MAIL ARRIVAL AND WORKHOURS FOR THE REGISTRY AND EXPRESS OPERATIONS

Opportunities for workhour savings exist from 22:00 to 05:00 based on low productivity, as shown by volume per workhour for these time periods.



**APPENDIX F**

**COST AVOIDANCE AT THE NEW YORK  
INTERNATIONAL SERVICE CENTER  
(FUNDS PUT TO BETTER USE)**

<b>EMPLOYEE CATEGORY</b>	<b>Total Workhour Reduction (Increase)</b>	<b>Undiscounted Total Saving or (Cost) (Ten Year – 2.7 Percent Escalation Rate)</b>	<b>Discounted Total Saving or (Cost) (Ten Year – 5 Percent Discount Rate)</b>
Supervisor Workhour Increase (EAS-17). Yearly reduction of 1,200 hours	(6,000)	(\$3,103,324)	(\$2,149,907)
Mail Processing Clerks (PS 5). Yearly reduction of 65,200 hours	326,000	\$145,076,439	\$100,505,441
<b>Totals (ten fiscal years)</b>	<b>320,000<sup>8</sup></b>	<b>\$141,973,115</b>	<b>\$98,355,534</b>

**NOTES**

- The total workhour reduction of 320,000 is based on increasing supervisor hours by 6,000 and decreasing mail processing clerk workhours by 326,000.
- Workhour reductions are based on Postal Service management’s plan to reduce 320,000 workhours over a five-year period from FYs 2005 to 2009, based on FY 2003 workhour usage of 3,453,493.
- We calculated cost avoidance using the hour savings multiplied by the escalated labor rate over a ten-year period.
- We calculated the net present value using the discount rate of 5 percent over a ten-year period. The yearly escalation factor is 2.7 percent.
- Labor rates were based on the Postal Service’s 2003 published rates for a PS-05 Mail Processing Clerk and Executive and Administrative Schedule (EAS) -17 Supervisor.

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

<sup>8</sup> This workhour reduction is based on management’s aggressive plan of achieving 90 percent target productivity goal (Breakthrough Productivity Index).

## APPENDIX G. MANAGEMENT'S COMMENTS

MANAGER, OPERATIONS SUPPORT  
NEW YORK METRO AREA



September 13, 2004

MARY W. DEMORY  
DEPUTY ASSISTANT INSPECTOR GENERAL  
FOR OPERATIONS AND HUMAN CAPITAL  
OFFICE OF INSPECTOR GENERAL

SUBJECT: Efficiency of the New York International Service Center  
(Report Number NO-AR-04-Draft)

At the request of the Manager, International Network Operations, the Office of the Inspector General (OIG) performed an efficiency audit of the New York International Service Center (NY ISC) in April / May 2004. This audit was conducted jointly with representatives of the OIG, New York Metro Area, and NY ISC mail processing managers. The observations and findings were determined by this group in a cooperative effort and management agrees with these results.

Specifically, the audit identified potential mail processing workhour savings of three hundred, twenty thousand (320,000), producing a cost avoidance of \$98 million over ten years that management agrees is fair, reasonable, and attainable over the ten year period.

The following will address each individual finding and recommendation:

Recommendation #1:

Reduce mail processing workhours by 320,000; this will result in a cost savings of approximately \$98 million over a ten year period.

Response

This workhour savings is based on management's aggressive plan to achieve 90% to Breakthrough Productivity Index (BPI) target productivities. The NY ISC has demonstrated significant workhour and complement reductions over the past four years; specifically, a reduction in workhours of fifteen percent (15%) from FY2001 through FY2003. Management foresees similar performance for the next several years and agrees that the recommended reduction of 320,000 mail processing workhours over a ten year period is attainable.

The Plant Manager of the NY ISC will be responsible for achieving these savings through the implementation of the following Local Management Initiatives (LMI):

- 1- continue Automated Flat Sorting Machine (AFSM) Certification status – LDC-12, ongoing,
- 2- achievement of Automation Certification status – LDC-11, October 2004,
- 3- further automation and improved efficiency of the Express Mail and Registry operations – LDC-18, October 2005,
- 4- installation of material handling systems; Airline Receiving Concourse and Tray Transport System – LDC-17, March 2006, and
- 5- evaluate supervisor staffing and areas of responsibility to improve employee management, performance, and efficiency, January 2005.

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Recommendation #2:

Periodically evaluate operating efficiency and staffing at the NY ISC to determine whether further workhour adjustments are necessary based on workload.

Response:

NY ISC management has previously performed staffing evaluations and adjustments on Registry operations – FY2000, domestic mail operations – FY2000, the Flat Sorter operation – FY2001, SPBS operations 2001, and the automation operation – FY2002. These adjustments resulted in significant efficiency improvements and a positive trend in workhour reductions as stated above and management agrees to continue the evaluations and adjustments to improve efficiencies.

The Plant Manager of the NY ISC will be responsible for continuing these evaluations at a minimum of twice a year and as necessary. As information, management is currently evaluating the staffing and efficiencies in those operations that will be impacted with implementation of the LMIs as defined in Response #1 above.

As this report is a product of the cooperative effort by the OIG and USPS management, there is no proprietary or other business information that is exempt from disclosure under the Freedom of Information Act (FOIA).

*If you have questions or require additional information, please contact me at 718.321.5750.*



Steven J. Forte

cc: David L. Solomon